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HAS GOVERNMENT BEEN "REINVENTED"?

HEARING

BEFORE THE

OVERSIGHT OF GOVERNMENT MANAGEMENT, RESTRUCTURING, AND THE DISTRICT OF COLUMBIA SUBCOMMITTEE

OF THE

COMMITTEE ON GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

ONE HUNDRED SIXTH CONGRESS

SECOND SESSION

May 4, 2000

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THURSDAY, MAY 4, 2000

U.S. SENATE,
OVERSIGHT OF GOVERNMENT MANAGEMENT, RESTRUCTURING,
AND THE DISTRICT OF COLUMBIA SUBCOMMITTEE,
OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:08 a.m., in room SD–342, Dirksen Senate Office Building, Hon. George V. Voinovich, Chairman of the Subcommittee, presiding.

Present: Senators Voinovich, Durbin, and Thompson.

OPENING STATEMENT OF SENATOR VOINOVICH

Senator VOINOVICH. The hearing will come to order.

Good morning and welcome. Today the Subcommittee on Oversight of Government Management will examine the National Partnership for Reinventing Government, known more commonly by its abbreviatin NPR. Initiated in March 1993, NPR's stated goal was to "create a government that works better, costs less, and achieves the results Americans care about."

It is now the Federal Government's longest-running government reform initiative, and on that I congratulate them. I have learned from my own experience that you can't make any systemic change without a long-term commitment.

This morning, though, I would like to look beyond the longevity of NPR to learn more about what it has and has not accomplished. This fits in with the Subcommittee's larger goal of considering where we have been and where we need to go to ensure that the Federal Government is prepared to meet the challenges of the next century.

As many of you know, prior to my election, I served on the executive side of government for over 26 years as a county commissioner, mayor, and governor. I was very much involved in management and audits and what can be achieved with them and sometimes what cannot be achieved with them.

In fact, I will never forget that when I ran for commissioner, I said we are going to get in the bowels of county government, and as mayor, I said the bowels of the city government. Senator Thompson, you might be interested to know when I came to Washington, they took me literally, and put me in the bowels of the Dirksen Building. [Laughter.]

But my motto for State Government was to work harder and smarter and do more with less. We established the Operations Im-

provement Task Force and public-private partnerships on the State level, and they were very, very worthwhile.

So I am very interested in the NPR management initiative. What has it accomplished? And where do we have to go? In other words, let's build on its successes, identify the weaknesses, and see if we can't address them.

Unfortunately, I cannot ask the Director of NPR, Morley Winograd, questions about the program. Although officially invited almost a month in advance, Mr. Winograd has declined our invitation to be the lead witness or to send a deputy to discuss NPR's record.

NPR has taken on an operational role, acting on its own as an agent of change in the government. It would have been appropriate for NPR to have been represented here this morning, and I am deeply disappointed that they chose not to participate. I would like to read a letter that I received from Ronna Freiberg, Director of Legislative Affairs, Office of the Vice President. I received this letter yesterday, as a matter of fact.

It says, "Mr. Chairman: Thank you for your letter to Morley Winograd inviting him to testify at the Subcommittee's hearing on reinventing government. We regret that it will be impossible for him to testify. Mr. Winograd is the Director of the National Partnership for Reinventing Government, an interagency task force. Mr. Winograd is on the staff of the Executive Office of the President, and advises both the President and Vice President on matters pertaining to the task force. He was appointed by the President without Senate confirmation."

"Congressional requests to the White House in furtherance of congressional oversight of White House policy initiatives raise significant issues regarding the confidentiality of Presidential decision making. As you will appreciate, given comparable concerns voiced during the previous administration, it has been the practice to direct oversight requests to Executive Branch agencies in order to avoid addressing these confidentiality concerns unnecessarily."

"You have identified a number of topics on which information is available from the Office of Management and Budget and other Executive Branch agencies. We suggest that you first direct your request to the Office of Management and Budget and other agencies directly involved in the reinvention effort. The Senate-confirmed members of the administration at these agencies can provide more formal testimony."

"We recognize the importance you place on government management issues, and we appreciate very much your continuing interest in the National Partnership for Reinventing Government."

I think this letter speaks for itself.

The questions the Subcommittee is raising are very important for this reason: In 9 months, a new administration is going to take office. The next President will face an array of very serious problems, particularly in the management of human capital, that will demand immediate attention. For example, by 2004, over 900,000 Federal employees will be eligible to retire. An honest assessment of NPR's accomplishment will be instructive in this effort and will give the new administration a better sense of what has worked, what has not, and, more important, what remains undone. I hope

our Subcommittee hearing today is going to be helpful in providing that assessment.

Now, let me repeat NPR's mission statement: "In time for 21st Century, reinvent government to work better, cost less, and get results Americans care about today." Today we will hear differing opinions as to whether NPR has indeed fulfilled this mission, and I look forward to the testimony.

I now yield to our Ranking Member of the Subcommittee, my friend Senator Durbin, for an opening statement.

OPENING STATEMENT OF SENATOR DURBIN

Senator DURBIN. Thank you, Mr. Chairman. I have just been conferring with my staff here to ask whether this is unprecedented for a senior adviser in the administration not to appear. It seems unusual to me, but I am told that I guess that has been a custom—I would like to check into that—that they usually refer this to the OMB and they send somebody. And I don't know the answer to that——

Senator VOINOVICH. Well, the thing that bothers me is I received this letter yesterday.

Senator DURBIN. No excuse for that. You should have been notified far in advance so you could make plans for your hearing. I agree with you completely on that score.

And I want to thank you for these hearings because I think they have been very positive, and I think that the administration should be cooperating in this effort to look to the future and what we are going to do to reinvent government. And I think they have a good record to point to in terms of what they have accomplished over the last several years.

I think it is interesting to note that Vice President Gore in this reinvention of government often made reference to this book by David Osborne and Ted Gaebler on reinventing government. Maybe one of the more inspiring passages in this book is from Governor Voinovich of Ohio, who said in his inaugural address, "Gone are the days when public officials are measured by how much they spend on a problem. The new realities dictate that public officials are now judged by whether they can work harder and smarter and do more with less."

I bet you thought that was going to be a dangerous quote, but it is a good one. And it should have been, and I believe was, an inspiration to a lot of people who were involved in reinventing government. And I think they have some things to point to that in the course of the last 7 years really show some progress.

We believe that they have recommended and Congress has adopted savings of over $136 billion due to reinventing government. They recommended a series of government procurement reforms which Congress adopted. Over the last 7 years, those changes have saved taxpayers more than $12 billion. More than 1,200 Hammer Award teams have been honored for reinvention efforts that they estimate will save over $37 billion. And, of course, the Federal civilian workforce has been reduced by 17 percent, or 377,000 full-time equivalent employees, as a result, the smallest Federal workforce in 39 years.

I believe, Senator Voinovich—and I don't want to speak for him here, but I believe we share some concerns about contracting out and privatization and whether or not we are getting good service for those decisions, and we can certainly look into them as part of this effort.

One of the things that I find interesting is the dramatic turnaround in a short period of time in the public view of the Federal Government. This is interesting. After a 30-year decline, public trust in the Federal Government is finally increasing. In 1964, when the University of Michigan's Institute for Social Research asked the question, "Do you trust the Federal Government to do the right things most of the time?" 76 percent of Americans said "yes" in 1964. By 1994, public response to this question had plummeted to 21 percent, so a dramatic decline, 76 percent to 21 percent in a period of 30 years.

When measured last in 1998, public trust levels had nearly doubled, up to 40 percent, so at least we have a positive trend in that direction.

I will close by saying that it was interesting when we had our last hearing and talked about the complaints that Federal employees had about the Federal Government, that one of the things that they complained about was they don't believe that they were being rewarded—in fact, being punished many times—for creative thinking. And if we are going to make reinvention work, we have to start rewarding creative thinking, letting people rock the boat a little bit to force us out of a status quo mentality. And that is a challenge to each of us, I am sure, in our offices as Senators, and it is a challenge to every agency to be open and receptive to new ideas that might step on a few toes in the process.

I thank you for this hearing. I am sorry the administration didn't get back to you sooner and didn't get back to you with a more favorable response.

Senator VOINOVICH. Thank you, Senator Durbin.

We are fortunate today that we have with us the Chairman of the Governmental Affairs Committee, Senator Fred Thompson. Mr. Chairman, I understand that you would like to make an opening statement.

OPENING STATEMENT OF CHAIRMAN THOMPSON

Chairman THOMPSON. Thank you, Mr. Chairman. I appreciate your having this hearing on a subject that has been very important to all of us on this Committee.

We have just gotten our first performance reports from the agencies under the Results Act, and so little by little perhaps we are making some progress in terms of some of these management issues, although we have an awful lot to do.

On this issue concerning Morley Winograd's failure to be here—and I read the letter that came from the Vice President's office very carefully, and I think it is remarkable, to say the least. What they are doing, Mr. Chairman, is the Vice President's office is claiming executive privilege with regard to the President.

Now, first of all, it is totally inappropriate. This has nothing to do with communications covered by executive privilege. Second, I can't count the number of press conferences that they have had.

They are on the Internet. They have never missed an opportunity to talk about this. And yet when we have an oversight hearing to ask them some questions about some of the claims that they are making, they claim executive privilege because the Executive Office of the President is involved, someone is under that general umbrella.

The Executive Office of the President is frequently the subject of oversight hearings. The President's own counsel on more than one occasion has testified. Bernie Nussbaum and Charles Ruff testified before this Subcommittee just last month. His successor, Beth Nolan, testified before the House Government Reform and Oversight Committee.

So, clearly, this is a bogus claim, and the real question is why in the world would these people do this on something that they are proud of and something that they want to tout and share.

I don't think we ought to, just as a matter of course, accept these bogus positions, and if you want Mr. Winograd to testify—and I noticed they said they would send somebody from OMB if they were confirmed. Well, of course, that lets Ms. Katzen out. That is a little shot at you, I assume, Mr. Chairman, and me because she has not been confirmed. But if you want Mr. Winograd and Ms. Katzen up here, we will convene the full Committee and take up the issue of subpoenas.

It is hard for me to understand when we are trying to understand something that has been in the press and the media and talked about for so long.

I was generally pleased to see this effort start because you don't have to have necessarily revolutionary results in order to get something positive done. And any positive thing that could be done ought to be welcomed by all of us.

We still have tremendous problems. You look at the duplication in government, for example, 12 different Federal agencies administer over 35 different food safety laws; one agency regulates pizza with meat toppings while another agency regulates non-meat pizzas; 50 different programs administered by 8 agencies assist the homeless. The GAO and inspectors general came up to our Committee. We have identified $220 billion of waste, fraud, and abuse, $35 billion in just 1 year. And yet we still seem to have the same core performance problems facing the government that we have always had. Every time the GAO updates its high-risk list of Federal activities most vulnerable to waste, fraud, and mismanagement, the number of problems increase.

GAO started with 14 high-risk problems back in 1990. Its most recent list issued last year contained 26 high-risk problems. Only one high-risk problem has been removed from the list since 1995. Ten of the 14 original high-risk problems from 1990 are still on the list today, a decade later.

So we have got substantial problems, and I think that this effort that we are dealing with today made some modest achievements, but they are overshadowed by their wildly exaggerated claims. And we will get into that today and see what the testimony is.

But thank you for having this hearing, and perhaps eventually we might even get to hear from somebody who is running these programs. Thank you.

Senator VOINOVICH. Thank you, Mr. Chairman.

I would now like to introduce today's witnesses, and I have asked them to address a variety of issues associated with NPR such as the downsizings and savings attributed to NPR actions. Today we have with us Christopher Mihm, Associate Director of Federal Management and Workforce Issues at the U.S. General Accounting Office. We are glad to have you again here before us, Mr. Mihm.

Paul C. Light is the Vice President and Director of the Governmental Studies Program at the Brookings Institution. We are glad to have you here, Mr. Light. I have read your book.

Mr. Kettl is with us today. He is a Professor of Political Science and Public Affairs at the LaFollette Institute of Public Affairs at the University of Wisconsin-Madison. Mr. Kettl, thank you for coming.

Ronald C. Moe is the Project Coordinator in the Government and Finance Division of the Congressional Research Service. He is also a Professor at the Center for the Study of American Government at Johns Hopkins University. We are glad to have you here, Mr. Moe.

And last, but not least, is Scott A. Hodge, the Director of Tax and Budget Policy at the Citizens for a Sound Economy.

We have a good cross-section of witnesses here today. We thank you all for coming, and if you will stand, as is the custom in this Subcommittee, I would like you to take an oath. Do you swear that the testimony you are about to give before this Subcommittee is the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. MIHM. I do.

Mr. LIGHT. I do.

Mr. KETTL. I do.

Mr. MOE. I do.

Mr. HODGE. I do.

Senator VOINOVICH. Let the record show that all of the witnesses answered in the affirmative. We would like to start out with you, Mr. Mihm, and I would ask you to limit your testimony to no more than 5 minutes. Hopefully through the questioning period some of the other issues that you would like to get on the table will come out at that time.

Mr. Mihm.

TESTIMONY OF J. CHRISTOPHER MIHM,[1] ASSOCIATE DIRECTOR, FEDERAL MANAGEMENT AND WORKFORCE ISSUES, GENERAL GOVERNMENT DIVISION, U.S. GENERAL ACCOUNTING OFFICE

Mr. MIHM. Thank you, Mr. Chairman. Mr. Chairman, Senator Durbin, Senator Thompson, it is a great honor to appear before you this morning to discuss the management reform efforts conducted by the National Partnership for Reinventing Government and the continuing management improvement agenda facing Federal decisionmakers as we move to the next Congress and next administration.

[1] The prepared statement of Mr. Mihm appears in the Appendix on page 33.

As you know, NPR has been one of the largest and longest sustained and best known Executive Branch management reform initiatives in the Nation's history. However, the NPR efforts were not undertaken in isolation of other management reforms. Indeed, reflecting widespread interest in reforming government, Congress, the administration, and Federal agencies themselves all have undertaken ambitious and largely consistent management reform agendas in the last decade.

NPR attempted to build on these ongoing efforts. By their very nature, therefore, successful management reform efforts often entail concerted efforts on the part of agencies, leadership and follow-through on the particular of central management agencies and the administration, and critical support and oversight from Congress.

My point here is that, given the interaction of these elements, any attempt to isolate the specific contributions of any one entity separate from those of other entities is generally not possible to do. My prepared statement summarizes our observations on aspects of the National Performance Review where we have done work on a government-wide perspective. This work covers NPR's cost savings estimates, downsizing initiative, reinvention laboratories, and acquisition and regulatory reform efforts.

As you requested, Mr. Chairman, I will touch on just two of these this morning: The savings estimates and downsizing.

First, in regard to the savings estimates, we reported in July 1999 that NPR claimed savings from agency-specific recommendations that could not be fully attributed to its efforts. NPR claimed that about $137 billion in savings had resulted from its efforts to reinvent the Federal Government, with about $44.3 billion of these savings claimed from recommendations that were targeted at individual agencies.

We reviewed six recommendations—these recommendations represented over two-thirds of that $44.3 billion—and found the relationship between the NPR recommendations and the reported savings simply was not clear. The savings estimates could not be replicated, and there was no way to substantiate the savings that had been claimed. NPR relied on OMB to estimate the savings from its recommendations, and OMB generally did not attempt to distinguish NPR's contributions from other initiatives or factors that influenced budget decisions.

In regards to downsizing, as a result of legislation, Executive Branch efforts, including those of the National Performance Review, and other budget and program pressures, the Federal Government is clearly smaller today than it was in the early 1990's as measured by the number of employees on board. Nevertheless, the manner in which this downsizing was implemented has short- and long-term implications that require continuing attention.

For example, it is by no means clear that the current Federal workforce is adequately balanced and positioned to achieve results and meet agency missions. This is due in part to an apparent lack of adequate strategic and workforce planning across the Federal Government. Moreover, most major agencies' fiscal year 2000—that is, of course, the current fiscal year—annual performance plans that were prepared under the Government Performance and Re-

sults Act did not sufficiently address how agencies will use their human capital, that is, their people, to achieve results.

This suggests that one of the critical components of high-performing organizations—that is, the systematic integration of human capital planning and program planning—is not being adequately addressed across the Federal Government.

Overall, the next Congress and the administration will face a series of longstanding management problems that will continue to demand their attention. My prepared statement highlights just a few of these more important management problems facing the government, many of which, Mr. Chairman, you touched on in your opening statement.

These pressing management problems include the critical need to adopt a results orientation, coordinate cross-cutting program, as Senator Thompson mentioned, address the Federal high-risk functions and programs, develop and implement modern human capital practices, which, Mr. Chairman, as you mentioned—and we certainly concur—is among the most pressing problems we face, strengthen financial management, and enhance computer security.

The longstanding problems and issues confronting the next Congress and administration are stimulating new efforts to reform the Federal Government from this Subcommittee, of course, from the full Committee, and elsewhere. In previous appearances before this Subcommittee, I have identified a number of factors that are critical to making fundamental improvements in the performance of the Federal Government. Demonstrated executive leadership commitment and accountability for change and strong and continuing congressional involvement are among those critical factors. In this regard, we look forward to continuing to work with the Subcommittee and to assist it in its efforts to create high-performing Federal organizations.

This concludes my statement, and I would be happy to answer any questions the Subcommittee may have.

Senator VOINOVICH. Thank you, Mr. Mihm. I think, if it is all right with you, Senator Durbin, and Senator Thompson, that we ought to let all the witnesses testify and then ask our questions.

Mr. Light.

TESTIMONY OF PAUL C. LIGHT,[1] VICE PRESIDENT AND DIRECTOR OF GOVERNMENTAL STUDIES, THE BROOKINGS INSTITUTION

Mr. LIGHT. Thank you. It is terrific to appear before this Subcommittee again. It is always wonderful to be the reader of something I have written. They are so rare and few in number, so I appreciate your attention.

Let me start by saying that, having sat where the staff of this fine Committee and Subcommittee, I take umbrage at the notion that a White House official would not want to testify before the Subcommittee. This Subcommittee has endured, all of you have endured enough long hearings—"my eyes glaze over" hearings, as Senator Glenn used to refer to them—that you deserve the cooperation of everybody involved in this very difficult effort to make gov-

[1] The prepared statement of Mr. Light appears in the Appendix on page 51.

ernment work better. So I am sorry that you don't have the benefit of that testimony, and I hope that you can find other ways to get that input.

I thought I would just briefly summarize my likes and dislikes about reinventing government, just briefly run through those issues. I think there is a lot to admire here. I think there is a lot that we can say was good about reinventing government, not to put it in the past tense. I think Don Kettl here talks about this as being an ongoing effort that really has been ongoing for 50 years. You can't separate reinventing government, the current version, from many of the efforts that have come before, including Nixon's effort to improve government dating back to the Hoover Commission's and beyond. This is a long effort that we are in. So let me just focus on two likes and three dislikes.

The first like is the rhetoric. I like how reinventing government talks about Federal service. I like the general approach that we have decent, hard-working people in government and that we need to figure out ways to give them the tools to do their work. I think that is an important message to send. And it has been useful.

I think it has been an honorable kind of rhetoric over the last 8 years, and it actually began some years before that. But it is good when our leaders talk about the honorable role of public service this country, and I admire that, and I like the notion that the underpinning theme here was of good people trapped in bad systems. I think that really is the problem, and I think that is what you all have been working on. You haven't been working on bad people trapped in good systems. You have been working on good people trapped in bad systems, and I think that is good rhetoric.

I think there has been a fair amount of action, much of it that originated in this Subcommittee. That is one of the issues that we need to address, that when you look at the Government Performance and Results Act, you look at acquisitions reform, these bills were here in this Subcommittee for years before the Clinton-Gore administration took office. This Subcommittee has been working on these issues under a bipartisan banner for many, many years, and you gave the reinventors a number of tools to be successful, most notably, I think, acquisition reform, which has been before this Subcommittee for the better part of 20 years. And I think Stephen Kellman, the Director of the Office of Federal Procurement Policy, was a particularly important player in this, alongside the Subcommittee.

So I like the general directions in some areas, the desire to free government from needless rules, the effort to spark innovation, the acquisitions reform. I think there has been some real progress on those fronts. It is not just cosmetic. Good stuff going on across the board in terms of encouraging people to do the work they came to government to do.

