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THE RESULTS ACT: HAS IT MET CONGRESSIONAL EXPECTATIONS?

HEARING

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT EFFICIENCY, FINANCIAL MANAGEMENT AND INTERGOVERNMENTAL RELATIONS

OF THE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTH CONGRESS

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THE RESULTS ACT: HAS IT MET CONGRESSIONAL EXPECTATIONS?

TUESDAY, JUNE 19, 2001

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GOVERNMENT EFFICIENCY, FINANCIAL MANAGEMENT AND INTERGOVERNMENTAL RELATIONS,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:35 p.m., in room 2154, Rayburn House Office Building, Hon. Stephen Horn (chairman of the subcommittee) presiding.

Present: Representatives Horn and Putnam.

Staff present: J. Russell George, staff director and chief counsel; Bonnie Heald, director of communications, Earl Pierce, professional staff member; Chris Barkley, staff assistant; Alex Hurowitz and Ryan Sullivan, interns; David McMillen, minority professional staff member; and Teresa Coufal, minority staff assistant.

Mr. HORN. The Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations will come to order.

Today we will examine the progress being made by the government's executive branch departments and agencies to comply with the Government Performance and Results Act of 1993, often called the Results Act.

[The information referred to follows:]

Order Code RS20257
Updated June 13, 2001

CRS Report for Congress

Government Performance and Results Act: Brief History and Implementation Activities

Genevieve J. Knezo
Specialist in Science and Technology
Resources, Science, and Industry Division

Summary

This report summarizes implementation of the Government Performance and Results Act, P.L. 103-62 (107 Stat. 285). General Accounting Office (GAO) reports and congressional reviews indicate that while agencies are making progress in implementing the act, many agencies do not use results-oriented goals and measures; many use nonvalidated and nonverifiable data; and many agencies' GPRA goals and measures may not affect management activities. Interest is growing in using results-oriented information in authorizations, oversight, and appropriations, and in improving the use of GPRA-information in budgeting. OMB reported on January 18, 2001 that it would not make a recommendation to require performance budgeting; the Bush Administration is requiring agencies to include more performance information in FY2003 budgets. This report will be updated as necessary

Background. The Government Performance and Results Act of 1993, P.L. 103-62, also called "the Results Act," or GPRA, encourages greater efficiency, effectiveness, and accountability in federal spending, and requires agencies to set goals and to use performance measures for management and, ultimately, for budgeting.[1] To facilitate implementation, Congress phased in the law over seven years and required pilot projects. Agencies transmitted to the Office of Management and Budget (OMB) and to Congress long-range strategic plans, beginning in 1997, which are updated every three years, and annual performance plans and performance goals, that began with the FY1999 budget. OMB submits annual government-wide performance plans with annual budget requests. Federal agencies' first performance reports, comparing actual performance to goals, were submitted in 2000 (for FY1999) and in 2001 (for FY2000). OMB updated *Circular A-11* in July 2000, to guide agencies' strategic plans, performance plans, and performance reports. In two statutorily required 1997 reports, OMB did not recommend any changes to the law, and GAO reported that federal agencies' implementation varied in quality, utility, and responsiveness,

[1] CRS Report 97-70, *Government Performance and Results Act, P.L. 103-62 Implementation Through 1996 and Issues for the 105th Congress*, by Genevieve Knezo; and CRS Report 97-382, *Government Performance and Results Act: Implications for Congressional Oversight*, by Frederick Kaiser and Virginia McMurtry.

but that they could make improvements.[2] The Office of Personnel Management has a "GPRA Interest Group" and the policy research community is involved with implementation. For instance, the National Academy of Public Administration's Center for Improving Government Performance has produced guidance and initiated training, and *OMB Watch* has a performance website.[3]

