"What if we could start over?"1
The US Forest Service Champions "Bottom-Up" Management (A)

Introduction

In 1985, the US Forest Service began an ambitious pilot project in several forests and a research site designed to reduce bureaucratic red tape and cultivate an entrepreneurial spirit in its work force. At the heart of the project was an oft-repeated statement of philosophy that placed a premium on risk-taking and encouraged "bottom-up" innovations in place of "top-down" regulations. To reduce bureaucratic barriers to its field administrators, the Forest Service created a process by which—within the bounds of law—Forest Service administrators could change or eliminate regulations they found especially onerous. One of the big discoveries of the pilot project, however, was that, in many respects, local Forest Service administrators had been their own worst enemy. A large proportion of the innovative ideas that grew out of the project—75 percent by one estimate—were things that local administrators were empowered to do without special permission; these officials had been constrained mostly by organizational inertia and their own "bureaucratic" mind-set, and many were excited to throw off their shackles. Forest supervisors approved all kinds of innovations—from bicycle-riding forest rangers in one forest to a speedier processing of grazing permits in another. The Forest Service experiment received favorable attention in public sector management circles and in the press, and Forest Service Chief Dale Robertson hoped that he would eventually be able to expand the initiative agency-wide.

In one area, however, the project gave local pilot site administrators a specific and controversial freedom: the freedom to shift funds from one budget line item to another within broad budget categories. Under the terms of the experiment, local supervisors were to be judged not—as in the past—by how diligently they complied with the Congressionally-approved budget breakdown, but by the degree to which their units met the performance objectives, or targets, associated with the budget.

In 1991, however, an agency-wide controversy would erupt that would make it clear that any attempt to reconcile Congressional intent with local budget autonomy was far from foolproof. Forest

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1 Title of a Forest Service brochure about the pilot project. (Undated.)

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Service Chief Dale Robertson, suddenly faced with a situation that was politically damaging both to himself and his agency, had to decide how to approach the immediate problem and how to make sure it did not recur.

Background

The US Forest Service—a bureau of the US Department of Agriculture (USDA)—is a large and far-flung agency with a complex mission. In 1992, with an annual budget of $3.9 billion and 36,000 employees, the agency had responsibility for 191 million acres of federal land—equivalent to the combined land area of Texas and Louisiana—scattered across the country in 156 national forests and 19 grasslands. Initially created primarily to assure timber and water supplies from these publicly held lands, the Forest Service saw its mandate significantly broadened by Congress in the 1960s to include wildlife and wilderness protection and the provision of recreation facilities to the general public. During the subsequent two decades, these latter responsibilities gained in relative importance, and the jobs of forest supervisors became increasingly complex, as they oversaw a more diverse professional work force and mediated among a litany of competing demands for the lands under their purview. Operating out in the hinterlands, far from the concerns that animated Congress or the agency’s Washington headquarters, these Forest Service employees prided themselves on their down-to-earth know-how and concrete accomplishments. In 1992, the Forest Service collectively presided over the harvesting of 7.3 billion board feet of timber, conducted a 13 million acre inventory of fish and wildlife, reforested 492,000 acres, and constructed 1,180 miles of new roads—to name just a few of the accomplishments listed in the agency’s annual report. “They describe themselves as being a very can-do type of organization,” says one Washington-based observer. “Lots of esprit de corps.”

Given this orientation, the local foresters regarded with exasperation the steadily growing stream of rules, regulations and dictates emanating from Washington in the sixties, seventies, and eighties that seemed specially designed to make their work more difficult and less efficient. Karl Mettke, a consultant to the Forest Service’s eastern “Region 9,” reported that by the end of the 1980s, the volume of regulations—stacked on top of the other, stretched 17 feet in the air.2

Gradually during this period, a pronounced gulf developed between the field staff of the Forest Service on the one hand and, on the other, the Washington bureaucrats and policy makers on the Hill. Indeed, those “rabble-rousing” forest supervisors who artfully managed to circumvent the red tape were accorded particular respect by their colleagues in the field. One of the biggest areas of contention was the budget. The Congressional appropriation to the national forest system came to the agency divided into assorted budget line items. Forest Service headquarters, in turn, disbursed the funds—still divided into these coded budget categories—to the agency’s nine regional offices. (See Exhibit 1.) The regional offices then disbursed the money—still divided into line items—to the forests. Because the Forest Service was so dispersed, and because there were so many line items in the budget, forest supervisors and district rangers complained that by the time the funding got to them, it had become a long list of small sums of

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money, each restricted and inflexible. Budget management at the local level of the Forest Service was seen as a terrible headache.