Let me point to three dislikes about reinventing government, and I prepared this list before I arrived here this morning. I think there has been an unnecessary politicization of government reform here. This is hard work that needs to span both parties, and I think this Subcommittee, in particular, has long operated under a bipartisan flag, and I admire the Subcommittee for it.

Frankly, I always felt that if you couldn't get bipartisan agreement on this Subcommittee, you just weren't going to go anywhere because you had so little interest on the floor of the Senate, that if you all weren't aligned, you couldn't get very far. And I think that is true of reinventing government or improving government. I think it is important to seek the common ground.

I believe, too, that that there has been a lack of attention to structural reform. I am looking at the Chairman of the full Committee on that. I think you should pass S. 2306. I think you should attach it to every bill leaving this Committee and every bill leaving the Senate. I have referred to the Federal organization chart as rather like the mouth of the Ulonga-Bora River where the African Queen and Humphrey Bogart got bogged down. I think that S. 2306 could be that gentle rain that lifts the Federal Government out of the mouth of that swamp and gets it back on track. I think it is time for a very detailed look at the structure of the Federal Government, and that has to be done through legislation. I don't see any way you can do it otherwise.

And, finally, referring to the Chairman of this Committee whose rhetoric on government work has been equally positive and uplifting, I think we have got to tackle the current condition of the public service. I think that is a real miss in reinventing government. We just have not done anything to deal with the human service crisis in the Federal Government. We are dealing with a public service system, a civil service system that was designed for a workforce that has not been to work for 50 years. And I encourage this Committee, this Subcommittee, the honorable Senators, to address that crisis as soon as possible because it is going to be catching up with us real soon.

Thanks for the opportunity to testify.

Senator VOINOVICH. Mr. Kettl.

STATEMENT OF DONALD F. KETTL,[1] PROFESSOR OF POLITICAL SCIENCE AND PUBLIC AFFAIRS, LAFOLLETTE INSTITUTE OF PUBLIC AFFAIRS, UNIVERSITY OF WISCONSIN-MADISON, THE BROOKINGS INSTITUTION

Mr. KETTL. Mr. Chairman, I appreciate the opportunity to appear before you and Senator Durbin and Senator Thompson this morning.

At the Brookings Institution for the last 7 years, I have been leading an effort to try to assess what reinventing government, in fact, has accomplished, and what I would like to try to do is to sum up a quick scorecard of what the administration has, in fact, been able to do.

If you look at the effort overall, even though it has been now 7 years in progress, the effort is still clearly incomplete for reasons that I want to suggest at the end. But if you were to try to assign a grade to the progress to date, I think overall I would give it a B—substantial progress made, still some room for improvement in a variety of areas.

In particular—and this is my second point—there has been a substantial downsizing of the Federal workforce. There has been a

[1] The prepared statement of Mr. Kettl appears in the Appendix on page 59.

considerable amount of criticism that, in fact, maybe the workforce has not been downsized or has been replaced by contractors. In fact, the Federal workforce is smaller than at any time in roughly the last 30 years, and there is little evidence that the workforce that has been downsized has been replaced by contractors. The more important problem is whether or not we have right-sized the workforce in the process.

If you look at the projections of the number of Federal employees who are eligible to retire, somewhere between a third and a half of all the Federal employees now in the workforce will not be there at the end of the next President's first term. And what that means is we have no alternative but to confront the fundamental question of what the Federal workforce ought to look like, what kind of skills it ought to have to do the job that we know must be done, and my concern is that the first 7 years of reinventing government has not really addressed that question. The primary goal is to try to reduce the workforce, to get people out the door. We haven't asked the question of what kind of workforce we are left with and whether or not it is right-sized for the job that has to be done. And my fear is that, in fact, it is not.

My third point is that if you look at some improvements, there surely have been improvements in customer service and procurement reform. Even agencies that have been troubled, like the Internal Revenue Service, are now, in fact, at least better than they were, and other agencies, like the Federal Emergency Management Administration, which has made substantial progress, is now the story that nobody writes about in the middle of major crises like hurricanes and earthquakes.

There have been huge improvements in customer service, procurement reform, and the reinvention laboratories—my fourth point—really demonstrate what can happen on the ground when Federal employees are freed from the bad systems in which they are often trapped. Huge and significant improvements have been made.

My fifth point is that, despite the substantial improvements that have been made, problem areas like the GAO high-risk area list and OMB's own priority management objective list have not been addressed. And as you pointed out, Mr. Chairman, in many ways these problems have gotten worse and not better. This is largely a product of the fact that the reinventing government effort has not been engaged in attacking these issue head-on, and as we have discovered already, these problems are not disappearing. And without a fundamental attack on basic management systems, like information, like computer, like finance, like personnel, we will surely find ourselves crippled as the workforce surely turns over.

My sixth point is that—and it is related to the previous one—the applications of reinvention have been wildly uneven throughout the Federal Government. Some agencies now are nothing remotely like what they were 7 years ago. Others, such as the State Department and the Commerce Department, have just simply not shown the same level of progress. And one of the failures, I think, of reinventing government has been the difficulty of getting the effort implemented and energetically pursued by the administration's own political appointees throughout the administration.

My last and perhaps the most important point is that, while it is easy to total up some wins and some problems and to overall credit the administration with substantial improvement, the most important point is that this is an effort that cannot, simply will not end at the end of this administration. Whoever it is who is President in January of 2001 will simply have no alternative but to continue this effort. The name, the National Partnership for Reinventing Government, may be abolished. The office may be closed. But whoever it is who is President will have no alternative but to reinvent reinvention. And the reason is that the problems, whether it is the IRS, whether it is difficulties in the human capital system, the basic financial management and performance systems, the contract, the procurement systems, those are not going to go away. They will continue to remain and, in fact, as the high-risk list grows, the stakes will become even greater.

The real challenge is to find a way to put political will behind that effort. That means the next administration will have to focus the efforts of its own political appointees on the job of managing the government. And it also means that we surely have to make managing this large apparatus we call the Federal Government, Federal programs, absolutely essential to the job of what the President and the Congress have to do.

Thank you, Mr. Chairman, for the opportunity to testify.

Senator VOINOVICH. Thank you, Mr. Kettl.

Mr. Moe.

STATEMENT OF RONALD C. MOE,[1] PROJECT COORDINATOR, GOVERNMENT AND FINANCE DIVISION, CONGRESSIONAL RESEARCH SERVICE, THE LIBRARY OF CONGRESS

Mr. MOE. Mr. Chairman, thank you for inviting me to testify this morning.

The reinvention exercise is not simply a number of new practices adopted by the several agencies that together make for better management; rather, it is an exercise to fundamentally alter the character of the Executive Branch and congressional oversight role. The goal of the reinventors has been to make the Executive Branch entrepreneurial in character, structured and operated like they believe a large private corporation is managed.

The critical issue facing Congress, and especially this Committee, is whether the entrepreneurial model with its private corporate bias is appropriate for the Executive Branch and whether the Congress as co-manager of the Executive Branch is enhanced or diminished by the entrepreneurial management model.

The basic question to be asked is: Are the governmental and private sectors alike or unalike in their essential characteristics? The underlying premise of much of the reinventing government exercise is that the governmental and private sectors are essentially alike in the characteristics and best managed according to some business sector principles.

What are these generic business principles? Well, the NPR tells us that they are: Cast aside red tape, meaning laws, regulations,

[1] The prepared statement of Mr. Moe appears in the Appendix on page 70.

and so forth; satisfy customers, not citizens; decentralize authority and work better and cost less.

The public law or constitutional theory of government management, which we have had since the founding of the Republic, in contrast to the contemporary entrepreneurial theory, is based on the premise that the government and private sector are fundamentally distinct. They are not alike in the essentials, and the applicability of business school aphorisms to government management is much less than supposed.

The foundation of government management, according to the constitutionalists, is to be found in public law, not in the behavioral practices and principles of business. In point of fact, the purpose of the governmental sector is to implement the laws passed by Congress, not to please customers.

Indeed, the government interacts with citizens and, in so doing, must follow certain constitutional principles. Even the use of the term "customer" is misleading, as it is a term generally associated with a commercial transaction between voluntary participants governed by private law.

The distinguishing characteristic of governmental management contrasted to private management is that the actions of governmental officials must have their basis in public law, not in the financial interests of private entrepreneurs and owners or in the fiduciary concerns of government and corporate managers.

The highest value promoted by public law management theory is political accountability. The debate over the future of government management, therefore, is not so much over whether the specifics of the reinvention exercised resulted in better, or worse, short-term results or whether or not actual savings were achieved or whether or not we really have fewer employees, but is over which of two fundamental value systems will prevail. Will it be the entrepreneurial management model with its priority of performance, however defined and measured, or the public law management model with its priority of political accountability?

Lest this discussion sound a bit abstract, it needs to be recognized that the recent financial collapse of the privatized U.S. Enrichment Corporation and the rising debate over the status and practices of Fannie Mae and other government-sponsored enterprises are a direct consequences of the problems associated with mixing the governmental and private sectors in an entrepreneurial model.

The role of Congress under these two managerial systems is very different. The entrepreneurial management doctrine is manager-centric, with Congress being viewed as largely an outside player and nuisance, as illustrated by the gratuitous decision of the NPR folks to not appear in front of this Subcommittee. In point of fact, this Committee and the Congress of the United States manages the Executive Branch, in large measure, through these general management laws, of which there are about 80. And it is a fact that the Congress maintains its co-managerial role through these general management acts. Agencies seeking exceptions have to meet the burden of proof. Law is the fundamental tool for managing the Government of the United States, not Harvard Business School aphorisms.

Finally, I will say that the NPR is as important for what they didn't touch as for what they did address. In my written statement, I go into some detail on this, but the four major issues, none of which they discussed or addressed properly, include the issues associated with the heavy reliance in our system on short-term political appointees as managers; second, the intentional erosion in the capacity of central management agencies, particularly the elimination of the management side of OMB in 1994, and the special need for Office of Federal Management; three, the consequences of growing reliance on contractors; and, fourth, the growth in the quasi-government which threatens to eliminate many of the core functions of government.

As to the question that prompted this hearing—Has government been reinvented?—the answer appears mixed. At the operational level, there has been significant change, much of it for the better. At the level of conceptual and legal management, however, the results have not been as salutary. A case can be made that the core competencies of government have eroded under NPR and are likely to continue to erode.

We are probably the only major government in the world today that does not have a separate central management agency. For many, the answer to the question who is minding the store is: No one.

Finally, the reinventing government exercise has essentially been an exercise in altering certain incentives in the management practices and operations of government. Although many of the processes have been strengthened, it is debatable whether the central core competencies of government have been strengthened or eroded by the 7-year NPR exercise. Congress is wise to take a look at NPR to determine just what philosophical direction they wish to take in the future to protect their constitutional role as co-manager of the Executive Branch.

Thank you, Mr. Chairman.

Senator VOINOVICH. Thank you, Mr. Moe. Mr. Hodge.

STATEMENT OF SCOTT A. HODGE,[1] DIRECTOR OF TAX AND BUDGET POLICY, CITIZENS FOR A SOUND ECONOMY FOUNDATION

Mr. HODGE. Thank you, Mr. Chairman, Senator Durbin, and Senator Thompson.

As you mentioned earlier, Mr. Chairman, when Vice President Al Gore did unveil what was then called the National Performance Review 7 years ago, he promised that reinventing government would make the government work better and cost less. And as I see it today, after 7 years of what I like to think of as perfecting the art of recycling paper clips, there is simply too much evidence to deny that the Federal Government now works worse and costs more. Government spending has escalated to record levels. Half of all government agencies cannot produce auditable books. Serious mismanagement, as GAO has pointed out, continues to plague most Federal agencies. Redundancy and duplication abound, and many

[1] The prepared statement of Mr. Hodge appears in the Appendix on page 80.

government programs have simply become immortalized in the Federal budget.

The bottom line is that reinventing government has failed to cure the widespread cancer of waste, fraud, abuse, and mismanagement that is crippling the Federal Government. These problems are continuing because the administration has tinkered with the process of government rather than go in and analyze and determine the substance of what government should and should not do. As a result, we get process-oriented pseudo-reforms that may make the bureaucracy oftentimes work better for the bureaucrats, but not work better and cost less for the citizens.

I think a classic example of this is the Plain English Award that the Vice President gave to a Department of Agriculture employee about 2 years ago for rewriting the USDA instructions for cooking a Thanksgiving turkey. Now, remarkably, no one in the administration, no one in the bureaucracy asked why are we spending taxpayer money to write recipes for cooking Thanksgiving turkeys when we have successfully done that for about 300 years since the first Thanksgiving.

But a more serious issue is that reinventing government has failed to get Federal agencies to do its most basic function: Account for how they spend the taxpayers' money. GAO has pointed out in its analysis in the most recent financial statements of the government that the government's books are so bad that, "The government's financial statements may not provide a reliable source of information for decisionmaking by the government or the public."

In other words, the Federal Government, which this year will spend more than the combined economies of China, Canada, and Mexico, has no idea where it is spending the taxpayers' money, it has no idea where it is being spent, or if it is doing any good.

And recent reports and analysis by the House Budget Committee have found similar things—the $19 billion in improper payments paid by the government in 1998. The Defense Department had to make $1.7 trillion in manual adjustments to its financial statements just to get them to pass.

As we heard earlier, 15 programs have been added to the GAO's high-risk list in the last 7 years. Redundancy abounds. Even the Department of Commerce itself is redundant to 71 other agencies in government, and, of course, we know there are now 788 Federal education departments and programs.

Well, the question I think that we ought to ask the administration: Has any Cabinet official been held accountable for these management failures? Which, if they were to happen in the private sector, would be actionable under law. If they have not been held accountable, why not?

Well, we have heard a lot of boasts about reducing the size of the government by 300,000 over the last 7 years, but I think this is somewhat of a smokescreen, because I think it is mistaken to equate the size of government with the number of employees. After all, over the last 7 years, government spending has increased by 28 percent, or $390 billion.

So I guess in a perverse sense, maybe government is more efficient. We are now simply spending more money with fewer employees. But this is not what the American people want. They don't

want government to waste their money more efficiently. They want real value for their money, and that can only be done by asking tough questions of government and the substance of government.

The kinds of tough questions that we see private sector CEOs ask on a continual daily basis of their corporations: What is our core business? What activities should we quit doing because they are either outmoded or obsolete or they are simply inefficient? Where have we gotten fat and redundant? Do we have to perform these functions in-house, or can we contract them out? The old make or buy decision government does too much in-house.

And if we ask these questions of the Federal Government, we will force Washington to focus on improving its core missions while we overhaul and streamline the way it does everything else?

Well, to wrap it up, 7 years ago the President said the Federal Government needed reinventing because it is not just broke, it is broken. Well, today, by any reasonable measure, it is still broken, much like a corporation facing Chapter 11 bankruptcy.

Reinvention can no longer be a substitute for accountability. The only true way to make government work better and cost less is to first challenge the substance of what government should and should not do, and then demand the same standard of accountability from Federal officials as we demand from their private sector counterparts. The American people deserve no less.

Thank you very much.

Senator VOINOVICH. Thank you, Mr. Hodge.

There are a lot of questions to ask, and I will start them off. And if it is all right with the Members of the Subcommittee, we will each have 10 minutes for questioning. That will give us a little more time to get at some of these things.

Mr. Mihm, what methodology does GAO use to estimate savings from its own recommendations? And how does this compare with OMB's methodology? The reason I raise this is because I have been through many management audits, and when they are completed, it is difficult to ascertain savings. I know I always tried to be very conservative because when you are not, somebody comes along and says, wait a second, and then they start pointing things out. When you measure savings, how does that differ from what was used by OMB in determining the savings of NPR?

Mr. MIHM. Yes, sir, we try to be conservative as well, not just because we are naturally so inclined as an audit organization. Let me start off with how OMB does it and then counterpose it to the way we did it.

OMB estimated savings using its normal budget processes, which are not designed to be estimating savings from any sorts of initiatives. They are designed to provide point-in-time estimates that are relevant for the particular moment in which those estimates are made, a particular budget season. OMB took all of the changes, that is, the reductions in an actual appropriation that an agency received, compared to what had at an earlier point been the expected appropriation, and claimed the differance as savings for the National Performance Review.

Let me give you an example of this. The Department of Energy budget for the nuclear weapons complex was reduced about $7 billion over what had been its expected budget—this is over a period

of years—for a variety of reasons, most prominently because of the end of the Cold War, the Nuclear Test Ban Treaty, and all the rest. We simply did not need the nuclear capacity that we had previously needed.

The OMB processes, however, booked all of those reductions as savings attributable to the National Performance Review because NPR had made a recommendation that urged that the downsizing of the nuclear weapons complex continue. This is one of those examples that I mentioned in my initial statement about how these savings were all booked to the National Performance Review, even though there were plenty of other factors that contributed to budget reductions—and certainly factors far more influential going on than the mere fact that the NPR had made a recommendation.

Now, in terms of the way we do it at the General Accounting Office, we use, as I mentioned, a fairly conservative approach. We request information from the agency as to any accrued savings. We have an independent fact checking that goes on, two separate fact checkings that go on internally within GAO: An independent fact checking from the team that actually did the recommendation so we are not checking up on ourselves. We then have a separate group, at a higher level within GAO, that looks at all of these savings to make sure that they can withstand the scrutiny of an outside examination.

And then I guess the final point that I would make is that we also save our documentation. One of the problems that we had when we were doing our review of the cost savings from the NPR is that since they were budget estimates developed at a point in time, in many cases, the documentation was not retained, and so we couldn't go in and find out how OMB did its estimates. OMB could not replicate it. For our savings estimates, you can have several years back. If you come in, you can see exactly how we did it, what the justification was, how the fact checking went, if there was any discussion in regard to that fact checking, and what the higher level review was. And so we are fairly rigorous in the approach that we use.

Senator VOINOVICH. I would suggest that it be made very clear the basis upon which savings are going to be determined, some objective way of looking at it so that all of the agencies that are involved in the process understand that this is the way they are going to be judged, so they understand that right from the beginning. Do you think that ought to be looked at?

Mr. MIHM. I think that is clearly so, yes, sir. I also think, though—and this gets back to the premise of your initial question when you were relating your experience—is that it seems to be largely a mistake to try and claim large financial savings from management improvement initiatives. Management improvement initiatives improve efficiency and effectiveness, but to try and claim tens of billions of dollars in savings is often very difficult. And if you look at the history of management reform efforts, many of them have crashed on the rocks when they have gone ahead and tried to overclaim direct financial savings from their management improvements.

Senator VOINOVICH. Another issue that has come up today—and maybe you can all comment on it—is the issue of workforce strategic planning during the last 7 years.

The testimony was that there was an effort to reduce the number of employees, and there are some that have alleged that those employees were replaced by a "shadow government." Someone might want to comment on that. But the other issue is, when you are reducing the number of people, you ought to look at the role of the agency and make sure that you maintain the competencies that you need to get the job done.

I would ask any of you to comment on that, if you would like. Mr. Light?

Mr. LIGHT. Well, let me weigh in on the issue of what downsizing did or didn't occur. I mean, it is true that the overall size of government today in terms of total employment, which would include estimates of the number of people under contract to the Federal Government, as well as under grants to the Federal Government, is down from what it was in 1984. It is definitely not down from what it was in 1960. It couldn't be. The only number that is down from 1960 is full-time equivalent civil service.

It cannot be true, given the run-up in what we do since 1960, that the total true size of government could be down. It is just ridiculous to make that claim.

It is true that the defense downsizing, the reduction in procurement, the reduction in contracting over the last 15 to 16 years, largely driven by the end of the Cold War, has reduced total full-time equivalent civil service, total contract purchase of labor, total grant purchase of labor. There is no question that the last 16 years bounded have seen a reduction in the overall size of government.

I would add one other factoid to this: That the only category of contract employment that has gone up has been in the purchase of services. OK? So you have to disaggregate these numbers. It is only by the most narrow definition of workforce that a President could say the era of big government is over. It is only by counting full-time equivalent civil service. When you add everything together, you can make the case that, one, we never had an era of big government in this Western democracy, and, two, that it is still pretty large. It is smaller than it was in 1984, but we have got a lot of people to deliver a very large mission here. And the American public needs to debate really the central question: Is this the mission we want government to deliver? Because this is about the number of people we need, whether they are under contract or grant or under Uncle Sam's employment system. We need about 12 million full-time equivalent bodies to deliver the mission we have got to deliver.