The "Results Act" in the 105th Congress. (See also CRS Report 97-1028, *Government Performance and Results Act: Implementation and Issues of Possible Concern, 105th Congress.)* The agencies' first strategic plans, sent to Congress by September 30, 1997, were to include a mission statement, general goals and objectives, a description of the resources needed to achieve the goals, the relationship between the performance goals and general goals, key factors external to the agency that could significantly affect the achievement of the goals, a description of program evaluations used, and a schedule for future evaluations. A congressional majority leadership report, using analyses from 24 agency-specific congressional teams, graded the plans and identified problems, including data systems inadequate for evaluating outputs and outcomes, incomplete statements of resources and strategies needed to achieve goals, and insufficient coordination with other agencies. It recommended that committees assess agency goals in relation to policy objectives, specify performance measurement requirements in legislation, and monitor how agencies measure performance. GAO reported that "...progress is needed in how agencies...set...a strategic direction, coordinat[e]...crosscutting programs, and ensur[e]...the capacity to gather and use performance and cost data."[4] The chairmen of several House committees asked OMB to request that agencies link FY1999 budget requests to goals the agencies had identified in their strategic plans.[5]

The agencies' first annual performance plans were sent to Congress with FY1999 budget requests. Performance plans were to establish performance goals; describe goals in an objective, quantifiable, and measurable form, in an alternative descriptive form, or to include a statement that it is infeasible to express such goals; describe the resources required to meet goals; establish performance indicators to measure outputs or outcomes; provide a basis for comparing actual program results with performance goals; and describe how measures would be verified and validated. Congressional expectations for performance plans were outlined in a joint House/Senate majority leadership letter to OMB, December 17, 1997.[6] In 1998, the House majority leadership reported that the plans were "disappointing;" agencies did not deal with major management problems, lacked reliable data to verify and

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[2] Office of Management and Budget, *The Government Performance and Results Act, Report to the President and the Congress From the Director of the Office of Management and Budget*, 19 May 1997, 31 pp. and General Accounting Office, *The Government Performance and Results Act, 1997 Government-wide Implementation Will Be Uneven,* Report to Committees, June 1997, GGD-97-109, 115 pp.

[3] See [http://www.opm.gov/perform], [http://www.performance.napawash.org/] and [http://ombwatch.org/www/OMB/gpra/gpra1.html].

[4] *The Results Act: It's the Law, the November 1997 Report,* signed by House Majority Leader Dick Armey, Senator Larry Craig, Chairman, Senate Republican Policy Comm., Chairman Dan Burton, House Government Reform and Oversight Comm., Chairman Bob Livingston, House Appropriations Comm., and Chairman John Kasich, House Budget Comm., [http://freedom.house.gov/results] and GAO, *Managing for Results. Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges,* GGD-98-44, Jan. 1998.

[5] House Science Committee, *Agencies Told to Link Budget Requests to Goals,* press release, Nov. 14, 1997.

[6] See [http://freedom.house.gov/results/raines2/asp].

validate performance, often did not give results-oriented performance measures, did not link performance measures to day-to-day activities, and did not coordinate across agencies. Effective implementation, it said, requires a "culture change"; congressional oversight and OMB leadership were crucial. House committee chairmen wrote to OMB recommending corrective action.[7] Subsequently, GAO assessed FY1999 and FY2000 performance plans and reported on them. (Available at [http://www.gao.gov].)

H.R. 2883 would have required an annual integrated government performance plan and the linking of goals to statutory authorities. The bill passed the House; the Administration opposed it.[8] The 105th Congress included performance measure provisions in at least 45 public laws (counting separately the nine bills in P.L. 105-277) and 78 legislative reports.[9]