If a forest supervisor wanted to shift money from one line item to another—trail maintenance to administration of permits, for example—there was a recourse: the supervisor could seek "reprogramming" authority from the regional office. Technically, the regional office could approve the request—but only by adjusting the trail maintenance and administration of permit budgets of its other forests to compensate for the shift of funds, which was generally an unworkable option. More typically, the request was forwarded to the Washington headquarters, which would review the matter and generally forward it on to the Office of Management and Budget (OMB) and to the appropriate House and Senate Appropriations Subcommittees for final approval. All in all, local forest supervisors complained, this was a time-consuming and onerous process that wasted valuable resources. An internal study conducted in 1981 revealed that each year, the average forest devoted 150 person-days just to developing its annual budget request. The same study estimated that hundreds of millions of dollars each year—10 to 15 percent of the Forest Service's resources, nationwide—were consumed in preparing, revising, and keeping track of the budget.

What's more, the constraints on shifting of funds from one line item to another made it hard, or impossible, for forest supervisors to take advantage of passing opportunities or to respond to unforeseen problems. As an example, Gilbert Churchill, budget coordinator for the Forest Service's eastern region, says, "If the Rod and Gun Club says, 'Gee, we'll give you $25,000 if you match it with $10,000 [to] build a parking lot'... if we don't have the $10,000 in an account we can tap, we feel bad about it, and the public has lost an opportunity." Eric Morse, supervisor of the Mark Twain National Forest in Missouri, gives another example drawn from his own forest: a bunch of feral hogs was recently let loose inside the forest. Not a crisis of epic proportions, perhaps, but on the other hand, feral hogs multiply quickly and, according to Morse, destroy forest land as surely as a raging fire. In this instance, rounding up the hogs and repairing the damage required $50,000—a small piece of his multi-million dollar budget—but Morse did not have that money available in the appropriate budget line item. Under the traditional Forest Service budget system, he says, he would have had to seek "reprogramming authorization" from the region, the Washington office, OMB, and Congress, which might easily have taken several months. "If I'd had to send a request through the system, the hogs would have overcome Missouri," he says. "And things like that happen all the time." In essence, forest supervisors felt themselves to be caught between a rock and a hard place: if they did not follow the reprogramming rules, they were in trouble with their headquarters and with Congress; but if they were inefficient and failed to solve immediate problems in their forests, they were also in trouble. "Someone is going to be awful unhappy—and it's probably going to be the local Congressman and two Senators," says one Forest Service official.

Frustrations in the local outposts of the Forest Service dovetailed in the late 1970s and early 1980s with a new school of thought in business and government management circles, articulated by Thomas Peters and Robert Waterman Jr. in their well-known book, In Search of Excellence, that urged a loosening of bureaucratic constraints and encouraged creativity and flexibility at all levels of an organization. In 1985, Forest Service headquarters in Washington decided—as part of a larger USDA initiative to cut administrative costs—to launch a National Pilot Test. "The idea was that the budget was so complicated
and took up so much time and nothing ever added up right. They wanted to figure out something different,” says Bill DeLaney, a management improvement specialist for the Forest Service. The Washington administrator who took charge of the pilot project was then-Associate Chief Dale Robertson. Robertson had worked his way up through the ranks of the Forest Service, and before his promotion to Washington in 1980, had been known as one of those rabble-rousing forest supervisors who managed to outmaneuvre the rules and regulations handed down from Washington.

“Dale Robertson was the spearhead of it,” recalls DeLaney, an aide to Robertson at the time. “I think as he began to visualize what this would look like, it expanded a lot further than just the budget.”

He expanded it to be an “attack” on the bureaucracy—that was the word he used when he started to pull this thing together. The budget was part of it, but what he was after was breaking down the bureaucracy—getting it off people’s backs, getting out of their way, trying to reduce barriers, allowing people to operate in ways that made sense and use their intuition and their ideas and their creativity.

In the context of the hierarchical, and, by some descriptions, hidebound Forest Service, this represented nothing less than a cultural revolution.