How you sort them out? I don't know. You want to reduce that number, you got to change the mission.

Senator VOINOVICH. I will never forget when I became county auditor—everything was farmed out to the private sector. I had no expertise in-house to find out whether or not the private sector was doing the job that it was supposed to do. So immediately I took some money that we used for annual reappraisal and hired some people that had the academic background and the experience to make sure that the private sector was doing what it was supposed

to be doing. And I just wonder: Have we retained in government the people that are necessary to make sure that the "shadow government" or the independent contractor is really, in fact, getting the job done?

Mr. LIGHT. Well, let me—I mean, other people on the panel, Ron Moe and I talked about this. Look, the downsizing was done through an entirely random process. We have reduced the total size of government through attrition and through voluntary buyouts. We were not deliberate in any means in terms of reduction except in several very specific cases, like the Army Materiel Command. Otherwise, it has been haphazard, random, and there is no question that in some agencies we have hollowed out institutional memory, and we are on the cusp of a significant human capital crisis.

How we would inventory that I think goes to the issue of legislation like S. 2306. We don't know what is going on. It is the most frequent question I get in terms of can you prove that there is something wrong out there, and the answer is we don't know. And that speaks to the basic problem. It is an issue of sloppiness. It is an issue of inattention. And we see it in how we did this workforce downsizing. And now others here I think have better points of view.

Senator VOINOVICH. Mr. Kettl.

Mr. KETTL. Mr. Chairman, I think that Dr. Light is exactly right. We have, in a sense, been focusing on the wrong target. The number of Federal employees first doesn't begin to get at the question of who it is who is actually doing Federal work because more and more Federal work is being done out in the for-profit and not-for-profit sector and in State and local governments, and focusing only on the number of Federal employees as somehow a target on the size of government misses anything that is real about what the true size of the Federal Government is.

The second point that I think is important to make is that, as Dr. Light pointed out, the target for a workforce reduction in the neighborhood of 300,000 Federal employees was completely arbitrary. There wasn't any pre-planning that suggested that that was the appropriate target or whether it should have been more or should have been less.

A third point is that, as it was implemented throughout the Federal Government, it was done in a way where the goal essentially was to get people out the door, and it relied on voluntary separations through a buyout. And that gets to a fourth problem, which is: Is what we are left with the kind of government that we need? And the problem is that we have increasingly created a gulf between the people who are in the government and the skills needed to run that government effectively.

As we are relying more on grants to State and local governments, on partnerships to State and local governments in the regulatory arena, in contracts with the private sector and the not-for-profit sector, we have more and more need for strategic planning in the government, needs to get information systems to find out what is going on out there, and to find ways of managing those systems correctly. And those are the very areas of government where often it is most difficult to recruit and where, quite frankly, we have not done a very good job of figuring out what kind of workforce for the

future we need. And those chips will begin to fall with a vengeance in the next 3 or 4 years as this human capital problems becomes more serious.

So we have some arbitrary measures of arbitrary targets that don't begin to get us at the real problems that we have to solve, and where, if we don't, we will surely pay a very high price in the very near future.

Senator VOINOVICH. The most important thing would be to have agencies assess where they are right now, what competencies they lack, what competencies they may lack in the next several years, and then develop a strategy to meet those human capital needs.

Mr. KETTL. There is that issue, Mr. Chairman, and in addition, it seems to be it has to be the job for the Office of Personnel Management to make sure that happens and to do the job for the Federal Government overall so that we have some place where we are tracking the basic figures and the statistics and the trends and the skills and we are making some effort to align the Federal Government's personnel systems with the job the Federal Government has to perform. And the problem that we have had, especially in about the last 15 years, is that the gap between those two has become yawning to the point where genuine crisis threatens.

Mr. HODGE. Mr. Chairman, if I could comment just a second—I am sorry.

Senator VOINOVICH. I am out of time, and I will call on Senator Durbin.

Senator DURBIN. Thank you, Mr. Chairman.

Mr. Light, I think you made a very important point here about the change in rhetoric on Capitol Hill, and I do salute the Chairman here in particular for his positive view toward taking a close look at management at the Federal level. It hasn't been that long ago, only a few years ago, when we were going through this period of self-loathing up here, which culminated—I think its nadir was the shutdown of the Federal Government when great political philosophers like Rush Limbaugh were announcing that the American people would never miss this Federal Government if it just shut down and went away. And, of course, time proved him wrong and the American people proved him wrong. There are important functions of this government that are being served by people who are working hard to do a good job, and I think that whole ultra-conservative ilk, has been repudiated by that single experience, and we have finally turned that corner and now tend to look at things in a more positive way.

But having said that, there still is built into this discussion a tension which may not be present in a business setting or some other type of organization, because if I become the new CEO of a company that is not doing well and decide that I am going to make a dramatic change in management, it is on my shoulders. I ultimately have to answer to the shareholders when it is all said and done. But in this case, it is a shared responsibility. The executive by itself can go so far in reinventing and making strategic changes. And there is still going to be a congressional voice in that chorus that will decide how much money, how far you can go. Each of us brings to this debate our own particular attitudes and our own particular interests. And from time to time, those interests trump stra-

tegic thinking. We tend to be fairly parochial at times. I confess that sin on my own part.

Don't you think that this has to be taken into account, too, that this is a unique management situation with this division in power between the purse strings and those who are drawing up the pie charts and the organizational structures?

Mr. LIGHT. Absolutely. I think the solution is in a conversation that occurs between the Executive Branch and Congress. Personally, I never saw it on this Subcommittee. It must be over in the House in another body.

Senator DURBIN. That is why I left it. [Laughter.]

Mr. LIGHT. The tension is that your colleagues in appropriations and authorization, of course, yourselves because you sit on authorizing and appropriating committees, your membership does here on the Subcommittee, you have to struggle with how to make the kinds of reforms that you are pushing over here like Government Performance and Results Action tractionable to your colleagues as they are making the key decisions and spending money.

One of the arguments that I make about Government Performance and Results Act is that it really doesn't matter right now to things that matter to Federal agencies, that if it doesn't involve head count or money, why should an agency pay attention to that? And, of course, that involves a dialogue between this Subcommittee, which is leading the performance charge, and the Appropriations committees.

Senator DURBIN. And if I might interrupt you for a second, a clear illustration is something that the Chairman has brought out in previous hearings. We do not fund the incentives and rewards for employees and agencies so that they feel good about what they are doing and so that they can attract the very best into the Federal Government. It is something that we tend to trim away. And we wonder then why we don't have better statistics when it comes to retention of good employees, why we can't recruit good employees. So that is an illustration, from my point of view, of how this is different than a business situation where someone can decide we are going to set aside a portion of this budget and we are going to make this a team concept in management.

We tend to make a budget decision, which really attacks the team concept and says you can have a team but you can't reward them, and I think that is what came through in some previous hearings that we had. It may go to your point, Mr. Mihm, about the strategic decisions that are being made in these agencies. I think this political breakdown that I have tried to elucidate here is in that direction.

Mr. Moe, if I might ask you this question, you raised something that is very interesting, too, this entrepreneurial model versus—you called it public law management?

Mr. MOE. Yes, public law or constitutional.

Senator DURBIN. And it is interesting, too, because the entrepreneurial model as I see it, it is easy for Mr. Hodge and his organization, which is well known on Capitol Hill, to be critical of an effort by the Department of Agriculture for food safety. And I guess that is an easy target for anybody to go after. But the bottom line is we have to make a decision as to whether or not food safety is impor-

tant and how much we want to spend on it and whether you can justify it.

And the same thing comes through when we are talking about childhood immunizations. Is it worth it? Is it worth putting a little extra money in immunizing kids? Can you really prove it out?

It gets down to the thinking which we have in this Subcommittee all the time about the so-called cost/benefit analyses. Can you put a price tag on it? Can you identify the dollar value of it? And time and time again, I have split with the Subcommittee because I think there are many things you can't put a price tag on.

For example, when it comes to the whole question of the Food and Drug Administration and its role in tobacco, what is it worth, I think it is worth a lot. Can I quantify it? Well, if I quantify it and Americans live longer, those longer-living Americans are more expensive to the government as they draw more Social Security. So in a cost/benefit ratio, should we be educating people about the danger of tobacco if it raises the cost of the Social Security system? Well, I think the obvious answer from a public policy viewpoint is, of course, we should. But a cost/benefit ratio, the entrepreneurial thinking, the green eyeshade thinking, leads us off into some never-never-land where you really have to quantify everything.

I don't want to put words in your mouth, but are you thinking along these same lines about this entrepreneurial model versus the other?

Mr. MOE. Yes, the entrepreneurial model is based on private law and the maximization of equity return to private owners. That is why they can act the way that they do. And one of the logical conclusions from that is you have considerable leeway in the amount of money you pay and the rewards are monetary, and you rely on performance measurements, the bottom line.

The performance measurements and those types of things are not applicable in the public sector, in the governmental sector, which are run by public law. The measurement of whether you are doing a good job is whether you are implementing what Congress intended you to do, irrespective of the performance connected with it.

Now, the classic case would be the IRS. The IRS was the ultimate performance organization. I mean, they strictly followed GPRA—they had quotas down to the local tax collector. And all of a sudden, it blew up. It blew up because, in point of fact, officers of the United States have a higher requirement to meet than simple maximum performance in collecting taxes, and that is adherence to due process of law.

Once you recognize that, then you start to design programs and you evaluate them in terms of the actual requirements of public law rather than trying to impose, which NPR does, the private sector model, which is inappropriate to much of what it is that government does.

There are things that, no matter how well you measure them and no matter how well you want them to work, are unadministrable because they are conceptually unsound. That is, management cannot make a conceptually unsound program work well. Do not ask management to do it. Most of these high-risk areas are situations in which the standard measurement procedure for management isn't appropriate.

Senator DURBIN. So if you just, for example, said to IRS employees you will be rewarded and promoted if you bring actions against individuals and bring money back to the Federal treasury, you are defying the basic idea of due process which says the right decision by the employee may be no action against that citizen.

Mr. MOE. Absolutely. In day-to-day life, however, the contrast between the high performance and public law requirements are not usually that stark. But if there is a direct conflict, the highest value in the governmental sector is adherence to the law and adherence to the constitutional due process, not the maximization of performance.

Now, the second thing to note is that the Federal Government does not deliver many services. There are only three major agencies that deliver services directly to the public, as opposed to State and local government which deliver many services, is the Social Security Administration, the Veterans Department, and IRS. And so most of what the Federal Government does not involve a customer relationship. It is a relationship between the sovereign and the citizen. Therefore, the relationship is not a voluntary one. Even though it may be friendly, it isn't necessarily a voluntary relationship because an officer of the United States has the right to prevent you from having something; therefore, it is a suable action. It isn't a voluntary action.

So much of this entrepreneurial rhetoric therefore is inappropriate for the government relationship to the citizenry. It is not appropriate to use phrases like "chief executive officer" or "customer." Those are inappropriate terms. They really muddle up proper thinking.

We are a government that operates without a central management agency. It is unbelievable. We are probably the only major government that operates without a central management agency. OMB concentrates on the budget. The things we are complaining about here are constitutional in nature. We are trying to run the world's most complex social system with amateur short-term officers. Starting next January, we are likely to be bringing in 4,000 new people to manage government. Paul Light will do his very best at the Brookings Institution to educate them, but they will still remain short-term amaterus.

There is zero continuity at the top. People come here from all over the world and say, "How do you run a government with no continuity?" And we say, "Barely."

So those are the issues that need to be addressed, I believe, as well as performance in any given agency and whether it is saving money or not.

Senator DURBIN. Thank you. The last point I will make is that, in addition to the cost/benefit ratio and the bean-counting approach to this, which I have had some difficulty with in the past, I also have difficulty with the concept that we are going to go to biennial budgeting and appropriations because I believe that that takes away the oversight responsibility that Congress has to watch these agencies and to comment on them. There are others who disagree, including the Chairman.

Senator VOINOVICH. Absolutely. [Laughter.]

Senator DURBIN. But having said that, I think that if we are going to play the appropriate role under the Constitution, the appropriations process and the authorizing committees have a responsibility to watch this management on a regular basis.

Thanks, Mr. Chairman.

Senator VOINOVICH. Senator Thompson.

Chairman THOMPSON. Well, thank you, Mr. Chairman. A fascinating discussion. You bring up so many things that we have been dealing with here. In listening to you, it looks to me like the real fundamental question is: How much should we try to and how much capability do we have to measure what government is doing and whether it is really doing its jobs? That is what the Results Act is supposed to try to do, and the experts in the area say that one of the things you have to do is determine the cost of what you are doing. And it is not an easy picture.

Senator Durbin has a problem with cost/benefit analysis, and, of course this revives an old discussion we have had for a long time. The fact of the matter is that the suggestions put forth have to do with non-quantifiable as well as quantifiable measures. And if you have something that saves lives which is non-quantifiable, you shouldn't have much difficulty in carrying the day politically on that issue.

So that to the side, the problem is if you don't have some kind of objective measure, then you are going to run into what we have seen, billions of dollars of waste, no one really accountable, and all the other things we have seen.

The problem, on the other hand, if you have too much, if you want to call it measurement, you run into things like this NPR, because what they clearly did was choose some things, as we do on Capitol Hill lots of times, choose some things that are clearly measurable and understandable to the American people—the number of employees cut. You can't make a political speech about the improved quality because you can't explain the way you came to that conclusion. But you can sure have some objective criteria by cutting employees.

That is a balance that we have to make, and I think the problem is oftentimes that we don't—in our cost/benefit analysis, we don't look at the picture broadly enough, and the cost/benefit analysis is not only what you are doing well, how much money you are saving, how much it costs, but also the quality considerations and all that. We have got to figure out a way to do that.

But what you have to have, in looking at the history of all this and the extremely exciting and interesting books that Mr. Light writes on government reform and so forth, and he traces the history of all these reform movements and all these commissions—the Hoover Commission and the Grace Commission and all that. He tells us how it really all depends on who is in office and whether the Republicans control one branch and the Democrats another and whether you have a Democrat or Republican President. And it is almost a case to be made for determinism. You can almost tell the counterreform efforts that are coming based on who controls what. And here we are again. And I appreciate your endorsement of Senator Lieberman and my latest commission effort. Maybe we will do better.

But what runs through all of that, to me, is the point that you have to have real management in the Executive Branch, and you have to have real support from Congress. Now, Congress has passed a slew of laws recently—Clinger-Cohen, Paperwork Reduction, GPRA, all these various things that are coming to fruition now. So I think you can make a case that over the last several years the leadership of this Subcommittee in the past has contributed a lot to that.

But I see very little to be encouraged about from a management standpoint. This business of these reductions, everybody sees through that. Everybody knows about the downsizing and where it has come from, 60 percent from Defense and Energy civilian workers. But OMB not only did not get in there and say, now, look, you need to consider the quality of the workforce, OPM, we are responsible for that, they aided and abetted this kind of sham approach. And if you look at these performance reports that are coming in now from the Results Act, one of the worst ones in terms of setting identifiable goals is OMB. It is totally process-oriented. I mean, they of all people are supposed to be looking over these other agencies. Just like Mr. Moe said, there is no management over there. I mean, they are downsizing in every way. That is where they are really downsizing, is in the management part of OMB. Nobody is looking out for the management side.

So they are going along with whatever wind is blowing at the moment, and that is why we wind up with a hollowed-out workforce in some of these areas, no consideration as to the fact that we haven't asked any less of these government employees and these agencies. We keep piling more responsibilities on them as we are cutting in many cases the most experienced people—it is haphazard cutting without strategic planning.

So we have got to figure out what do you do about all this, and I think Senator Durbin is right. It is essentially a political question in the broadest sense of the word. You have to have commitment from the Executive Branch. You have to have commitment from what is the OMB or some successor to it. That is something else we need to take a look at. And you have to have cooperation and commitment up here.

We shouldn't be criticizing. Every time somebody makes an effort to do something positive, we shouldn't be critical of it because it doesn't reform all of government. We ought to be supportive. The problem with this effort is that when you look at their downsizing claims or their savings claims, and some of these I think GAO has been rather generous in some of its assessment. You say that the claimed agency savings cannot all be attributed to NPR. If you look at it, virtually no savings can be attributed to NPR. So I think you are giving them a break on that.

So you look at all of that, and then you look at their involvement in this citizenship U.S.A. business where documents obtained from the Office of the Vice President and NPR under subpoena of the House Committee on Government Reform which we have indicated that political appointees and outside interest groups persuaded the administration that hundreds of thousands of immigrants should be rushed through the naturalization process in the hopes that they would vote for the Democrats in the 1996 election. Justice is

looking into it. What is known so far, apparently INS naturalized hundreds if not thousands of felons in contravention of the law. And you see that as a part of it. That is the problem that we have with this. It is not that we want to be critical of every effort and even a little overblown rhetoric about accomplishments and so forth. But we have got to—we don't want to discourage people from doing it in the future.

But these are the reasons, and then to cap it all off, I am beginning to understand now why they don't want to show up and testify here today and answer some of these questions. But it doesn't contribute to the solution that we are looking for.

I will just finish this with a broader question, and, that is, from a broader standpoint, Mr. Light, in looking over history and the reform efforts—and as you point out, it has been ongoing and will continue. We now have a few tools we didn't have. Is it a money problem? Is it a funding problem? Is it an executive problem? Is it a Legislative Branch problem inherently? Are there difficulties there because we have to have these political measuring sticks that the people publicly understand? Is it the nature of the matters that we are dealing with? What is your broad overview? And I will play devil's advocate with my own bill. Why do you think there might be a chance that with this new commission proposal that we have that that would do any good?

Mr. LIGHT. May I just hope that when you said "an exciting read" that you meant it. [Laughter.]

It will be on remainder tables.

Chairman THOMPSON. It is interesting.

Mr. LIGHT. Look, I think that there is substantial agreement between the parties and between the branches that there needs to be a breather here where we take a look at all of the structure and laws that we have added on that government has accreted over the years and take a whack at them.

You need that every once in a while. It has been 50 years since we took a systematic look at the Federal organization chart. I don't pretend that that is the answer, but I think every once in a while you need to sit down and sweep clean and take to task the things that have risen over the years.

I am encouraging you on your commission to add an action-forcing device. I think just as we went through the painful process of closing military bases that we all knew were obsolete and needed to be closed but we could not summon the will at either end of Pennsylvania Avenue to do so, every once in a while you have to take a look at this.

If you look at the first reinventing government report, there is a strong section on eliminating what we don't need. And you look back at that 7 years later and say we didn't do much of that. We couldn't do much of that. Every once in a while you need to step back, take a look at what you have accumulated, and take a whack at it. And I think that you have to do it in a context where both ends of the avenue are given an opportunity to do the right thing, but not given a whole lot of opportunity to summon up the old arguments for continuing program X or program Y because it meets a jurisdictional demand or it has been there for a good long time.

I just think that you need that breather every once in a while, and I can't imagine a better time to do it than right now. We are at the change of administrations. We have non-incumbents running. It is a good time to take a look at it, do it quickly, present to this branch an up or down vote on a package of structural reforms. I think that is an essential part of it, and throw civil service in there while you are working on it.

Chairman THOMPSON. Thank you very much.

Thank you, Mr. Chairman.

Senator VOINOVICH. I would like to make one comment, Mr. Moe, about what you said. First of all as part of my management philosophy, I told my directors and secretaries that if you can't measure it, don't do it. I like customers, Mr. Moe, internal customers within our agencies that are customers unto themselves, and external customers that we have to take care of. That is a concept that I believe in strongly. We found in State Government that many of our agencies didn't even know who their customers were. I will never forget our Environmental Protection Agency—everyone was screaming about it. They didn't know who their customers were, and after they identified their customers, they started talking to them and found out they were unhappy. And in a 2-year period, the customers became a lot happier because there was recognition. Most government employees are good people and want to get the job done, but they have to understand who their customers are.

NPR, we can say what we want to about it, and maybe has exaggerated, as Senator Thompson said. I am one of those people who thinks the past is the past. The issue is we are here today and where are we going tomorrow. That is my real concern. We do have a human capital crisis.

It seems to me that OMB no longer has an M in it. There is no management. And the issue is: How do you go about putting in place a vehicle or a mechanism to move forward and take on these challenging problems that we have in the Federal Government today?