The "Results Act" in the 106th Congress. Following congressional evaluation of FY2000 and FY2001 performance plans, in March 1999, the chairmen of the House Government Reform Committee and of the House Appropriations Committee urged agency heads to develop "measurable annual performance targets" for management problems and to address these issues in appropriations hearings.[10] In May 1999, the chairman of the Committee on Governmental Affairs wrote to Senate Committee, Subcommittee, and House Committee chairmen transmitting *Agency Performance Plans: Examples of Practices That Can Improve Usefulness to Decision-makers,* (GGD/AIMD-99-69), and suggested that it be used to evaluate plans and to hold "agencies accountable for their proposed 'results.' " GAO issued *Managing for Results: Opportunities for Continued Improvements in Agencies' Performance Plans,* (GGD/AIMD-99-215). GAO found that 60% of 35 FY1999 performance plans did not explain how funding would be allocated to achieve performance goals and recommended that "OMB assess the linkages between... goals and program activities...and...clarify the relationship between budgetary resources and results."[11] In a joint May 1999 letter, the chairmen of the Governmental Affairs Committee and of the Senate Appropriations Committee asked the heads of 24 major agencies "to review the...report and...ask...budget staff to consider how your agency could achieve a closer linkage between funding and performance goals...." OMB's Bulletin 00-04, *Integrating the Performance Plan and Budget*, June 6, 2000, instructed agencies to report on efforts to align budgetary resources and performance results "to continue improving the implementation..." of GPRA. For FY2002, OMB told agencies to submit an integrated annual performance plan aligning budget authority and outlay estimates with performance goals.

Interest is growing about using GPRA information in authorizing, oversight, and appropriations processes. In July 2000, the Senate Appropriations Committee issued *Special Report on the Government Performance and Results Act of 1993*, Report 106-347, 97 pages,

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[7] *Towards a Smaller, Smarter, Common Sense Government: Seeking Honest Information for Better Decisions, Agency Performance Plans,* Letter, June 9, 1998, [http://freedom.house.gov/results].

[8] *Government Performance and Results Act: Proposed Amendments,* by Frederic Kaiser and Virginia McMurtry, CRS Report 98-224 G, 10 Dec. 1998, 6 p.

[9] CRS report 97-1059, *Government Performance and Results Act: Performance-related Requirements Included in Laws and in Committee Report Language During the 104th Congress,* by Genevieve J. Knezo and William Heniff; Genevieve J. Knezo and Virginia A. McMurtry, "Performance Measure Provisions in the 105th Congress," Jan. 7, 1999, 49 p. (CRS general distribution memo). Available at [http://www.house.gov/reform/press/99_01_5.htm] or [http://freedom.house.gov/results/releases/pr990105.asp].

[10] Katy Saldarini, "House Chairs: Waste Not, Want Not," *Government Executive Daily,* Mar.11, 1999.

[11] *Performance Budgeting: Initial Experiences Under the Results Act in Linking Plans With Budgets,* AIMD/GGD-99-67, p. 3.

that addresses the quality of agency implementation and utility of GPRA information to appropriations subcommittees. Testimony at the July 2000 Subcommittee on Government Management, Information and Technology's hearing on "Seven Years of GPRA, Has the Results Act Provided Results?" addressed the quality and use of performance documents and the use of results-related information in budgeting and appropriations. A March 2000 House Rules Committee hearing examined the impact of GPRA on the legislative process. The agencies' first performance reports, due in 2000 and covering FY1999, were to describe performance relative to goals and actions an agency would take to achieve unmet goals. The Mercatus Center critiqued FY1999 performance reports.[12] Also, a report by the Chairman of the Governmental Affairs Committee graded and critiqued FY1999 performance reports based on "the extent to which the reports demonstrate whether agencies are achieving mission results...and...commitment and progress to resolve major management challenges; and the overall usefulness of the reports." Chairman Fred Thompson observed that most of the reports do not "inform Congress and the public about what agencies are doing and how well they are doing it. ...We graded the reports on a curve. ...[W]e could only grade four of the 24 agencies above a 'C.' ...[S]even agencies got 'D's or 'F's."[13] GAO published numerous assessments of individual agency GPRA performance plans and reports.[14] Senator Thompson's October 2000 report criticized the agencies for not implementing the Results Act correctly and recommended how the new Presidential administration should use the act to improve governance.[15]