The pilot project was initiated at four sites the first year—three national forests and a research station. The following year, a second research station was added, as well as the entire 20-state eastern region of the Forest Service, known as Region 9. In January 1988, the central Washington office of the Forest Service officially became a pilot site as well. The pilot sites received no special funding. Local supervisors were encouraged to take risks and were assured that failures were to be viewed as learning experiences rather than as a threat to job security. Local Forest Service personnel were introduced to the notion of pushing decision-making lower and lower in the organizational ranks. And they were given relief from a few specific bureaucratic requirements. Personnel ceilings were lifted. Procurement restrictions were loosened. And, when pilot site supervisors wanted special permission to change or eliminate a bureaucratic requirement, they were given a new process. They appealed directly to Robertson—leapfrogging over the litany of middle managers in between. “Dale’s theory in the beginning was, if we go through the system—that is, middle management—if we process everything the way we normally do, it will be dead in the water in six months. It just couldn’t work. So he decided to bypass the entire system,” says DeLaney. “There was a little bit of discussion—a heated discussion—about that in the beginning.” The requests rolled in, and Robertson’s impulse was to grant almost everything he was authorized to grant. If the request required permission from outside the Forest Service—from the Office for Management and Budget (OMB), for example—it was sent to a “steering committee” of the Forest Service deputy directors, chaired by Robertson, which would review the request and—if it were reasonable—write letters to the other agencies to try to win their permission. Over the next few years, Robertson and his committee approved many hundreds of special requests. A few, DeLaney concedes, were “a little borderline.” For instance, Robertson and his committee permitted one forest to give out cash awards to employees as a reward for outstanding job performance. Since this violated some of the
strict rules governing the administration of the federal payroll, the Forest Service was forced to halt the practice. But, DeLaney adds, the Forest Service may have made a few mistakes of this kind, there were “no improprieties” as a result of the pilot: “No one ran off with the impress fund.”

After two years of the pilot project, Forest Service officials were adjudging it a success for several reasons: overall productivity—as measured by such things as timber sales, wildlife habitat improvement, and campground maintenance—had increased by an estimated 18 percent in the pilot sites. Field staff reported that—freed up from time-consuming budget paperwork—they were much more efficient. Pilot sites proved able to respond effectively to unforeseen events. Surveys indicated that employee morale had improved markedly. And in Region 9, forests began working more cooperatively with one another, resulting in overall gains in productivity for the region.

The Big Bucket

The pilot project freed pilot site supervisors from red tape in a number of ways, but one of the most critical components of the project was budget flexibility. Within the larger budget code categories, pilot site supervisors were allowed to shift money from one budget line item to another without slogging through the reprogramming process. There were two provisos: pilot site supervisors were expected to meet the performance objectives associated with any given budget account before shifting the money to another area. And they were expected to report accurately to Washington about how they were actually spending their Congressional appropriation. Otherwise, however, the pilot site supervisors were encouraged to be creative in allocating funds and to operate as though their funds came to them in one lump sum—or “Big Bucket”—rather than in the traditional collection of smaller earmarked chunks.

In designing the Big Bucket, the Forest Service determined that it did not need—or did it seek—any outside permission from the USDA or from the House or Senate Appropriations Committees. The Forest Service was responsible for making sure that aggregate agency spending matched the budget line items in the reports of the Appropriations Subcommittees, but the committees did not require regions, individually, to comply with the breakout. Since Region 9 was relatively small vis-a-vis other regions, Robertson gambled that the Forest Service could allow Region 9 and the other pilot sites extra flexibility, and still be confident that Forest Service spending as a whole would comply with the guidelines of the committee reports.

The Fate of the Big Bucket

Despite a widespread desire for increased budget flexibility at the local level, the Big Bucket component of the pilot project waxed and waned and ultimately fizzled out in all pilot sites except Region 9 after three or four years. In several cases, pilot site supervisors complained that operating with different budget rules strained their relationships with the regional offices and actually placed them at a disadvantage vis-a-vis other forests or research sites in the competition for funds inside the region.

Region 9, for its part, stuck with the Big Bucket, although regional administrators also believed that the region was penalized in certain respects for the experiment. A 1991 study found that, during the first five years of the pilot project, Region 9’s overall budget declined by seven percent, while the other