One of our witnesses this week, on Tuesday, Senator Durbin, you will recall, was Inspector General Gross of NASA. She said, "As a result of reductions and reinventions of the Federal personnel community mandated by NPR, many personnel offices are understaffed and ill-equipped to compete with their private sector counterparts."

Now, I just wonder, does this run across the Federal Government? And if it does, we are in big trouble. I would be interested in recommendations as to how we go about addressing this problem in the short term, because we have to jump start it and then look for a mechanism to put in place to guarantee that we deal with this problem over the long term and that we have some oversight in the Federal Government.

One of my problems is that so many of the issues, Senator Durbin, that come before this Subcommittee ought to be taken care of on the management side of government. So much of what we are talking about, really, if you had management that was dedicated to this, we wouldn't have these hearings.

For example, GAO has identified at-risk agencies, and there are more of them today than there were a decade ago. How do you focus on the main responsibilities of government, and that is deliv-

ering services to people in a sensitive, efficient way? I am concerned that if we don't get at this quickly, it is going to clog up our economy because so many entities in the private sector are dealing with Federal agencies. They are moving ahead in terms of human capital and technology, and if we don't keep pace with them, we are going to have a gigantic traffic jam where the Federal Government, instead of getting out of the way or greasing the skids, is going to become a real problem to this country's productivity.

So I am interested, if you were in the shoes of the folks at OMB now, what would you do?

Mr. MIHM. Mr. Chairman, if I may, I think there are a couple of things that can be done. First, Congress has already passed a legislative vehicle that can help you on this, and that is the Government Performance and Results Act. I mentioned in my comments earlier that the 24 largest agencies, did not systematically talk about and think about their human capital strategies in the context of programmatic goals, and that is the connection that needs to be made. That is something that we are looking at, and certainly additional oversight efforts from this body, so that we can begin to start showing the programmatic consequences to this staffing crisis that you are talking about.

All too often, the debate, as we have been discussing on the panel here, has just been on have we cut people or have we not cut people and where have we been cutting them. We don't understand what the consequences of those skill gaps are. We don't understand the consequences of where cuts may have been inappropriately made. We don't understand the consequences of where more people may be needed.

Two of the areas in particular on our high-risk list deal with exactly the lack of this human capital, both in contract management over at NASA and contract management in the Department of Energy. Both of those, among the root causes there is the lack of people, as Dr. Kettl was suggesting, that know how to manage contracts, these large, complex, difficult contracts. So I think one thing, one clear legislative device that you already have, is the Government Performance and Results Act.

Second, we recently issued a self-assessment guide for agencies to use that they can go through and begin to think and develop baselines on what their human capital profile looks like, the extent to which they have skills gaps, and then develop an action plan in order to improve performance.

And then, third, as you know, Mr. Chairman, we have also just recently issued a report looking at best practices in the private sector in human capital planning and execution. And we are working with OPM and others to try and get the message and the news of that spread throughout the Executive Branch.

There are a number of things that can be done. Let me just add one final one, and this is work that we are doing for you in this regard, and that is, come next January, February, and March when political appointees are coming in front of this Subcommittee and the authorizing committees, to the extent that questions can be asked of them about the public management and about their responsibilities and their knowledge of that, that will both give you information on what they know and their commitment, but also un-

derscore to these nominees the importance that Congress places on the effective management of programs.

So I guess those four devices are what we would suggest.

Senator VOINOVICH. I appreciate the cooperation that we are getting from GAO in putting that questionnaire together, and hopefully it is going to be of such quality that this Subcommittee and other committees in Congress will be able to use it. First of all, it will help us find out whether the new people that are coming in know anything——

Mr. MIHM. Absolutely.

Senator VOINOVICH [continuing]. In terms of what they are being charged with doing, and, second of all, I say with tongue in cheek that maybe some of them, after reading the questionnaire, may decide they don't want to take the job because of the challenges that are connected with it. [Laughter.]

So if I am listening carefully, you have put together that self-assessment.

Mr. MIHM. Yes, sir.

Senator VOINOVICH. If you were in the management side of government, probably the best thing you could do at this stage of the game would be to move with that assessment, ask everybody to fill it out, figure out where they are, and that would be the beginning of addressing this human capital crisis that we are confronted with.

Mr. MIHM. I think so, yes, sir. We are moving very hard in this regard. The Comptroller General has met with the President's Management Council to try at the very senior levels of the administration to engage them. At staff levels, we are working with our counterparts over in OPM and in OMB, and certainly in the individual agencies as well on this.

Senator VOINOVICH. Well, that would be a good gift to the next administration, whether it is Vice President Gore or George Bush, that somebody was doing a lot of work so that when they came in, they would have a current assessment, that addressed some of the really critical areas where we need people so that we can keep this government operating during the transition period. Because I know from transitions that I have been through that you are so busy trying to get everything organized, so often something that is really critical, if it is not brought to your attention immediately, just gets neglected. And we are running out of time in some of these agencies in terms of the skills that are needed to keep them going.

Mr. MIHM. I think one of the virtues of both the self-assessment guide that we have done, but just more generally thinking about human capital, is, again, to tie it back into the programmatic consequences. Certainly new political appointees and even new members perhaps that come up with an agenda that is policy- or program-oriented, they can quickly lose interest in just hearing open-ended discussions of "we have a human capital crisis" unless it is made clear to them the scope of this crisis and the consequences for what they want to achieve in a programmatic and policy sense. That is, what we are trying to do in our work in both the high-risk list and in other areas, is show that this is not just a few good-government "geeks" talking about management "stuff." This really matters in terms of the quality and the effectiveness of the services

that are developed and delivered to the American people—not to characterize my colleagues as "geeks." [Laughter.]

Senator VOINOVICH. I would call them "the A Team."

Mr. MIHM. Thank you, sir. That is why you are there and I am here.

Senator VOINOVICH. I have watched the Federal Government for 18 years. I have lobbied this place as mayor and as governor, and you get new administrations in and we have new secretaries, assistant secretaries, deputies, and so forth. My observation has been that they have wonderful ideas, and before they know it, they are traveling around the country and making speeches and visiting places, and the people that are necessary to get the job done are neglected. They are as important or more important than some of the speeches that they are making.

Mr. KETTL. Mr. Chairman, you make a very important point there, because we often engage in a folly that we can in a sense think of and create the management side of government as if somehow there were a piece of it we could push aside and let it take care of it. We are increasingly in the position where government, no matter how bold its ideas and policies may be, doesn't work unless management is wired deeply into the policy and the politics and the programmatic side of it.

Senator VOINOVICH. Absolutely.

Mr. KETTL. And that is in many ways, I think, Mr. Mihm's fundamental point and the point that you just made. And that creates a real dilemma because on the political side there is little political payoff for the government simply doing well what citizens expect it to do. Mail delivered yet again today is not a popular headline in the paper. Mismanagement, on the other hand, is guaranteed to make it on the evening news. And so there is serious punishment for management failures. The incentive is to stay as far away from them as possible, to try on the other hand just to leave the management to everybody else because there is very little political payoff. But we are increasingly at the point where that is not a luxury we can afford any longer because in case after case after case, as we have seen in the last 3 or 4 years, and we can chart the possible headlines that could pop up in the next 5 years just by simply looking down the list of GAO's high-risk areas, we can see the possibilities of things that could go wrong. And the most important thing that this Subcommittee can do is to ensure that we don't engage in the kind of folly that suggests there is a management side of government that can be separated out from the policy and the politics, because policy and politics increasingly depend on government's ability to actually deliver results.

Senator VOINOVICH. All right. Senator Durbin.

Senator DURBIN. Well, I would just close on a point that I had raised earlier, because I think that when we look at management models, this is a unique situation. It is unique in that Congress and the Executive Branch have to work together in this regard, and there is a built-in institutional friction and tension that was anticipated by the Constitution. There are obvious political differences that might arise between an executive of one party and congressional leaders of another. And there are personal tensions where I have seen chairmen of committees basically have their own

personal agenda when it comes to an agency, and they can drive it home in terms of the authorization and appropriations language.

So whoever the next President may be, their ability to reform, truly reform government and bring new management to it will depend to a great extent on what happens on Capitol Hill, whether it is a cooperative atmosphere and approach to it. I think that the effort by this administration was a good-faith effort. I think it came at a time when the political divisions between Congress and the Executive Branch were obviously very different with the onset of the Gingrich leadership in the House and the like. And the tension was there to a great extent. It has been manifest today in some of the observations that have been made in this panel.

So I guess I am hoping that we can rise above politics and even find a level of cooperation when it comes to these two institutions; otherwise, I am not sure how far an Executive Branch on its own can go to reform this situation.

Senator VOINOVICH. Well, I think a lot of what this Subcommittee does will impact what is going to take place.

Thank you very much for coming today. We really appreciate it. There are other questions, by the way, that I have that I would like answered, and I would appreciate your response to them. Of course, your written testimony will be part of the record.

I want to assure you that we are going to build on what we have heard and see if we can't deal with some of the problems that we discussed today.

Thank you very much.

[Whereupon, at 11:43 a.m., the Subcommittee was adjourned.]

APPENDIX

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Oversight of Government Management, Restructuring, and the District of Columbia, Committee on Governmental Affairs U.S. Senate

For Release on Delivery
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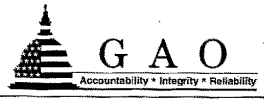
MANAGEMENT REFORM

Continuing Attention Is Needed to Improve Government Performance

Statement of
J. Christopher Mihm, Associate Director
Federal Management and Workforce Issues
General Government Division



GAO/T-GGD-00-128

Summary

Management Reform: Continuing Attention Is Needed to Improve Government Performance

The NPR has been one of the longest sustained and most well-known executive branch reform initiatives in the nation's history. However, the NPR's efforts were not undertaken in isolation from other management reforms. Indeed, reflecting the widespread interest in reforming government to improve effectiveness and service quality while limiting costs, Congress, the administration, and federal agencies have all undertaken ambitious and largely consistent reforms in the last decade. NPR attempted to build upon prior management reforms and operated in an atmosphere where other factors, such as agencies' ongoing efforts as well as the political environment, also influenced actions taken to address NPR's recommendations. At the same time, Congress has put in place a statutory framework intended to improve federal program effectiveness and public accountability by instilling a performance-based approach into the management of federal agencies. Congress has also taken legislative action consistent with selected NPR recommendations and initiated other improvements targeted to individual agencies.

In recent years, GAO has examined aspects of NPR's reform efforts and found that NPR claimed savings from agency-specific recommendations that could not be fully attributed to its efforts. GAO also found in its examinations of selected management reform efforts that have been emphasized by NPR, that agencies' downsizing has short- and long-term implications that require continuing attention; that better communication could help disseminate methods used by NPR reinvention laboratories to improve performance; that, despite recent reforms, the federal government still does not have a world-class purchasing system; and that regulatory reforms have yielded mixed results. The results of GAO's reviews underscore the work that still lies ahead in reforming federal management.

The next Congress and administration will face a series of long-standing management problems that will continue to demand attention if the efficiency and effectiveness of the federal government is to be fundamentally improved. A few of the more important management problems that will confront the next Congress and administration include

- adopting an effective results orientation,
- coordinating crosscutting programs,
- addressing high-risk federal functions and programs,
- developing and implementing modern human capital practices,
- strengthening financial management, and
- enhancing computer security.

Statement

Management Reform: Continuing Attention Is Needed to Improve Government Performance

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here this morning to discuss the management reform efforts conducted by the National Partnership for Reinventing Government, formerly known as the National Performance Review (NPR), and the continuing management improvement agenda facing federal decisionmakers. As you know, since the administration launched NPR in March 1993, under the leadership of the Vice President, the initiative has attempted to "make the government work better and cost less, and to get results Americans care about." The NPR has been one of the longest-sustained and most well-known executive branch management reform initiatives in the nation's history.

However, the NPR's efforts were not undertaken in isolation from other management reforms. Indeed, reflecting the widespread interest in reforming government to improve effectiveness and service quality while limiting costs, Congress, the administration, and federal agencies have all undertaken ambitious and largely consistent reforms in the last decade. For example, Congress has put in place a statutory framework intended to improve federal program effectiveness and public accountability by instilling a performance-based approach into the management of federal agencies. This framework provides the basis for developing fully integrated information about agencies' missions and strategic priorities, results-oriented goals that flow from those priorities, performance data to show progress in achieving those goals, the relationship of information technology investments to the achievement of performance goals, and audited financial information about the costs of achieving results.

In 1993, 1994, and 1996, we issued assessments of NPR's recommendations and the status of their implementation,[1] and we are currently reviewing selected NPR recommendations at your request, Mr. Chairman, and that of Senator Brownback. However, we have not comprehensively examined NPR. Therefore, as agreed, my statement today summarizes our work on selected aspects of the NPR where we have done recent work from a governmentwide perspective. I also will draw on our large body of work on management issues to highlight some of the more important management problems confronting the next Congress and administration. Our work on selected NPR initiatives, as well as our other related work on federal management issues, suggests an overriding theme—successful

[1] Management Reform: GAO's Comments on the National Performance Review's Recommendations (GAO/OCG-94-1, Dec. 3, 1993), Management Reform: Implementation of the National Performance Review's Recommendations (GAO/OCG-95-1, Dec. 5, 1994), and Management Reform: Completion Status of Agency Actions Under the National Performance Review (GAO/GGD-96-94, June 12, 1996).

reinvention is not an end-state but rather an ongoing process that seeks continuous improvements in performance, efficiency, and effectiveness.

NPR's Reinvention Efforts Have Evolved Over Time

NPR has had at least three phases, and has encompassed a wide range of different initiatives during the 7 years it has existed. NPR, given its organizational placement (as a taskforce within the staff offices of the Vice President), had no independent authority to force action. Rather, its efforts have been accomplished through others (agencies, the Office of Management and Budget (OMB), the Executive Office of the President, and Congress). NPR therefore has carried out its role by raising various issues, identifying possible solutions, leveraging partnerships, facilitating change, and stimulating action.

NPR's efforts have ranged from focusing on specific agency reforms to major crosscutting efforts, such as those to downsize the federal government and to streamline acquisition and regulatory processes. NPR has used various methods to advance its agenda, including

- issuing reports with recommendations;
- working with agencies to establish reinvention laboratories to test ways to improve performance and customer service;
- encouraging agencies to set customer service standards and surveying the public's level of satisfaction with federal services; and
- proposing new ways of operating, such as through Performance Based Organizations.

NPR's Initiatives Were Not Undertaken in Isolation from Other Management Reform Efforts

By their very nature, successful management reform efforts often entail (1) concerted efforts on the part of agencies, (2) leadership and follow through on the part of central management agencies and the administration, and (3) support and oversight from Congress. The presence of all three of these elements has been critical to the effective implementation of management reforms over the last decade.

As we reported in July 1999, NPR attempted to build upon prior management reforms and operated in an atmosphere where other factors, such as agencies' ongoing efforts as well as the political environment, also influenced actions taken to address NPR's recommendations.[3] At the same time, Congress has sought to reform the fiscal, program, and management performance of the federal government through a statutory framework, which includes the Chief Financial Officers Act of 1990 and related

[3] NPR's Savings: Claimed Agency Savings Cannot All Be Attributed to NPR (GAO/GGD-99-120, July 23, 1999).

financial management legislation; information technology reform legislation, such as the Clinger-Cohen Act of 1996 and the Paperwork Reduction Act of 1995; and the Government Performance and Results Act (GPRA). Congress has also taken legislative action consistent with selected NPR recommendations and initiated other improvements targeted to individual agencies. Given the interaction of these elements, any attempt to isolate the specific contributions that any one entity made to successful management reforms—or to apportion "credit" among entities—is generally not possible and likely to have little, if any, value.

One of the first steps NPR took was to release a report in September 1993 that made 384 recommendations intended to make the government "work better and cost less."[3] This report made recommendations to reinvent individual agencies' programs and organizations, and also included governmentwide recommendations for, among other things, reducing the size of the federal workforce. In making its recommendations, NPR sought to build its initiatives on existing efforts, practices, and recommendations. Thus, in many cases, NPR's recommendations were consistent with recommendations that we and agency Inspectors General (IGs) had made in the past. Not surprisingly, because NPR's recommendations reflected issues that we and others had stressed for years, we reported that we generally agreed with most of them.[4]

Our ongoing review of selected NPR recommendations for this Subcommittee and Senator Brownback provides several examples illustrating the interrelationship between NPR's recommendations and other reform efforts. For example, IRS's current modernization effort is consistent with NPR's recommendation, made in 1993, which included actions to

- Support a new business vision,
- Realign the missions of IRS' organizations, and
- Improve taxpayer-focused output measures.

Several years after NPR's recommendation, Congress remained concerned about the need to modernize IRS and enacted the IRS Restructuring and Reform Act of 1998.[5] Building on the direction set forth in the

[3] From Red Tape to Results: Creating a Government That Works Better and Costs Less, National Performance Review, September 7, 1993.

[4] GAO/OCG-94-1, Dec. 3, 1993.

[5] P.L. 105-206, July 22, 1998.

Restructuring Act and recommendations from NPR and others, Commissioner Rossotti established a new mission statement and supporting strategic goals for the IRS. Recognizing the complex and interdependent nature of its long-standing problems, IRS also initiated a massive modernization effort that encompasses major changes to its organizational structure, business practices, performance management system, and information systems. While, in many ways, IRS remains as challenged an agency today as it was 2 years ago when the Restructuring Act was passed, we have said that this modernization effort has the potential to provide improvements in the agency's two key mission areas—taxpayer service and enforcement.[6] IRS modernization, however, is a long-term effort that is likely to take more than a decade to fully implement.

An additional example of the interrelationship between NPR's recommendations and other reform efforts, involves two recommendations NPR made to the Department of Energy (DOE) reflecting the political environment that followed the end of the cold war. One of NPR's recommendations called for DOE to redirect energy laboratories to post-cold war priorities by continuing the reduction already under way of funding for nuclear weapons production, research, testing programs, and infrastructure. NPR also recommended that DOE sell uranium no longer needed for national defense purposes. DOE said that NPR's recommendation was consistent with uranium disposition programs that DOE already had in place.

Information From Our Reviews of Selected NPR Initiatives

In recent years, we have examined aspects of NPR's cost savings estimates, downsizing initiative, reinvention laboratories, and acquisition and regulatory reform efforts. The results of our reviews, which are summarized below, underscore the work that still lies ahead in reforming federal management.

Claimed Agency Savings Cannot All Be Attributed to NPR

We reported in July 1999 that NPR claimed savings from agency-specific recommendations that could not be fully attributed to its efforts. NPR claimed that about $137 billion in savings has resulted from its efforts to reinvent the federal government, with about $44.3 billion of these savings claimed from recommendations that were targeted toward individual agencies. We reviewed six recommendations representing over two-thirds of this $44.3 billion, and found that the relationship between the NPR recommendations and the savings claims was not clear. These savings

[6] See IRS Modernization: Long-term Effort Under Way, but Significant Challenges Remain (GAO/T-GGD/AIMD-00-154, May 3, 2000) and IRS Restructuring Act: Implementation Under Way but Agency Modernization Important to Success (GAO/T-GGD/AIMD-00-53, Feb. 2, 2000).

estimates also could not be replicated, and there was no way to substantiate the savings claimed.

NPR relied on the OMB to estimate the savings it claimed from its recommendations, and OMB generally did not distinguish NPR's contributions from other initiatives or factors that influenced budget reductions at the three agencies we reviewed—the Department of Agriculture (USDA), DOE, and the National Aeronautics and Space Administration (NASA).

To estimate the savings from the agency-specific recommendations, OMB said it used the same types of procedures and analytic techniques that have long been used in developing the President's budget. These procedures and techniques are intended to support point-in-time budget estimates that are based on policies and economic forecasts in effect at a given time. As our previous reviews of budget estimates have shown, it is difficult to reconstruct the specific assumptions used and track savings for estimates produced several years ago.[7]

At NASA, for example, OMB attributed all $8.5 billion of expected reductions to NASA's budget for fiscal years 1996 through 2000 directly to NPR's recommendation to reinvent NASA. OMB did not account for other factors, such as ongoing NASA reform initiatives and budgetary spending caps, that also influenced NASA's budget during this period. Similarly, when OMB estimated savings from the recommendation to redirect DOE's energy laboratories to post-cold war priorities, it credited all savings from estimated reductions in the weapons activity budget account ($6.996 billion) to NPR. Considering the nuclear test ban treaty and other factors, it was apparent that the DOE laboratories' priorities would have changed regardless of whether NPR had made the recommendation.