S. 92 (S. 261 in the 105th Congress), the "Biennial Budgeting and Appropriations Act," would have changed to a biennial basis requirements for GPRA-related strategic and performance reports to coincide with a proposed biennial budget (S.Rept. 106-12). (See James Saturno, *Biennial Budgeting: Background and Legislative History,* CRS Report RS20168.) P.L. 106-531, the "Reports Consolidation Act of 2000," permits agencies to combine annual GPRA performance reports with financial reports required under the Chief Financial Officers Act, to be called a "Performance and Accountability Report," with the due date to coincide with congressional consideration of agency budgets. It also requires assessment of the completeness and reliability of performance data agencies use and inclusion of a summary of the performance report in the accountability report if the two reports are not combined. (S. Rept. 106-337.) P.L. 106-107, the "Federal Financial Assistance Management Improvement Act of 1999," requires federal agencies and non-federal entities that are recipients of federal financial assistance to establish annual goals and objectives relating to efficiency and coordination, delivery of services, and simplification of processing, and that they measure performance on these goals as part of the agency's compliance with GPRA.

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[12] "Thompson Asks of Agency Performance Reporting: "Are We Telling the American People What They Want to Know?", Press Statement, Senate Committee on Governmental Affairs, May 3, 2000; and Jerry Ellig, *Performance Report Scorecard: Which Federal Agencies Inform the Public?*, May 3, 2000, Mercatus Center, George Mason University, [http://mercatus.org].

[13] *Report of Senator Fred Thompson, Chairman of the Governmental Affairs Committee on Major Management Challenges Facing Federal Departments and Agencies,* Oct. 2000 and accompanying news release, *Thompson Unveils Agency Performance Report Grades,* Oct. 30, 2000.

[14] See: "Reports on the Government Performance and Results Act" at http://www.gao.gov/. See also: *Managing for Results: Using GPRA to Help Congressional Decisionmaking and Strengthen Oversight,* by Comptroller General, before the Rules and Organization Subcommittee, House Committee on Rules, Mar. 22, 2000 and *Continuing Challenges to Effective GPRA Implementation,* before the Subcommittee on Government Management, Information and Technology, July 20, 2000.

[15] *Report of Senator Fred Thompson...on Management Challenges Facing the New Administration,* 106th Cong., 2nd sess., S. Print. 106-62, Pt. 3, "Results-oriented Governance."

The "Federal Research Investment Act," (S. 296, which passed the Senate in 2000 as part of S. 2046, and previously passed the Senate in 1998 as S. 2217), permitted the Office of Science and Technology Policy and OMB to fund a National Academy of Sciences (NAS) study to recommend R&D performance reporting processes and instituted procedures to terminate R&D programs rated unsuccessful. P.L. 105-276 had permitted the study, but did not appropriate funds for it. The Subcommittee on Basic Research, House Science Committee, held a hearing on October 4, 2000 on "Benchmarking U.S. Science: What Can It Tell Us?" A 1999 NAS report, *Evaluating Federal Research Programs*, listed principles to assess federal basic research using GPRA.

Debate continues about the quality of OMB leadership in guiding agencies' GPRA responses[16] and whether GPRA reports will influence budgets and policy. Agencies' implementation strategies have ranged from "a narrow compliance approach" to broader responses that would modify budget processes. Some see GPRA as a way to "downsize government."[17] Others say it is a tool to increase performance and accountability.[18] Other issues include the feasibility of performance budgeting; costs and benefits of performance measurement; the definition of performance outcomes; the need to integrate accountability into everyday management; and the need to use similar performance measures across agencies for similar functions.[19] Recommendations to improve GPRA implementation were made in *Transitioning to Performance-based Government: Bipartisan Observations and Recommendations to the New Administration and Congress from 140 Current and Former Federal Officials,* 2000, by the Reason Public Policy Institute and public administration professional organizations.