Agencies' Downsizing Has Short- and Long-term Implications

Reflecting policy decisions to reduce the size of the federal government during the 1990s, both NPR and Congress proposed personnel reductions. NPR attempted to achieve the downsizing, without diminishing the quality of service to the public, by streamlining organizational structures to eliminate "overseers" while maintaining frontline staff, and by making better use of technology to more efficiently deliver services. The NPR called on agencies to restructure their workforces by directing their downsizing toward specific "management control" positions, including budget, procurement, and personnel positions, as well as managers and

[7] NPR Savings Estimates (GAO/GGD/AIMD-96-149R, July 24, 1996) and Budget Process: Issues Concerning the 1990 Reconciliation Act (GAO/AIMD-95-3, Oct. 7, 1994).

supervisors. Congress passed the Federal Workforce Restructuring Act of 1994, which mandated governmentwide reductions of 272,000 full time equivalent (FTE) positions through fiscal year 1999.

As a result of the legislation, executive branch efforts, and other budget and program pressures, the federal government is now smaller as measured by the number of federal employees. As the Comptroller General noted in his March 2000 testimony before this Subcommittee, from fiscal year 1990 to fiscal year 1999, the number of nonpostal civilian federal employees fell from about 2.3 million to about 1.9 million.[8]

Nevertheless, the manner in which the downsizing was implemented has short- and long-term implications that require continuing attention. The management control positions NPR sought to decrease were barely reduced as a proportion of the workforce as a whole, and at some agencies they increased.[9]

In addition, our reviews have found that a lack of adequate strategic and workforce planning during the initial rounds of downsizing by some agencies may have affected their ability to achieve organizational missions.[10] Some agencies reported that downsizing in general led to such negative effects as a loss of institutional memory and an increase in work backlogs. For example, efforts to downsize while introducing new technology were not consistently well planned. In our review of agencies' initial efforts to restructure personnel operations, upgrading systems technology was a primary element of the restructuring plans because the departments planned to reduce the number of personnel specialists they employed and improve services and operating efficiency by automating paper-based processes.[11] However, the automation efforts were not completed as planned before reductions in personnel staffing occurred. As a result, the agencies were struggling to achieve their efficiency and service improvement objectives.

Although we found that agencies' planning for downsizing improved as their downsizing efforts continued, it is by no means clear that the current

[8] Human Capital: Managing Human Capital in the 21st Century (GAO/T-GGD-00-77, Mar. 9, 2000).

[9] Federal Downsizing: The Status of Agencies' Workforce Reduction Efforts (GAO/T-GGD-96-124, May 23, 1996).

[10] Federal Workforce: Payroll and Human Capital Changes During Downsizing (GAO/GGD-99-57, Aug. 13, 1999).

[11] Management Reform: Agencies Initial Efforts to Restructure Personnel Operations (GAO/GGD-98-93, July 13, 1998).

workforce is adequately balanced to properly execute agencies' missions today. For example, most major agencies' fiscal year 2000 annual performance plans that were prepared under GPRA do not sufficiently address how the agencies will use their human capital to achieve results.[12] This suggests that one of the critical components of high-performing organizations, the systematic integration of human capital planning and program planning—is not being adequately addressed across the federal government.

Better Communication Could Help Disseminate Reinvention Laboratories' Methods That Improved Performance

Another of NPR's initiatives was to establish reinvention labs, which were designated to test ways that agencies could improve their performance and customer service by reengineering work processes and eliminating unnecessary regulations.

Some of the lab efforts began before NPR's initiative, and the labs covered a wide variety of subject areas, ranging from acquisition systems to ways to use technology to improve operations.[13] Our 1996 review found that the labs' results suggested a number of promising approaches to improving existing agency work processes. For example, the Veterans Affairs New York Regional Office sought to improve customer service and communication in its claims processing function by creating self directed work teams responsible for handling a veteran's claim from start to finish. Similarly, the U.S. Geological Survey's information dissemination lab sought to improve internal communications and job processes by combining the organizational unit that took map purchasing orders with the unit that filled the orders and by cross-training staff.

These and other reinvention labs represent real achievements. The real value of the labs' efforts can only be realized when effective practices spread beyond the lab sites to the rest of the government. Unfortunately, we found a lack of substantial communication among labs and between the labs and other federal entities to disseminate lab results. Therefore, we recommended establishing a clearinghouse to facilitate the sharing of information and provide performance information that demonstrates results. The National Academy for Public Administration initially filled such a role in response to our recommendation by establishing a clearinghouse on the Internet. However, it did not appear that this Web-site has been updated since October 1998.

[12] Managing for Results: Opportunities for Continued Improvements in Agencies' Performance Plans (GAO/GGD/AIMD-99-215, July 20, 1999).

[13] Management Reform: Status of Agency Reinvention Lab Efforts (GAO/GGD-96-69, Mar. 20, 1996).

Continued Improvements in Acquisition Management Are Needed

Congress and the administration have taken a number of important steps to improve federal acquisition, but despite recent reforms, the government still does not have a world-class purchasing system. Reform efforts, including the Federal Acquisition Streamlining Act of 1994 and the Clinger-Cohen Act of 1996, have focused principally on simplifying the process for buying commercial products and services and on attempting to improve decisionmaking in acquiring information technology.

Despite these reforms, however, the products and services the government buys all too often cost more than expected, are delivered late, or fail to perform as anticipated. No commercial business would remain viable for very long with results like these. Problems are particularly evident in the two areas where most of the dollars are spent—on weapons systems and information technology. Significant improvements in these areas, as well as in the skills of the acquisition workforce, are needed in order to produce better outcomes. We have made a number of recommendations over the years to improve acquisition outcomes, including that federal agencies use best commercial practices.[14]

As we testified before the Subcommittee on Government Management, Information, and Technology, House Committee on Government Reform, it is difficult to assess the impact of acquisition reforms because many of them are still being implemented.[15] In addition, it is difficult to measure any increase in the government's purchases of commercial items since the Federal Acquisition Streamlining Act of 1994, because reliable baseline data are not available.

Nevertheless, we are seeing some changes. Agencies have streamlined their acquisition processes, particularly by using governmentwide acquisition and schedule contracts to get what they need more quickly. However, much more needs to be done to achieve real and sustained improvements. It will take time to improve agency acquisition operations because the problems we have identified are difficult ones and are deep-rooted in very large programs and organizations. To insure that progress continues, sustained management attention and congressional oversight–particularly involving weapons systems, information technology, and human capital issues–will be necessary.

[14] For example, see Best Practices: DOD Training Can Do More to Help Weapon System Programs Implement Best Practices (GAO/NSIAD-99-206, Aug. 16, 1999), and Defense Acquisition: Best Commercial Practices Can Improve Program Outcomes (GAO/T-NSIAD-99-116, Mar. 17, 1999).

[15] Federal Acquisition: Trends, Reforms, and Challenges (GAO/T-OCG-00-7, Mar. 16, 2000).

Regulatory Reforms Have Yielded Mixed Results

One of NPR's major initiatives was to improve the federal government's regulatory system by, among other things, streamlining agency rulemaking and cutting regulations. In June 1995, President Clinton said that, as part of his administration's regulatory reform initiative, federal agencies would eliminate 16,000 pages of regulations from the 140,000-page Code of Federal Regulations (CFR), and that another 31,000 pages would be revised. When we examined this issue in 1996, agencies reported that they had eliminated 11,569 pages of the CFR and revised another 13,216 pages.

However, in our October 1997 report on this initiative, we noted that officials in each of the four agencies we reviewed (the Departments of Housing and Urban Development and Transportation, the Occupational Safety and Health Administration within the Department of Labor, and the Environmental Protection Agency) said that the page elimination totals that they reported did not take into account the pages that their agencies had added to the CFR while the eliminations were taking place.[16] In some cases, agencies added more pages than they removed during the page elimination initiative. The agencies pointed out that pages are often added to the CFR because of statutory requirements or to clarify requirements placed on regulated entities, and that pages are sometimes not eliminated at the request of those entities.

The Paperwork Reduction Act of 1995 (PRA) coincided with NPR's regulatory reform initiative on burden reduction and was similar to that initiative in its emphasis. We recently testified on the implementation of the PRA before the Subcommittee on National Economic Growth, Natural Resources, and Regulatory Affairs, House Committee on Government Reform.[17] Although the PRA envisioned a 30-percent reduction in federal paperwork between fiscal years 1995 and 1999, preliminary data indicate that the paperwork has increased during this period. Federal paperwork increased by about 233 million burden hours during fiscal year 1999 alone—the largest increase in any 1-year period since the PRA was enacted. Nearly 90 percent of the governmentwide increase during fiscal year 1999 was attributable to increases at IRS, which IRS said were primarily a result of new and existing statutory requirements.

[16] Regulatory Reform: Agencies' Efforts to Eliminate and Revise Rules Yield Mixed Results (GAO/GGD-98-3, Oct. 2, 1997).

[17] Paperwork Reduction Act: Burden Increases at IRS and Other Agencies (GAO/T-GGD-00-114, Apr. 12, 2000).

The Impetus for Improving Government Has Not Diminished

The next Congress and administration will face a series of long-standing management problems that will continue to demand attention if the efficiency and effectiveness of the federal government is to be fundamentally improved. In recent testimonies, including one for the Senate Governmental Affairs Committee, the Comptroller General has suggested a framework for thinking about these weaknesses and how they can be addressed.[18] Today, I will highlight just a few of the more important management problems facing the federal government to give a sense of the range of continuing problems that will confront the next Congress and administration.

Adopting an Effective Results Orientation

We have seen that integrating a focus on results into agency operations does not come quickly or easily. In the 2-1/2 years since the requirements of GPRA were implemented across the executive branch, Congress and executive branch decisionmakers have been provided with a wealth of new and valuable information on the plans, goals, strategies, and results of federal agencies. However, continuing progress is needed to use that information in managing programs and making program, resource, and policy decisions.

Coordinating Crosscutting Programs

Our work has identified widespread mission fragmentation and program overlap in the federal government. The broad scope of this fragmentation and overlap—ranging from social programs to defense efforts—indicates the inherent complexity of national problems that the federal government traditionally has addressed in a piecemeal approach. Table 1 highlights the areas of fragmentation and overlap that we have identified in our work through 1999.

[18] Budget Issues: Effective Oversight and Budget Discipline Are Essential—Even in a Time of Surplus (GAO/T-AIMD-00-73, Feb. 1, 2000), and Congressional Oversight: Opportunities to Address Risks, Reduce Costs, and Improve Performance (GAO/T-AIMD-00-96, Feb. 17, 2000).

Table 1: Areas of Potential Fragmentation and Overlap

Mission areas	Programs
Agriculture	•Food safety
Commerce and housing credit	•Financial institution regulation
Community and regional development	•Community development •Economic development •Emergency preparedness •Housing •Rural development
Education, training, employment, and social services	•Early childhood programs •Employment training •Student aid
General science, space, and technology	•High performance computing •National laboratories •Research and development facilities •Small business innovation research
General government	•Federal statistical agencies
Health	•Long-term care •Substance abuse •Nuclear health and safety •Telemedicine •Teen pregnancy prevention
Income security	•Child care •Welfare and related programs •Youth programs •Homelessness programs •Programs for people with disabilities
Defense	•Guided weapon systems •Telecommunications •Military health care •Satellite control systems •Nonmedical chemical and biological research and development
International affairs	•Educational programs •Policy formulation and implementation
Law enforcement	•Border inspections •Drug control •Investigative authority •Drug trafficking •Combating terrorism
Natural resources and environment	•Federal land management •International environmental programs •Hazardous waste cleanup •Water quality

Note: This table has been updated to reflect work we completed since our report Managing for Results: Using the Results Act to Address Mission Fragmentation and Program Overlap (GAO/AIMD-97-146, Aug. 29, 1997) was issued.

Source: GAO analysis.

Coordinating crosscutting programs is a persistent challenge for executive branch agencies and Congress. For example:

- The current system to ensure food safety suffers from inconsistent oversight, poor coordination, and inefficient allocation of resources. As many as 12 different federal agencies administer over 35 laws overseeing food safety. This fragmented federal approach costs over $1 billion each year and hinders the government's efforts to effectively protect consumers from unsafe food.[19]

- Better coordination is needed to improve the effectiveness of efforts to safeguard the nation from terrorist attacks. Over 40 agencies, bureaus, and offices implement numerous programs designed to prevent and deter terrorism, respond to terrorist threats and incidents, and manage the consequences of terrorist acts.[20]

- The 1994 Catalogue of Federal Domestic Assistance describes 342 economic development programs.[21] In addition, the limited information available on the impact of economic development assistance provided by three programs—the Appalachian Regional Commission, the Department of Commerce's Economic Development Administration, and the Tennessee Valley Authority—did not establish a strong causal linkage between a positive effect and agency assistance.

- There are over 90 early childhood programs in 11 federal agencies and 20 offices. The "system" of multiple early childhood programs with firm eligibility cutoffs could lead to disruptions in services from even slight changes in a child's family status. While multiple programs target disadvantaged preschool-aged children, most such children do not participate in any preschool program.[22]

[19] Food Safety: Opportunities to Redirect Federal Resources and Funds Can Enhance Effectiveness (GAO/RCED-98-224, Aug. 6, 1998), and Food Safety and Quality: Uniform, Risk-Based Inspection System Needed to Ensure Safe Food Supply (GAO/RCED-92-152, June 26, 1992).

[20] Combating Terrorism: Issues to Be Resolved to Improve Counterterrorism Operations (GAO/NSIAD-99-135, May 13, 1999), and Major Management Challenges and Program Risks: A Governmentwide Perspective (GAO/OCG-99-1, Jan. 1999).

[21] Economic Development: Limited Information Exists on the Impact of Assistance Provided by Three Agencies (GAO/RCED-96-103, Apr. 3, 1996), and Economic Development Programs (GAO/RCED-95-251R, July 28, 1995).

[22] See Early Childhood Programs: Characteristics Affect the Availability of School Readiness Information (GAO/HEHS-00-38, Feb. 28, 2000), and Early Childhood Programs: Multiple Programs and Overlapping Target Groups (GAO/HEHS-95-4FS, Oct. 31, 1994).

As these and other examples suggest, unfocused and uncoordinated crosscutting programs can waste scarce funds, confuse and frustrate taxpayers, and limit overall program effectiveness.

Addressing High-Risk Federal Functions and Programs

Over the years, our work has shown that federal functions and programs, ranging from Medicare to weapons acquisition, have been hampered by daunting financial and program management problems. Since 1990, as part of our "high-risk" initiative, we have reported on specific federal activities and functions that are particularly vulnerable to waste, fraud, abuse, and mismanagement.

Our 1999 high-risk update listed 26 areas at high-risk spanning a range of government operations, such as benefit programs that lose billions of dollars annually in improper payments, IRS' difficulty in controlling tax filing fraud, inefficient and weak lending programs, and the challenges the Department of Defense (DOD) faces in reducing infrastructure costs.

It will take time to fully resolve most high-risk areas because they are deep-rooted, difficult problems in very large programs and organizations. Congress has heightened its attention to resolving these weaknesses by reviewing agencies' progress and taking legislative action. However, more could be done by Congress and the executive branch to achieve real and sustained improvements. For example, in many cases, agencies have agreed with our recommendations but have not yet fully implemented them.

The annual planning process under GPRA provides an excellent vehicle for helping to address high-risk functions and programs and to ensure that clear accountability for progress is established. In our assessment of the fiscal year 1999 performance plans, we noted that precise and measurable goals for resolving mission-critical management problems are important to ensuring that the agencies have the institutional capacity to achieve their more results-oriented programmatic goals.[23] Similarly, our assessment of the fiscal year 2000 annual performance plans concluded that plans with goals and strategies that address mission-critical management challenges and program risks show that agencies are striving to build the capacity to be high-performing organizations and to reduce the risk of waste, fraud, abuse, and mismanagement.[24]

[23] Managing for Results: An Agenda to Improve the Usefulness of Agencies' Annual Performance Plans (GAO/GGD/AIMD-98-228, Sept. 8, 1998).

[24] GOA/GGD/AIMD-99-215.

Developing and Implementing Modern Human Capital Practices

Modern strategic human capital management recognizes that employees are a critical asset for success, and that an organization's human capital policies and practices must be designed, implemented, and assessed by the standard of how well they support the organization's missions and goals. The government's human capital management has emerged as the missing link in the statutory management framework that Congress established to provide for a more businesslike and results-oriented federal government. It is federal employees who will make the principles of performance management work for government, and federal employees thus should be viewed not as costs to be cut, but as assets to be valued. Only when the right employees are on board and provided with the training, technology, structure, incentives, and accountability to work effectively is organizational success possible.

At present, serious concerns are emerging about the aging of the federal workforce, the rise in retirement eligibilities, and the actions needed to ensure effective succession planning. The size and shape of the workforce, its skills needs and imbalances, and agencies' approaches to management performance and incentives, all need greater attention than they have been given. For example, our work at DOD, where downsizing has resulted in a civilian workforce reduction of about 43 percent from 1989 levels, suggests that imbalances are developing in the age distribution of DOD civilian staff. The average age of this staff has been increasing, while the proportion of younger staff, who are the pipeline of future agency talent and leadership, has been dropping.[25] Further, to cope with downsizing, as well as to become more efficient, DOD has numerous initiatives under way to change the way it does business. Changes in business practices and mission strategies in both DOD and other federal agencies can affect the kinds of competencies that will be needed to carry out organizational missions in the future. Ensuring that such competencies are identified, and that the appropriate staff are on-board, will require that federal agencies take a strategic approach to viewing and managing their human capital.[26]

Strengthening Financial Management

The U.S. government, as a whole, has not yet been able to accurately report a significant portion of its assets, liabilities, and costs because of significant financial systems weaknesses; problems with fundamental recordkeeping and financial reporting; incomplete documentation; and

[25] Human Capital: Strategic Approach Should Guide DOD's Civilian Workforce Management (GAO/T-GGD/NSIAD-00-120, Mar. 9, 2000).

[26] See, for example, SSA Customer Service: Broad Service Delivery Plan Needed to Address Future Challenges (GAO/T-HEHS/AIMD-00-75, Feb. 10, 2000), Space Shuttle: Human Capital Challenges Require Management Attention (GAO/T-NSIAD-00-133, Mar. 22, 2000), and Human Capital: Observations on EPA's Efforts to Implement a Workforce Planning Strategy (GAO/T-RCED-00-129).

weak internal control, including computer controls. These deficiencies also affect the government's ability to accurately measure the full cost and financial performance of certain programs and to effectively manage related operations.[27]

The executive branch recognizes that, because of the extent and severity of the financial management deficiencies, addressing them will require concerted improvement efforts across government. The President has designated financial management improvement as a priority management objective, and efforts are under way across government to address the pervasive, generally long-standing financial management problems.

While obtaining unqualified clean audit opinions on federal financial statements is an important objective, it is not an end in and of itself. The key is to take steps to continuously improve internal control and underlying financial and management information systems as a means to assure accountability, increase economy, improve efficiency, and enhance the effectiveness of government. These systems must generate timely, accurate, and useful information on an ongoing basis, not just as of the end of the fiscal year. Unfortunately, for fiscal year 1999, the financial management systems of 19 of the 22 agencies that have reported thus far were again found not to be in substantial compliance with the requirements of the Federal Financial Management Improvement Act of 1996. The act requires agency financial management systems to comply with system requirements and standards to provide uniform, reliable, and more useful financial information.

Enhancing Computer Security

Increasingly, the federal government is using technology to deliver products and services to the public. But the success of these efforts is critically dependent on computer security. Computer security is an area that OMB and GAO agree is of critical concern. Our nation's computer-based infrastructures are at increasing risk of severe disruption, as illustrated by the recent attacks on popular Internet Websites. Massive computer networks provide pathways among systems that, if not properly secured, can be used to gain unauthorized access to data and operations from remote locations. As a result, government officials are increasingly concerned about attacks from individuals and groups with malicious intentions, such as terrorists and nations engaging in information warfare.[28]

[27] Financial Audit: 1999 Financial Report of the United States Government (GAO/AIMD-00-131, Mar. 31, 2000).

[28] Critical Infrastructure Protection: Comprehensive Strategy Can Draw on Year 2000 Experiences (GAO/AIMD-00-1, Oct. 1, 1999).

In February 1997 and again in January 1999, in reports to Congress, we designated information security as a governmentwide high-risk area,[26] and OMB has listed it as a priority management objective.

Summary Observations

The long-standing management issues confronting the next Congress and administration will likely stimulate new efforts to reform the federal government. In previous appearances before this Subcommittee, I have identified a number of factors that appear to be critical to making progress on these and other management issues. These factors are (1) a demonstrated leadership commitment and accountability for change; (2) the integration of management improvement initiatives into programmatic decisionmaking; (3) thoughtful and rigorous planning to guide decisions, particularly to address human capital and information technology issues; (4) employee involvement to elicit ideas and build commitment and accountability; (5) organizational alignment to streamline commitment and accountability; and (6) strong and continuing congressional involvement. These factors, derived from the lessons of past reforms, offer the opportunity for increased success for future reforms.

Mr. Chairman, this concludes my prepared statement. I would be pleased to respond to any questions that you or other Members of the Subcommittee may have.

Contacts and Acknowledgement

For further information concerning this testimony, please contact J. Christopher Mihm at (202) 512-8676. Individuals making key contributions to this testimony included Susan Ragland, William Reinsberg, and Katherine Cunningham.

[26] High-Risk Series: An Update (GAO/HR-99-1, January 1999), and High-Risk Program: Information on Selected High-Risk Areas (GAO/HR-97-30, May 16, 1997).

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I am delighted to appear before this subcommittee today to address a deceptively simple question: "Has government been reinvented?" I emphasize the word deceptively, because the answer to the question depends entirely on how one defines the term "reinvented."

At its most basic level, the term refers to a basic notion that government is somehow wrongly configured to do its job. As defined in Vice President's Gore first report of the National Performance Review, the term "reinventing government" embraces the general conclusion that government both works poorly and costs too much; hence, the reinventor's mantra of a government that works better and costs less.

At a deeper level, even the reinventors would argue that their effort is about much more than simply remedies and cost savings. They would rightly caution that reinventing involves a long list of interlocking reforms that together make good on the 1993 guarantee of "effective, efficient, and responsive government." By the list of reforms proposed under that 1993 guarantee, reinventing government has generally fallen short of its goals, in part because of the general lack of follow-through on the legislative program needed for full implementation of the reinventing agenda, in part because the president has not exercised the full range of executive order authority at his disposal and has never put the full prestige of the Presidency behind the Vice President's reinventing agenda, and in part because of the mixed reception by individual departments and agencies. As the National Partnership for Reinventing Government (nee National Performance Review) acknowledges, some agencies have embraced the overall thrust of reinventing, while others have not.

Thus, even though the National Partnership's website (www.npr.gov) notes that roughly two-thirds of the 1993 recommendations have been implemented, even a cursory review of the reinventing agenda suggests roughly as many misses as hits.

Consider Chapter 1 of *Creating a Government that Works Better & Costs Less*. Much as one can admire the general thrust of reducing red tape, seven years of work has left much of the agenda still beyond reach. The budget process has never been streamlined as recommended, in part because Congress never passed the biennial budgeting process that the reinventors considered so important for reducing needless motion, and in part because the president never created the executive budgeting process that reinventors saw as essential for focusing on results.

Despite these frustrations, the reinventors secured notable victories in decentralizing personnel policy and streamlining the acquisitions process. The former is most notable, unfortunately, for giving departments and agencies the freedom to ignore even the minimal rules that govern position classification, performance appraisal, and position management. The result has been a proliferation of new titles at the middle and senior levels of government, and a complete breakdown in discipline regarding the annual appraisal process. They also reinforce government's reputation as soft on poor performers.

Chapter 2 shows a similar pattern of success and frustration. There is no question, for example, that the reinventors have made great progress in giving customers a voice in government. One can easily admire the extraordinary focus that many departments and agencies now place on customer service,

particularly in places that once saw citizens as mere distractions to be ignored. Although I have criticized the recent customer satisfaction surveys as being narrowly focused, I do applaud the general focus on reminding government that there are citizens out there to be served. This may well be the signal success of reinventing government that will endure well past the next election and far into the future.

Chapters 3 and 4 are the most frustrating in retrospect, largely because they promised important work on what are arguably the two most important issues facing the federal government today: rebuilding the federal service to compete in an over-heated labor market, while attacking the structural barriers to efficiency. Unfortunately, neither goal has been well addressed by reinventing government. Government is becoming an employer of last resort for America's most talented young people, in no small part because its organization chart remains a nearly impenetrable thicket of bureaucratic frustration.

The federal government is losing the talent war on three fronts. First, its current hiring system for recruiting talent, top to bottom, underwhelms at almost every task it undertakes. Interest in entry-level jobs is so low that the National Academy of Public Administration reports that two out of every five new federal employees hired during the 1990s were recruited from inside the federal government. They merely switched jobs.

Second, the federal government has given up on pay for performance. The annual appraisal system is so inflated that federal employees are not only all above average, but well on their way to

outstanding. Many federal managers are unwilling to risk a trip to the grievance office by giving their subordinates anything less than outstanding, making the federal government look more like Lake Wobegone East than a world-class employer.

Most importantly, the federal government is so clogged with needless layers and convoluted career paths that it cannot deliver the kind of challenging work that today's labor market expects. Gone are the days when the federal government could compete for talent by offering an entry-level job twenty or thirty layers below the top, or by giving a talented student the chance to serve for a decade or two before rising to the pinnacle of an associate deputy assistant secretary post. The top graduates are not just saying "show me the job," but "show me the job NOW."

None of these problems would matter if the government-centered public service was still alive and looking for work. Offering just one way into government at the end of college or graduate school and every expectation of a thirty-year career, federal recruiting tactics were designed for a workforce that has not shown up for decades, and certainly not for one that grew up in an era of corporate downsizing and mergers. The government-centered public service is mostly a thing of the past, replaced by a multisectored public service in which employees switch jobs and sectors with ease.

The federal government's options in competing for talent in an era this era of light attachment to work are simple. It can ignore the new public service and troll further and further down the class lists for new recruits, while hoping that a tiny pay increase will help, or it can start building the kind of careers that young Americans want.

Luckily, I believe you have a solution to these issues already on your docket. It is titled the "Government in the Twenty-First Century Act," and would establish a nine-member presidential commission to begin the long-overdue reshaping of the federal hierarchy.

The idea has actually been on the legislative docket for over a decade. Indeed, an early version of the commission became law in 1988 as part of the Department of Veterans Affairs Act, which elevated the VA to cabinet status. Tacked onto the VA bill by the Senate Governmental Affairs Committee as the price for creating the fourteenth federal department, the commission would have given President Bush the political cover needed to eliminate obsolete agencies and programs. Unfortunately, President Bush killed the commission before it was appointed.

Twelve years later, the federal hierarchy still defies common sense. It is choked with overlapping jurisdictions, duplicative programs, and redundant agencies, each one no doubt created for a salutary purpose, but notoriously resistant to reform nonetheless. Remember Vice President Al Gore's promise to eliminate the Department of Agriculture's Food Safety and Inspection Service and move its functions to the Food and Drug Administration or his proposal to the transfer the veterans employment program from VA to the Department of Labor? Both programs are exactly where they were when the reinventing began.

In theory, this organizational "cacophony," as Senator Thompson calls it, could be harnessed for good. VA and Labor could compete against each to deliver job training, for example, while the Railroad Retirement Board, Office of Personnel Management, and the Social Security

Administration could compete against each other to deliver retirement benefits. To the winner could belong the business. But just as the swamps at the mouth of the Ulonga-Bora bedeviled Humphrey Bogart and the African Queen, the government's organization chart serves more to exhaust and cultivate leeches than generate competition or innovation.

S. 2306 could be the gentle rain to lift the government out of the organizational swamps and onto its mission. First, the commission would be forced to map the federal organizational chart, thereby providing a guide for potential consolidation. No one knows for sure just how many employment and training programs there really are, nor how many federal employees are laboring in different corners to produce essentially the same goods and services. By mapping the bureaucratic terrain, S. 2306 would introduce a needed dose of reality into the anecdote-driven debates about organizational reform.

Second, the commission would be required to give the next administration, be it Democratic or Republican, desperately needed criteria for reshaping the existing hierarchy. With 900,000 federal jobs now on *Government Executive's* Federal Activity Inventory Reform list, it should be clear the term "inherently governmental" no longer holds much meaning for sorting what government should and should not do. Absent some alternative method for determining what is central to government performance and what can be let go, agencies will continue to saw down into their core capacity through attrition and voluntary buyouts.

Third, the commission would be asked to generate a list of targets for mergers, flattening, and elimination. Although its primary goal would be to reorganize toward strength, Thompson's commission would have that once-in-a-lifetime opportunity to recommend the kind of flattening that might give the federal government a fresh start in both doing its job and recruiting the next generation of public servants. Done with care, the flattening could help agencies create career paths that fit with the much more flexible economy of today, while giving Congress a reason to adjust federal salaries to keep pace with the market. It could also give the federal government's chief operating officers a forum to have a bit of influence over reinventing.

My main concern about S. 2306 is that the commission needs more power to act. Unlike several previous versions of his bill, which contained an action-forcing mechanism, the current bill merely requires that the commission present its recommendations to the next president and Congress. Although the president is free to give the commission a legislative idea or two along the way, the final report could easily become one of those archeological artifacts that find their way into the scholarly literature on why government resists reform.

Although one could rightly argue that his current bill is no different from the ones that created the Hoover Commissions of a half century ago. But those commissions delivered their reports to a president who had the power to reorganize federal agencies through executive order under the Reorganization Act, which expired in 1984. Absent some way to force its agenda onto the legislative calendar, as the military base closing commission did, the commission's agenda for twenty-first century government could easily be delayed until the twenty-second century and beyond.

The cosponsors of S. 2306 are right to be respectful of the next administration. But the recent history of reform suggests that he should choose a more aggressive course. Having worked so hard to map the federal tributaries, Thompson's commission deserves a chance to force an up-or-down vote on a thorough package of reforms. Absent that opportunity, the outcome seems preordained. After all, Congress and the president have proven much more effective at creating rivulets of organizational confusion than great rivers of bureaucratic performance. The Governmental Affairs Committee should move full speed ahead with S. 2306, but also amend it to provide the needed action-forcing device to complete its task.

"Has Government Been 'Reinvented'?"

Donald F. Kettl
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Let me thank the Subcommittee for allowing me this opportunity to discuss the status of the Clinton administration's "reinventing government" initiatives. This is a critical issue—not only for assessing the administration's accomplishments but also for charting the strategies and tactics of the next administration, whoever is president.

For the last seven years, I have been leading an effort at the Brookings Institution to assess the results of the Clinton administration's "reinventing government" initiative. At this stage, we can draw the following conclusions:

- *Reinventing government is a work in progress.* If this were a college course, this professor would grade "reinventing government" as a "B" (see Exhibit 1 for grades for individual items in the course). The Clinton administration unquestionably has invested substantial energy into the project. There have been real results. But there remains much work to be done and the effort is no where close to being completed.

- *Substantial downsizing of the federal workforce has in fact occurred—but substantial issues remain.* Federal civilian employment is now at 1.8 million, its lowest level since 1960. During the Clinton administration, it has dropped 19 percent. The reductions are unquestionably real. The underlying question is whether the downsizing has produced a right-sized, right-skilled workforce.

- *There have been big improvements in customer service and procurement reform.* "Reinventing government's" efforts at improving customer service and procurement have unquestionably made it easier to deal with the federal government. Some agencies, like the IRS, continue to struggle at balancing customer service with their other functions. Even in these agencies, however, the improvements have been substantial.

- *The "reinvention laboratories" demonstrate the potential of reinvention.* More than 340 "reinvention laboratories" have experimented with management innovations. The accomplishments of many of these laboratories are truly impressive. What is most needed at this point is an effective strategy to learn the lessons the labs' efforts teach.

- *There has been uneven attention in the "reinvention" effort to resolving the problems identified in GAO's "High-Risk Areas" and OMB's "Priority Management Objectives."* The reinvention effort has had difficulty in penetrating and resolving some of the government's most troublesome management problems. Many of these problems are rooted in basic management systems, like information and accounting, which have not been the focus of the "reinventing government" initiative. Solutions will require new partnerships between the executive and legislative branches.

- *Throughout the government, application of "reinvention" has been uneven.* Some agencies, like the Federal Emergency Management Agency, are now dramatically different. Some departments, like the State and Commerce Departments, have seen less-dramatic change. Future progress hinges on making more progress across the federal government.

- *No matter who is president in 2001, reinvention will have to continue, even if under a different name.* Even a casual look around the world reveals that reinvention and its cousins have become universal. Governments everywhere face inescapable pressures to do more with less. Whoever is elected president in November will have no alternative but to continue reinvention-style efforts, no matter how they might be labeled. The first priority in these efforts must be building a new partnership with the Congress to make government efficiency, effectiveness, equity, and responsiveness a high priority.

Let me discuss these issues in turn.

Downsizing and Budget Savings

There is no doubt that the federal civilian workforce is now substantially smaller than at the beginning of the Clinton administration. As Exhibit 2 shows, the workforce has shrunk by 19 percent, to 1.8 million workers. These reductions bring the federal civilian workforce to a level lower than any time since 1960.

The reductions have fallen unevenly throughout the federal government, as Exhibit 3 shows. Civilian employment in the Department of Defense has shrunk by almost 30 percent, with reductions in Energy (25 percent) and Housing and Urban Development (23 percent) not far behind. On the other hand, three cabinet departments have grown: Commerce (especially to manage the census); State (to cope with international pressures); and Justice (to increase the number of guards at federal prisons).

These reductions have raised several questions:

- *Would the downsizing have happened anyway?* Before the Clinton administration took office, defense spending was shrinking. Lower defense spending surely would have produced a smaller Pentagon workforce. In fact, nearly seven-tenths

(68.9 percent) of the workforce reductions came from the Department of Defense. DOD's large share of the workforce reductions is not surprising: federal civilian employees in DOD accounted for 44 percent of all civilian employees in 1993. That fact, coupled with reductions in defense spending, accounts for DOD's disproportionate share of the workforce reductions. However, it is likely that the DOD reductions are larger than would have been the case without "reinventing government." It is virtually certain that the substantial workforce reductions elsewhere in the federal government would not have occurred without "reinventing government." Thus, "reinventing government" added significantly to the downsizing and cost-reduction effort.

- *If "reinventing government" downsized the bureaucracy, did it rightsize it as well?* Even though the Clinton administration did downsize the bureaucracy, it did not plan which positions the government needed to loose and which skills it most needed to keep. There was an effort to reduce the number of middle-level managers. In general, however, the downsizing occurred as a result of individual employees' responses to the buyout the government offered. There is little knowledge about the resulting skill mix of the federal workforce. There was little advance planning of what skill mix the federal government needs for the future. As a result, there is no assurance that the downsizing produced a rightsized government, with the skill set the government needs for the future.

- *How does downsizing affect the federal government's pending retirement crisis?* The federal Office of Personnel Management estimates that 32.1 percent of the federal workforce will be eligible for retirement by 2004. Other estimates suggest that an additional 19 percent of federal employees will be eligible for early retirement—and that up to 80 percent of the Senior Executive Service could retire (combining those eligible for both regular and early retirement). Cutting the workforce was one thing. We now face the staggering problem—and unprecedented opportunity—of designing and staffing the workforce of the future.

The downsizing accounts for about half ($54.8 billion) of the $111.8 billion in savings the Clinton administration claims from "reinventing government." The downsizing reductions are clear and the estimates are reliable. Of the other half, most come from savings in procurement ($12.3 billion) and improvements in agency management. These savings are difficult to prove, since it is impossible to say with certainty what the government would have spent for these functions in the absence of reform. It might be possible to contest some of these estimates. However, in my judgment these estimates are certainly reasonable.

One question often raised is whether the "downsized" workers have been replaced by private contractors. Good numbers on government procurement are notoriously difficult to produce. However, the General Services Administration Government Procurement Data System reveals that, from fiscal year 1992 through fiscal year 1999, the federal government's total procurement budget actually dropped slightly, by about $1 billion.

The number of contract actions—contracts negotiated—decreased by 48 percent. The number of defense contracts shrank more quickly than the number of contracts elsewhere in the government (a 52 percent decrease in the number of defense contracts, versus a 42 percent decrease elsewhere). Total defense spending via contracts shrank slightly (by 1 percent), while contract spending elsewhere in the government grew slightly (by 1 percent). Thus, it is difficult to make the case that the downsized workers produced an increase in contracting.

In short, "reinventing government" has significantly downsized the bureaucracy and produced substantial cost savings. However, the effort has not attacked the critical workforce issues facing the federal government.

Customer Service and Procurement Reform

The Clinton administration launched a major customer-service initiative as part of "reinventing government." Under an executive order to develop customer-service standards, all federal agencies had been forced to confront *whom* they were in business to serve. Administration officials now count more than 4,000 customer service standards for more than 570 government agencies and programs.

The customer service effort has been widespread and unprecedented. It has achieved substantial success. For example, in 1995 the Social Security Administration was judged as having the best toll-free customer service—better, in fact, than the nation's leading private companies. A customer-satisfaction survey (compiled by Arthur Andersen, the University of Michigan Business School, and the American Society for Quality and released in December 1999) showed that federal agencies scored 68.6, compared with the private-sector rating of 72. Agencies that provided direct services tended to receive higher satisfaction scores than those that wrote rules, imposed fines, or enforced laws. The survey was rudimentary and raised methodological questions. Agencies surveyed, for example, could choose the customers and the services on which they were judged. For example, the survey gauged the attitudes of the parents of Head Start students, who might be expected to have high opinions of the program, but not first-grade teachers, who instruct Head Start's graduates.

Some parts of the government have struggled mightily with the customer-service problem. For example, the Internal Revenue Service must balance its goal of making tax compliance easier with its other principal task of maximizing tax collections. However, the IRS has not yet succeeded in balancing these two objectives. In part, this is because the job itself is daunting. In part, this is because Congress has sent the IRS complex, changing, and often conflicting signals.

Moreover, the customer-service effort raises difficult questions:

- *Who is the customer?* Many government programs have multiple customers. Conflicts (and conflicting expectations) often arise, especially between those who receive services and those who pay for them.

- *How can we draw the customer connection?* For many programs, especially regulatory and enforcement programs, government agencies attempt to get citizens to do things they might not want to do. How can they promote "satisfaction" in such circumstances?

- *How can government avoid hypersensitivity to customer wishes?* Government sometimes tries *too* hard to please citizens/customers. That can promote management inefficiency and drive spending up.

- *How can government balance top-down and bottom-up pressures?* Customer service requires government to be built from the ground up to promote satisfaction for citizens. Accountability, especially to Congress, requires government to be built from the top down. Ensuring a balance between these competing goals is a daunting task for government managers.

- *How can government balance customer service with other, often conflicting objectives?* Government, of course, does not exist only to make citizens happy by providing services. It also seeks other goals, like equity and equality. Balancing these often-competing goals can often prove difficult.

These big issues raise a deeper question. The "customer" model is powerful and, in fact, has generated great progress. However, because government is responsible for a wider array of objectives than private-sector companies, it must pursue more than just customer service. Indeed, some of "reinventing government" harshest critics have complained about just this issue in suggesting that the pursuit of customer service is dangerous. It is hard to argue with a substantial effort to make government friendlier and easier to deal with. The Clinton administration has made great progress on this score. However, we continue to face important challenges in finding the right balance between responsiveness and other important public objectives.

Along with customer service, the Clinton administration has also achieved substantial progress in procurement reform. With procurement cards, reengineering of the procurement process, and more flexible results-based procurement processes, "reinventing government" has substantially transformed the government's procurement system. The administration claims $12 billion in savings from procurement reform. These figures are difficult to confirm, since it is impossible to know what procurement costs would have been in the absence of the reforms. However, the claimed savings are, in my opinion, eminently reasonable. The procurement and customer-service reforms surely rank as one of "reinventing government's" most impressive accomplishments.

Reinvention Laboratories

"Reinventing government" licensed "reinvention laboratories" throughout the government. The reinvention labs were designed as places where managers could

experiment with innovative ways of delivering services more cheaply and effectively. In some cases, the reinvention labs institutionalized reforms that were underway before President Clinton took office. In general, however, the reinvention lab program provided top-level support and encouragement for these efforts. It also encouraged the spread of the effort throughout the federal government. More than 340 reinvention labs have sprung up.

For example, managers in radiology departments at Veterans Affairs hospitals developed new electronic links that reduced the need for on-call radiologists. Postal workers in Newton, Massachusetts saved $50 million with a "movers guide" and "welcome kit" that improved service and reduced the Postal Service's costs.

The reinvention labs are a clear success. They demonstrate how much energetic managers can accomplish, with the right support. Because the labs operate within the federal government's overall management framework, they also demonstrate how many of the federal government's management problems are self-inflicted. If there is a problem in the reinvention lab program, it is the difficulty of cumulating the lessons learned, so that they can guide the broader reform movement. The small size of the headquarters operation of "reinventing government," housed in the National Partnership for Reinventing Government, has made it very difficult to conduct the extensive evaluations that the reinvention lab effort needs.

Strategic Focus: High-Risk Areas and Priority Management Objectives

For years, the General Accounting Office has identified "high-risk areas" in which management problems threaten to reduce program effectiveness and increase program costs. The "reinventing government" initiative has not dealt directly with the problems that GAO has identified. There have been important initiatives, ranging from improvements in information technology and agency-specific reforms, like those in the IRS, General Services Administration, and the Federal Emergency Management Agency. Reinvention, however, has focused more on downsizing and operational improvements than on the broad, systemic management problems that GAO has identified in its high-risk list.

The Office of Management and Budget has identified "priority management objectives," ranging from managing the Year 2000 computer problem and acquisition reform to improving Department of Energy contract management and modernizing student aid. These objectives are fully consistent with "reinventing government" and, in fact, represent cooperative efforts between OMB and the agencies involved. The agencies, for their part, have launched their own reforms in the spirit of "reinventing government." However, efforts to date suggest two conclusions. First, these "priority management objectives" have depended on OMB's energetic pursuit of the goals. They have been less important to the "reinventing" effort, except to the degree that "reinventing government has encouraged agencies to develop their own aggressive reforms. Second, significant problems remain in tackling many of these "priority management objectives." The Y2K

effort was surely an unqualified success. But from IRS reforms to managing risks in the space program, major challenges remain.

The "reinventing government" initiative has developed its own list of "high-impact agencies." The goal is to identify those agencies that produce programs that citizens care most about—and to focus the agencies' attention on delivering better results. The endeavor is at an early stage but shows important signs of progress. Some of the efforts reinforce the focus of GAO and OMB on more systemic management problems. However, because "reinventing government" has tended to concentrate on downsizing and process improvements (like customer service and procurement reform), it has had less impact on the problems that OMB and GAO have identified.

It is clear, moreover, that reinvention has been an uneven phenomenon throughout the federal government. A 1996 Merit Systems Protection Board survey, more than three years after the NPR's launch, showed that only 37 percent of federal employees believed that their organization had made reinvention a top priority. The NPR's management improvement goals penetrated far less into the Pentagon than in civilian agencies. Morale in many agencies was poor. Only 20 percent of federal workers said that the NPR had brought positive change to government. Where the NPR was a top priority, 59 percent of employees thought productivity had improved; where it was not, only 32 percent thought productivity was better. Where the NPR's goals received emphasis, employees were three times as likely to think that government organizations had made good use of their abilities. They were almost twice as likely to believe that they had been given greater flexibility. Government employees' attitudes varied with how much top managers made reinvention a priority.

Next steps in "reinventing government" will have to deal more directly with the fundamental structural problems that GAO and OMB have identified. It will also have to ensure wider buy-in across the federal government.

The Future of "Reinvention"

While the Clinton administration's reinventing government initiative unquestionably encountered serious problems, it nevertheless produced genuine accomplishment in its first five years. It saved a significant amount of money, brought substantial managerial reforms (especially in customer service and procurement processes), and promoted a more performance-based discussion on government's functions.

"Reinventing government's" shortcomings, though, are as instructive as its early successes. President Clinton's bold proclamation about the end of "big government" missed the far more important, if much more subtle, transformation in the way government works in the United States. The federal government is no longer organized for the job that law and the Constitution charge it to do. Devolution, contracting out, and other third-party strategies have grown significantly. The federal government's capacity to manage these programs has not grown to keep pace. Many of government's most significant management problems are a direct result of this mismatch of capacity and strategy. Without fundamental reforms in civil service, information technology, and

financial management, this mismatch will continue to grow. The result can only be more tales of a government poorly equipped to accomplish its most important work.

With the budget deficit disappearing, the defining reality of American domestic policy since the late 1960s has evaporated. Unlike the fall of the Berlin Wall—the defining reality of a generation of American foreign policy—the demise of the budget deficit scarcely brought dancing and celebration. That is because two other deficits, quieter but just as important, remain: government's performance deficit—the gap between government's goals and its results—and its confidence deficit—citizens' trust in government's ability to get its job done. Management reform—improving government's ability to achieve its results—is the key to reducing the performance deficit. Reducing government's performance deficit, in turn, is the key to progress on the confidence deficit.

Making government work better thus is a goal that both political parties have little choice but to embrace. Indeed, management reform has become a truly global phenomenon, and American elected officials, of both parties, have little choice but to continue to pursue such reforms in the future. The public is unlikely to reward candidates for improving the way government works—Americans naturally tend to expect their public services to work smoothly and have often balked at rewarding government workers for doing their tax-funded jobs. But government officials also have little alternative but to work hard to improve performance, if only because embarrassing failures can have electoral repercussions—and because every penny of increased productivity is a tax that does not have to be raised or an expenditure that does not have to be cut. That is what makes a continued effort to reinvent American government an inevitable if, perhaps, thankless task. A constant battle for management reform is the one sure bet in American politics, regardless of who is elected president in November.

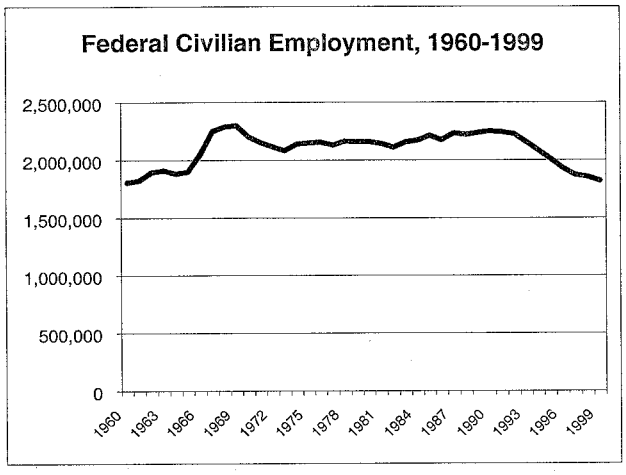
Exhibit 1
The "Reinventing Government" Report Card

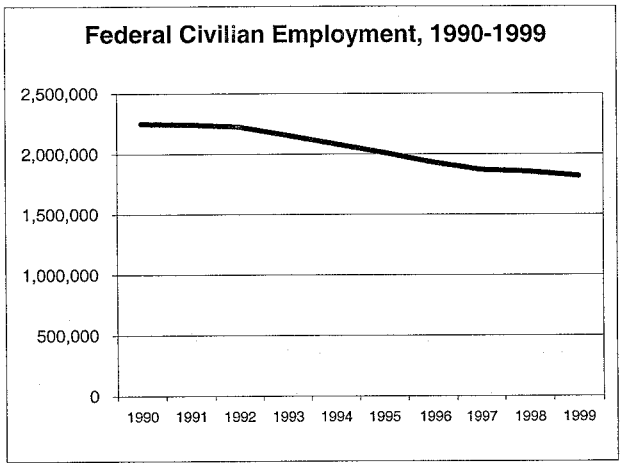
Category	Grade	Comments
Downsizing	B	Accomplished the goal, but planning to match the downsized workforce with agency missions was weak.
Identifying objectives of government	D	The NPR sought in 1995 to focus on what government *should* do—but the effort evaporated as the Republican threat faded.
Procurement reform	A	Fundamental transformation of procurement system. Some vendors complain, but the system is far more efficient than it was.
Customer service	B+	Great progress in some agencies, but major failures in others—notably the IRS.
Disaster avoidance	B-	Substantial efforts in many agencies, notably FEMA. Spectacular failures in others, notably the IRS. The big test: the Y2K problem.
Political leadership	C+	Consistently strong leadership from the top but inconsistent below. Federal workers have gotten mixed signals.
Performance improvements	C+	Linkage of NPR with the Government Performance and Results Act is inconsistent.
Improved results in "high-impact" programs	INC	Good strategy—but likelihood of achieving goals is low.
Service coordination	INC	Efforts to improve the coordination of service delivery are embryonic.
Relations with Congress	D	Efforts to develop legislative support for NPR initiatives have, with the exception of procurement reform, been weak and ineffective. Support from Congress: poor.
Improvements in citizen confidence in government	C	The steady slide in public trust and confidence in government has ended, but that has more to do with a healthy economy than improved government performance.
Inspiration from other governments, private-sector reforms	B-	Wide survey of other ideas—but more a grab-bag of options than a careful analysis of which ones fit federal problems.
Effort	A+	No administration in history has invested such sustained, high-level attention to management reform efforts.
OVERALL GRADE	B	Substantial progress made over first five years, but much more work lies ahead. Successive administrations will have little choice but to continue the NPR in some form.

Source for report card:

Donald F. Kettl, *Reinventing Government: A Fifth-Year Report Card* (Washington: Brookings Institution, September 1998).

Exhibit 2
Changes in Federal Civilian Employment





SOURCE: U.S. Office of Personnel Management
Office of Workforce Information
Monthly Report of Federal Civilian Employment (SF 113-A)
Revised March 28, 2000

Exhibit 3
Federal Executive Branch Employment

	% CHANGE 1993-2000
EXECUTIVE BRANCH (Excludes USPS & Postal Rate Commission)	-19.0
Defense	-29.6
Energy	-24.7
Housing and Urban Development	-23.1
Agriculture	-18.0
Veterans Affairs	-16.5
Interior	-14.6
Labor	-10.2
Transportation	-9.3
Treasury	-7.4
Education	-5.0
Health and Human Services (includes Social Security Administration)	-4.4
Commerce*	16.6
State	19.6
Justice	27.8
Federal Deposit Insurance Corporation	-67.1
General Services Administration	-31.8
NASA	-26.7
Environmental Protection Agency	-0.6
Federal Emergency Management Agency	9.2

* Does not include 31,587 temporary census enumerators.

Figures are preliminary and subject to agency revisions.

SOURCE: U.S. Office of Personnel Management
Office of Workforce Information
Monthly Report of Federal Civilian Employment (SF 113-A)
March 25, 2000

STATEMENT OF RONALD C. MOE
CONGRESSIONAL RESEARCH SERVICE

SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT
MANAGEMENT, RESTRUCTURING, AND THE DISTRICT OF COLUMBIA

SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS

"HAS GOVERNMENT BEEN 'REINVENTED'?"

May 4, 2000

Mr Chairman, thank you for inviting me to testify at this hearing to review and evaluate the National Partnership for Reinventing Government (NPR) and its various initiatives. The "reinvention" of the executive branch began in late 1993 and is now completing its projected life-span. It is most appropriate, therefore, to assess the accomplishments, the failures, the permanent, and the transitory aspects of this ambitious exercise. Most witnesses, understandably, will emphasize the accomplishments of the effort, leavening the praise with some doubts. I have been requested, on the other hand, to address those areas where the results have been problematical and where basic issues of purpose have been raised. Since time is limited I will address those questions that appear to go to the very heart of the philosophical debate underway over the future direction of government management, and especially the role of Congress in this future.

The reinvention exercise is not simply a number of new practices adopted by the several agencies that together make for better management, rather it is an exercise that could fundamentally alter the character of the executive branch and the executive and congressional oversight roles. The goal of the reinvention exercise is to make the executive branch entrepreneurial in character, structured and operated like a large private corporation. General Electric is often cited as the model. The fundamental issue facing Congress, and especially this Committee, is whether the entrepreneurial management model, with its private corporate approach, is appropriate for the executive branch and whether the role of Congress, as co-manager of the executive branch, is enhanced or diminished by this model? To assist in answering these questions, five issues appear to merit our attention:

(1) Are the governmental and private sectors essentially alike, or essentially unalike, in their critical legal attributes?
(2) What values are promoted by entrepreneurial management?
(3) What values are promoted by public law management?
(4) What are the congressional interests in this debate over management philosophy?
(5) What issues were not addressed by reinvention, or addressed negatively?

Are the Governmental and Private Sectors Alike, or Unalike?

The underlying premise of much of the "reinventing government" exercise is that the governmental and private sectors are essentially alike in their characteristics and best managed according to certain generic business sector principles. The entrepreneurial management model outlined first in Osborne and Gaebler's popular book, *Reinventing Government,*[1] and later in Vice President Al Gore's *National Performance Review Report,*[2] seeks to replace the "old, broken way," their phrase, with the "new entrepreneurial management."[3] To their mind, the executive branch of the future should be managed in much the same way as large private corporations are managed today. Good government managers, for instance, should be risk takers. In the new government management model, "four key principles" of reinvention should guide behavior:

(1) cast aside red tape,
(2) satisfy customers,
(3) decentralize authority, and
(4) work better and cost less.

This set of principles is not cast in a theoretical context, that is propositions subject to proof and disproof; rather it is a listing of aphorisms, calls to right behavior. Let us stop for a moment at the first of these calls for right behavior; casting aside red tape. What does it mean? As with much of the reinventing exercise, meaning lies below the surface. At first blush, this call to cast aside red tape is appealing and has few straightforward opponents. Who could argue in favor of red tape? Yet, one person's "red tape" may turn out to be another person's "fundamental right." The term "red tape" is generally employed as a metaphor for laws, executive orders, regulations, and directives, the system of rules that reinventors believe is the principal cause of the executive branch being obsolete and broken. Hence, good managers will cast aside red tape.

What the entrepreneurial management advocates are really seeking in this instance is to free the

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[1]David Osborne and Ted Gaebler, *Reinventing Government: How the Entrepreneurial Spirit is Tranforming the Public Sector from Schoolhouse to State House, City Hall to Pentagon* (Reading, MA: Addison-Wesley, 1992).

[2]U.S. National Performance Review, *From Red Tape to Results: Creating a Government That Works Better and Costs Less* (Washington: GPO, 1993). The NPR, a non-statutory organization, continued to issue reports through 1997 (*e.g., Businesslike Government: Lessons Learned from America's Best Companies, 1997).*

[3]"Public entrepreneurship is a management approach developed by the reinventing government movement.... The transformation of existing, outdated bureaucratic organizations into agile, anticipatory, problem-solving entities is what reinventionists call 'entrepreneurial government.'" Steven Cohen and William Eimicke, "Is Public Entrepreneurship Ethical? A Second Look at Theory and Practice," *Public Integrity,* 1(Winter 1999), p. 55.

government manager from as many laws and regulations as possible so they will have the necessary discretion to achieve high performance and results. Performance and results are the end objective of the entrepreneurial management school generally and of the reinventors specifically. Judge them, they argue, on their results, however defined and measured.

The traditional theory of government management, in contrast to the contemporary entrepreneurial theory, is based on the premise that the governmental and private sectors are fundamentally distinct. The foundation of governmental management, according to traditionalists, is to be found in public law, not in behavioral principles of management. The fact is, they argue, that the private and governmental sectors are distinct with the distinctions to be found in legal theory.

With respect to management, the distinctions between the sectors has been described as follows: The distinguishing characteristic of governmental management, contrasted to private management, is that the actions of governmental officials must have their basis in public law, not in the financial interests of private entrepreneurs and owners or in the fiduciary concerns of corporation managers. In short, under the traditional view of government management, the primary objective of keeping the sectors legally distinct is to protect the rights of the citizenry against possible arbitrary government action. This public law objective takes precedence, in their view, over the management objectives of performance and results.[4]

Lest this discussion appear a bit abstract, it needs to be recognized that the financial collapse of the recently privatized U.S. Enrichment Corporation[5] and the rising debate over the status and practices of Fannie Mae and other government-sponsored enterprises,[6] could be seen as a direct consequence of the problems associated with mixing the governmental and private sector in an entrepreneurial management model.

What values are promoted by entrepreneurial management?

Entrepreneurial management is intended to provide for high performance and results, however they may be defined and measured. The understandable tendency of entrepreneurial, or performance-based, management is to favor government activities that are measurable over those

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[4]Barry Bozeman, *All Organizations Are Public: Bridging Public and Private Organizational Theories* (San Francisco: Jossey-Bass, 1987). Ronald C. Moe and Robert S. Gilmour, "Rediscovering Principles of Public Administration: The Neglected Foundation of Public Law," *Public Administration Review*, 55(March/April 1995): 135-46.

[5]Testimony of Joseph Stiglitz, Chairman of the President's Council of Economic Advisers (1993-97), before the House Committee on Commerce, Subcommittee on Oversight and Investigations, on the "Privatization of the U.S. Enrichment Corporation," April 13, 2000. Bruce Auster, "The Art of the (Raw) Deal: A Government-owned Company Goes Private. Guess Who Gets Rich?" *U.S. News and World Report*, April 24, 2000, pp. 22-23.

[6]Peter J. Wallison and Bert Ely, *Nationalizing Mortgage Risk: The Growth of Fannie Mae and Freddie Mac* (Washington: American Enterprise Institute, 2000).

not easily measured. This tendency toward favoring the measurable is not without its risks, however, as demonstrated by the recent problems affecting the Internal Revenue Service.

Of all the agencies, the IRS is the most measurable. It had an elaborate performance-based management system with targets, or quotas, for collecting revenues down to the lowest agent. A full set of performance incentives and penalties were functioning when the agency ran into problems of alleged excesses by the staff seeking to satisfy management's performance objectives.[7] The Director of IRS subsequently apologized and pledged that revenue-based performance goals would no longer be pursued at the expense of fundamental due process norms for citizens.[8] In a conflict between maximizing measured performance and due process of law requirements, the IRS story suggests that the latter ultimately prevails in the governmental sector.

The point to be drawn from this discussion is that while good performance is to be preferred over poor performance, maximum performance by itself is not the primary purpose of government management.

What values are promoted by public law management?

In the public law model, the purpose of agency management is to implement the laws, both the wise and the less wise, passed by Congress as the elected representatives of the people. As a matter of direct delegation under Article I of the Constitution, Congress makes the laws, establishes offices and departments, and appropriates necessary funding. The missions and goals of agencies are determined by law, not by the President or by agency heads, either collectively or separately. While comity and cooperation among Congress, the President, and the agencies are the bases for most relationships among the branches, the authoritative element in the relationship is clear. Oversight of the executive branch is ultimately the responsibility of Congress. Repeatedly, private sector executives brought in to "reinvent" or "re-engineer" this or that agency or program along private sector lines are shocked to find that they must meticulously obey laws and regulations, and that they are answerable to Congress for their actions.

The highest value promoted by the public law management theory is political accountability.[9] The debate over the future of government management, therefore, is not so much over whether the specifics of the reinvention exercise resulted in better, or worse, short-term executive management, or whether or not actual "savings" were achieved, but is over which of two fundamental value

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[7]Subsequent investigations have largely cleared the IRS of the alleged excesses in the collection of taxes. Albert B. Crenshaw and Stephen Barr, "GAO Report Exonerates IRS on '98 Accusations." *Washington Post,* April 25, 2000, p. E1.

[8]Statement of IRS Commissioner Charles O. Rossotti issued January 13, 1998, *Daily Tax Report,* Bureau of National Affairs, January 14, 1998, p. 3.

[9]Robert S. Gilmour and Laura S. Jensen, "Reinventing Government Accountability: Public Function, Privatization and the Meaning of 'State Action,'" *Public Administration Review,* 58(May/June 1998): 247-58.

systems will prevail. Will it be the entrepreneurial management model with its priority of performance or the public law management model with its priority of political accountability?

It would be pleasant to believe that these distinctions present a false, or at least overstated, dichotomy. Unfortunately, it is not really possible, or even desirable, to dismiss the fundamental distinctions between the competing management theories.

What Future Role for Congress?

Congress, as an institution, has a direct stake in the outcome of this debate. Congress co-manages the executive branch through both general management laws,[10] such as the Administrative Procedure Act, Chief Financial Officers Act, Government Corporation Control Act, Title V Personnel Act, some 80 laws in all, and agency specific acts. This Committee was originally established in the late 1940s to continue the work of the Hoover Commission and to develop the managerial capacity and accountability of executive agencies through sound general management acts. The Committee was intended to be the legislative counterpart of the management side of OMB. Congress is arguably best able to perform its oversight role when developing and implementing general management principles and laws. The reason for this lies in the reality that the *U.S. Code* provides for universal coverage unless an agency is specifically exempted. Thus, the burden of proof for exemption from, say, the Freedom of Information Act, lies with the requesting agency. Congress is able thereby to maintain sound general principles while permitting exemptions and flexibility where the burden of proof is met.

The entrepreneurial management school generally finds fault with this traditional public law approach preferring instead that management laws be agency specific and that the agencies be given maximum flexibility over their own management affairs. Thus, in 1996 the Federal Aviation Administration was largely exempted from Title V Personnel Acts.[11] The U.S. Mint, as well as a number of other agencies, have been exempted from the various procurement laws.[12] While at first glance, this represents flexibility to the advantage of agency management, it also means executive management can become much more difficult. Under the agency specific approach, the burden of proof for issues involving accountability to law tends to shift from the agencies to Congress. Congress then may find itself in the unenviable position of having to impose order and accountability after the fact and on an agency by agency basis.

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[10]U.S. Library of Congress, Congressional Research Service, *General Management Laws: A Selective Compendium*, ed. Ronald C. Moe, CRS report RL30267 (Washington: July 28, 1999).

[11]Public Law 104-50.

[12]The U.S. Mint's Public Enterprise Fund, 21 U.S.C. 5136 states: "... provisions of law governing procurement or public contracts shall not be applicable to the procurement of goods or services necessary for carrying out Mint programs and operations." The U.S. Mint interprets this provision of law passed by Congress very broadly to mean: "The intent and effect of this legislation is to enable the Mint to effectively operate as a profit-making, manufacturing, direct marketing, and retail business." U.S. Mint, *Procurement Guidelines*, CFO-PROC-66-R, December 1999.

The recent situation involving the U.S. Postal System illustrates the congressional dilemma. Congress has directed the Postal Service to be entrepreneurial and performance driven and has given it numerous exemptions from general management laws. Recent press accounts indicate, however, that the Postmaster General may have given to selected executives substantial increments to their income through manipulation of the re-location allowance for housing.[13] And suddenly, Congress finds itself directly involved again because the exception involves public monies and the hint of abuse.

As part of the entrepreneurial retreat from general, or executive-branch-wide, management, the central management agencies have been downsized and downgraded in authority. In the case of OMB, the management side of the agency was eliminated altogether in 1994 and personnel put into budget-based teams.[14] The non-statutory NPR team of detailees and consultants run out of the Vice President's Office was viewed by some as the counter-OMB. Now, the NPR itself is scheduled to go out of business. Is there any place in the executive branch where trained, experienced staff personnel are available to develop, implement, and supervise the type of government-wide institutional changes that will be necessary for the 21st century? If, today, this Committee wished to discuss the government corporation option for the troubled U.S. Enrichment Corporation with a seasoned executive branch expert on government corporations generally, would there be anyone to call upon?

What issues went unaddressed by reinvention, or were addressed negatively?

While the reinvention project was portrayed as a comprehensive exercise, and in many respects it was, there nonetheless remained a number of major issues unaddressed or addressed in what critics believed to be a negative manner. Four such issue areas merit mention:

(1) *Political and Career Appointments in Top Management*

An issue of long-standing debate involves the large number and the placement of political

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[13]Stephen Barr, "Postal Relocation Deals Stir Capitol Hill Anger," *Washington Post*, April 15, 2000, p. A13. Stephen Barr, "Postal Official Retires as Report Faults Relocation Payments," *Washington Post*, April 22, 2000, p. A2.

[14]U.S. Office of Management and Budget, "Making OMB More Effective in Serving the Presidency: Changes in OMB as a Result of the OMB 2000 Review," OMB Memorandum No. 94-16, March 1, 1994. In defending the 1994 elimination of the separate management division, then OMB Director, Leon Panetta stated: "Critics of these recommendations may say the effort to 'integrate' management and the budget will end in merely bigger budget divisions, whose management responsibilities will be driven out by daily fire-fighting on budget issues.... We believe this criticism is based on a false premise that 'management' and 'budget' issues can be thought of separately." "Executive Memo: OMB Management Merger," *Government Executive*, 26(April 1994), p. 8. Alan Dean, Dwight Ink, and Harold Seidman, "OMB's 'M' Fading Away," *Government Executive* 25(June 1994): 62-64. Ronald C. Moe, "At Risk: The President's Role as Chief Manager," in *The Managerial Presidency*, 2nd ed., James Pffifner, ed. (College Station, TX: Texas A&M University Press, 1999): 265-84.

appointees in key management positions, typically in departments from the Secretary down through four levels of management. Critics believe that it is difficult to have the necessary competence and continuity for capacity-oriented management with short-term appointees whose incentives do not favor long-term management initiatives. Calls for substantial cut-backs in the number of political appointees have come from a number of sources including the Volcker Commission in 1988.[15] Defenders of present practices contend that it is the political appointees that make it possible to change the policy direction of the executive branch and that they are more responsive to presidential leadership than career executives. The NPR never addressed the political appointee issue and its impact on executive branch management, thereby indirectly endorsing the status quo. Indeed, the ratio of political appointees to federal employees substantially increased during the Clinton Administration.[16]

(2) *Future Role of the Central Management Agencies*

Through much of the 20th century, executive branch management accountable to the President was the sought-after objective.[17] Key to enforcement of the general management laws and the protection of the interest of the President were the central management offices: Office of Management and Budget (OMB); General Services Administration (GSA); and the Office of Personnel Management (OPM).[18] The critical role of the central management agencies was generally not assigned a high priority by the NPR which tended to favor the creation of nonstatutory bodies, such as the President's Management Council, to guide overall management initiatives. Critics of NPR's emphasis on processes, such as those integral to the Government Performance and Results

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[15]The Volcker Commission concluded: "[The] growth in recent years in the number of presidential appointees, whether those subject to Senate confirmation, noncareer senior executives, or personal and confidential assistants, should be curtailed. Although a reduction in the total number of presidential appointees must be based on a position-by-position assessment, the Commission is confident that a substantial cut is possible, and believes a cut from the current 3,000 to no more than 2,000 is a reasonable target.... The mere size of the political turnover almost guarantees management gaps and discontinuities, while the best of the career professionals will leave government if they do not have the challenging opportunities at the sub-cabinet level." National Commission on the Public Service, *Leadership for America: Rebuilding the Public Service* (Washington: National Commission on the Public Service, 1989), p. 7. On January 19, 1999, Senators Feingold and McCain introduced legislation (S. 125) that would limit the number of political appointees government-wide to 2,000. *Congressional Record* (daily ed.) January 19, 1999, p. S554. Paul C. Light, *Thickening Government: Federal Hierarchy and the Diffusion of Accountability* (Washington: The Brookings Institution, 1995).

[16]U.S. Office of Personnel Management, *Monthly Report: Comparison of Total Civilian Employment of the Federal Government by Branch, Agency, and Location* (Washington: OPM, 2000), Table 2. Total for political appointments provided by Roger Garcia, Congressional Research Service, April, 2000.

[17]Peri E. Arnold, *Making the Managerial Presidency: Comprehensive Reorganizing Planning, 1905-1996*, 2nd rev. ed. (Lawrence, KS: University Press of Kansas, 1998).

[18]National Academy of Public Administration, *Revitalizing Federal Management: Managers and Their Overburdened Systems* (Washington: NAPA, 1983).

Act (GPRA), tend to argue that renewed attention on institutions is necessary, especially the establishment of a separate Office of Federal Management to serve the President's interests.[19] As it stands, they aver, major issues, such as the "transition process" following the November 2000 presidential election, have no natural home in the executive branch and are likely to go by default to private organizations, such as the Brookings Institution and the Heritage Foundation. In any event, there was no comprehensive review undertaken by the NPR on the future role for the central management agencies.

(3) *Implications of Third-Party Management*

Increasingly, Congress and the executive branch have turned to the use of third-parties to deliver governmental services and provide policy and management assistance.[20] While contracting-out by the government for services is as old as the republic, recent trends, such as contracting for the operation of INS detention facilities, have raised questions as to whether there are proper limits to what should be contracted for, and what should be retained in-house for performance by officers of the United States. In short, what core competencies must the government retain, not only to protect the citizenry from private abuse, but to insure that it is able to oversee the management of this vast array of contractors? In some agencies the ratio of contractors to federal employees is quite high.[21] In any case, the profound, long-term implications for political accountability of this growing reliance upon third-parties for government operations and management did not receive significant attention by the NPR.

(4) *Growth of the Quasi Government*

In recent years, both Congress and the President have increasingly turned to hybrid organizations for the implementation of public policy functions traditionally assigned to executive departments and agencies. Their preference has often been to assign administrative responsibilities to organizations with legal characteristics of both the governmental and private sectors. These hybrid organizations (*e.g.*, Fannie Mae, National Park Foundation, Polish-American Enterprise Fund, National Milk Council) have been collectively referred to as the "quasi government."[22] The NPR

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[19]See: Testimony of Herbert N. Jasper and Dwight Ink before the House Subcommittee on Government, Information and Technology, *Oversight Hearing on Office of Management and Budget*, April 7, 2000.

[20]Donald F. Kettl, *Sharing Power: Public Governance and Private Markets* (Washington: The Brookings Institution, 1993).

[21]Critics have tended to fault the use by NPR of declining total executive branch civilian employment statistics as evidence of a "smaller government" when the total number of contracted employees appears to be on the increase. For a complete discussion of the "size of government" issue and of third-party management generally, see: Paul C. Light, *The True Size of Government* (Washington: The Brookings Institution, 1999).

[22]Harold Seidman, "The Quasi World of the Federal Government," *The Brookings Review*, 2(Summer 1988): 23-27. U.S. Library of Congress, Congressional Research Service, *The Quasi Government: Hybrid*

(continued...)

has generally supported this trend toward greater reliance on quasi governmental bodies, arguing that the private and governmental sectors are essentially alike and subject to the same economically derived behavioral norms. This being so, close partnerships between the sectors should be encouraged. Critics of this trend counter by asserting that increased use of hybrid organizations contributes to a weakened capacity of government to perform its core constitutional duties and to an erosion in political accountability. They consider the governmental and private sectors as being legally distinct, with relatively little overlap in behavioral norms. Like a number of other major philosophical issues, the NPR has not directly addressed the issue of quasi governmental growth and its implications for governance.

Conclusion

The reinventing government exercise has undoubtedly had its successes, that is decisions and actions that would not have taken place but for the existence of NPR, resulting in better performance and results. These should be properly recognized and the right lessons learned and applied. But as we have noted, agency performance is only a part of the equation of quality management. Ultimately, good management follows from good judgment by managers. Process and measurement cannot substitute for good judgment.

As to the question that promoted this hearing: "Has Government Been Reinvented?" The answer is mixed. At the operational level there has been significant change, much of it for the better, in the way operations are managed and operated. And for this, NPR properly receives its share of credit. Yet, many of these changes have not been without their questionable side-effects. For instance, is it a positive, or negative, policy to encourage the naval command at Patuxent Naval Air Station, in the name of "profit," to contract out its high tech planes and personnel to the State of Maine to hunt for healthy blueberry patches?[23] There can be a legitimate clash of opinion over whether it is wise and creative for Patuxent to go entrepreneurial, or whether this initiative results, if not immediately then soon, in a perversion of the mission and character of government management. What may appear initially as a rather simple operational decision may, in fact, be a decision with considerable policy and legal implications. These types of tough issues were not addressed by the NPR, or by any one else for that matter.

At the legal and institutional level, Congress might reasonably be more critical. When all is

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[22](...continued)
Organizations With Both Government and Private Sector Legal Characteristics, by Ronald C. Moe, CRS Report RL 30533 (Washington: April 15, 2000).

[23]In explaining the motives of naval officers at the Patuxent air station, a reporter noted: "With defense budgets shrinking and more cuts threatened, military research labs and testing bases in the Washington area are aggressively seeking such business deals to help pay the bills and keep expensive facilities and equipment operating. Consultants are even training government program managers and engineers to think like copier salesmen and 'sell' their products." Steve Vogel, "Pentagon Recruits New Business: Military Turns to Private Enterprise to Help Pay Bills," *Washington Post*, August 8, 1998, p. B1.

said and done, the fundamental purpose of government management remains what it has been since 1789; the implementation of the laws passed by Congress.[24] This purpose has not been altered or "reinvented." The "reinventing government" exercise has essentially been an exercise in altering certain incentives in the management practices and operations of government. Because it is concerned principally with processes, and since processes have been in constant change since the Progressives pushed for "efficiency" and "Scientific Management" a century ago, there is every reason to believe that much of the reinvention exercise will have transitory impact. If history is a guide, "reinventing government" will be criticized and superseded by the next generation's "tide of reform," a tide with its own management principles and peculiar language.[25]

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[24]Ronald C. Moe, "The Importance of Public Law: New and Old Paradigms of Government Management," in *Handbook of Public Law and Administration*, eds. Phillip J. Cooper and Chester A. Newland (San Francisco, CA: Jossey-Bass Pubs., 1997): 41-57.

[25]Paul C. Light, *The Tides of Reform: Making Government Work, 1945-1995* (New Haven: Yale University Press, 1997).

TESTIMONY OF SCOTT A. HODGE

DIRECTOR OF TAX AND BUDGET POLICY

CITIZENS FOR A SOUND ECONOMY FOUNDATION

before the

SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS

SUBCOMMITTEE ON

OVERSIGHT OF GOVERNMENT MANAGEMENT,

RESTRUCTURING, AND THE DISTRICT OF COLUMBIA.

May 4, 2000

Mr. Chairman and Members of the Committee, thank you for inviting me here today to discuss the importance of government reform and the need to provide American taxpayers an honest accounting of government activity. My name is Scott A. Hodge, and I am the director of tax and budget policy at Citizens for a Sound Economy Foundation (CSE Foundation), a 250,000-member nonpartisan, non-profit consumer advocacy group that recruits, educates, trains, and mobilizes hundreds of thousands of volunteer activists to fight for less government, lower taxes, and more freedom.[1]

When Vice President Al Gore unveiled the National Performance Review (NPR) with great fanfare in September 1993, he promised that his "reinventing government" program would make Washington "work better and cost less."

Today, after nearly seven years of perfecting the art of recycling paperclips, there is simply too much evidence to deny that the federal government now works worse, and costs more: Government spending has escalated to record levels; half of all federal agencies cannot produce auditable books; serious mismanagement continues to plague most federal programs; redundancy and duplication abounds; outmoded programs have become nearly immortal; and, government assets continue to crumble into disrepair.

The bottom line is that "Reinventing Government" has failed to cure the widespread cancer of waste, fraud, abuse, and mismanagement that is crippling the federal government.

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[1] CSE Foundation does not receive any funds from the U.S. Government.

These problems persist because the administration has been too caught up in tinkering with the *process* of government, rather than engaging in a serious effort to address the *substance* of what government should or should not do. As a result, they have wasted enormous amounts of resources on process-oriented, pseudo reforms that may make the bureaucracy work better for bureaucrats (or make good photo-ops), but have little substantive impact either on the functioning of federal programs or on their cost to taxpayers.

The renowned management guru Peter Drucker once described the trivial nature of "reinventing government" in this way:

> "In any institution other than the federal government, the changes being trumpeted as reinventions would not even be announced, except perhaps on the bulletin board in the hallway. They are the kinds of things that a hospital expects a floor nurse to do on their own; that a bank manager expects branch managers to do on their own; that even a poorly-run manufacturer expects supervisors to do on their own – without getting much praise, let alone any extra rewards."

A classic example of this is the "Plain English" award given by Al Gore to a Department of Agriculture employee in 1998 for re-writing the USDA instructions for cooking a Thanksgiving turkey. Remarkably, no one on the Vice President's staff, and no one in the bureaucracy, asked why the government is spending precious tax dollars to write directions for cooking turkeys when Americans have successfully cooked turkeys since the first Thanksgiving more than 300 years ago.

The most serious shortcoming of "Reinventing Government" is that it has failed to get federal agencies to do even the most basic function – account for how they spend the taxpayers' money.

As proof, we need look no further than the most recent financial statements of the federal government. In March, the U.S. General Accounting Office (GAO) reported that "because of the serious deficiencies in the government's systems, record keeping, documentation, financial reporting, and controls, amounts reported in the U.S. government's financial statements and related notes may not provide a reliable source of information for decision-making by the government or the public."

In other words, the federal government – which will spend more this year than the *combined* economies of Canada, China, and Mexico – has no idea where it is spending the taxpayers' money, how it is being spent, and if it is doing any good. Indeed, in order to make the FY 1999 financial statements balance, the U.S. Treasury recorded a $24 billion "plug" which it labeled "unreconciled transactions." That's a lot of missing receipts.

But this is just the tip of the iceberg. A recent oversight report by the House Budget Committee documented a staggering amount of waste, fraud, abuse, redundancy, and obsolescence throughout the federal government. For example:

- The government paid out $19.1 billion in improper payments in 1998;
- The Department of Defense had to make $1.7 *trillion* of "unsupported adjustments" to prepare last year's financial statements;
- The Department of Housing and Urban Development has been on GAO's "High-Risk" list since 1994;
- Ten of the 14 programs first identified as "high risk" in 1990, were still on GAO's list last year;
- Fifteen programs have been added to the "high risk" list since 1993;
- The Department of Commerce shares missions with 71 other federal departments and agencies; and,
- Washington spends roughly $100 billion a year on 788 federal education programs.

The question this committee should ask the White House is, "has any Cabinet official been held accountable for these management failures which, were they allowed by any private sector Chief Financial Officer, would result in serious legal consequences?" If not, why not?

Despite these failings, Clinton and Gore continue to trumpet the fact that the "government" – as measured by the number of civilian workers – is now the smallest it has been in over 30 years. But it is misleading to equate the number of government workers with the size, scope, and efficiency of the federal government.

While it is true that the administration has reduced the federal workforce by roughly 330,000 civilian workers since 1993, they did this without eliminating ***one*** government program. In fact, there are dozens more programs today than before the administration began reinventing.

Let's not forget that since 1993, federal spending has increased by roughly $390 billion, or 28 percent. So, in some perverse way, I suppose it is possible for Mr. Gore to claim that the government has become more "efficient" since it is now spending more money than ever before, but using fewer people to do it ($653,549 per-worker in 1993, compared to $988,220 per-worker today).

Surely this is not what people imagine when they think of "smaller" government. The American people do not want obsolete and redundant programs to waste their tax dollars more efficiently. They want value for their money, and that can only come from making tough choices about what the government should and should not do with their tax dollars.

The only honest way to "reinvent" the federal government is for our political leaders to ask of every government program and agency the same tough questions that private CEOs ask of their businesses on a daily basis:

- What is our core business?
- What activities should we quit doing because they are outmoded, obsolete, inefficient, or broken beyond repair?
- Where have we gotten fat, redundant?
- Do we have to perform this function in-house or can we outsource it?
- Can functions now done by the home office be done better or more efficiently by our field offices or subsidiaries?

Asking these questions of the federal government would force Washington to focus on improving its core mission areas while it overhauls the way it does everything else.

This means Washington must:

- Get out of the business of being "in business" by privatizing functions or selling publicly owned enterprises to the private sector;
- Streamline redundancy or eliminate redundant functions;
- Eliminate obsolete, inefficient, or dysfunctional programs;
- Return functions back to state and local control; and,
- Rationalize remaining functions to their Constitutional or national significance.

Conclusion

At NPR's inaugural in 1993, President Clinton said the federal government needed reinventing because "it's not just broke, it's broken." Today, by any reasonable measure, the federal government remains broken and must be treated in the same fashion as a major corporation facing Chapter 11 bankruptcy.

"Reinvention" can no longer be a substitute for accountability. The only true way to make government work better and cost less, is to first challenge the substance of what the government should and should not do, and then demand the same standard of accountability from federal officials as is demanded from their private sector counterparts. The American taxpayer deserves no less.

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