The "Results Act" in the 107th Congress. On January 17, 2001, leaders of the Senate Committee on Governmental Affairs and the GAO released the 21 reports in the "GAO Performance and Accountability Series and High Risk Update." Senators Thompson and Voinovich called on agencies to develop performance goals to resolve problems that were observed.[20] Also, in January 2001, the House adopted a rule requiring that "committee reports include a statement of general performance goals and objectives, including outcome-related goals and objectives for which the measure authorizes funding."[21]

In a four page letter to the Speaker of the House and the President of the Senate, dated January 18, 2001, the Clinton Administration OMB complied with the statutory GPRA requirement to report to Congress on the need for changes in the law and on whether or not

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[16] Beryl A. Radin, "The Government Performance and Results Act: Hydra-headed Monster or Flexible Management Tool?," *Public Administration Review,* July-Aug., 1998, 307, Thomas G. McSweeney, "Moving From GPRA Outputs to GPRA Outcomes," *The Public Manager: The New Bureaucrat,* Fall 1998, 20 p.; Virginia L. Thomas, *Restoring Government Integrity Through Performance, Results, and Accountability,* Heritage Foundation Backgrounder, June 26, 2000, and Allison Jean Beltz, *The Role of the U.S. Congress in Implementing the Government Performance and Results Act,* Boston College MA Thesis, May 1999.

[17] See report by Angela Antonelli at [www://heritage.org/heritage/library/backgrounder/] and "U.S. Budget: Domenici Proposes $13.1 Billion Cut in Taxes ...." *Daily Report for Executives,* Mar.17, 1999.

[18] Patrick Lester, "Armey Blasts Agency Results Act Implementation: Kasich Says Agency Budgets Will Be Cut," *OMB Watch,* Nov. 5, 1997.

[19] Testimony of Ellen Taylor, "Seven Years of GPRA, Has the Results Act Provided Results?," House Committee on Government Reform, July 20, 2000.

[20] J. Peckenpaugh, "Senators to Bush: Get Tough on High-risk Problems," *Gov Exec.com,* Apr. 3, 2001.

[21] H. Res. 5 re: Rule XII, clause 3(c), www.house.gov/rules/107rules_secsum.htm.

performance budgets should be required statutorily. OMB declined to recommend that performance budgeting be required statutorily, because, it said, to do so could lead to confusion since Congress might perceive the President as delivering more than one budget option. OMB also questions the current feasibility of performance budgeting, since many agencies have not yet adequately defined goals, measures, and outcomes, nor have they developed cost accounting structures for performance budgeting that are acceptable to Congress and the appropriations process.[22] The Administration's FY2002 budget requires that agencies submit performance-based budgets for selected programs in the FY2003 budget process, forcing them to link spending decisions to performance goals (pp. 11-18). In a March 21, 2001 letter Chairman Dan Burton of the House Government Reform Committee asked OMB to require agencies to update their 2000 strategic plans to reflect the Bush Administration's priorities.[23] The Mercatus Center released a critique of FY2002 performance reports on May 16, 2001.[24] A report, *Implementing the Government Performance and Results Act for Research: A Status Report,* May 2001, a follow-up to the NAS's 1999 study, recommended improvements by both federal agencies and users of research-related performance documents.

Timetable for Implementation of GPRA

Inception of Pilot Projects—October 1993. At least ten agencies were to be designated as pilot projects (FY1994, 1995, and 1996). Twenty-one agencies and 53 programs were picked as first-round pilots. After more changes beginning in January 1995, there were 75 ongoing pilot projects as of June 1995. Agencies doing pilot projects developed performance plans for FY1995. FY1996 plans were due April 14, 1995.

Managerial Waiver Pilots—October 1994. At least five agencies were to be designated as pilots for managerial accountability and flexibility waivers but than OMB did not conduct them since management changes were made, precluding testing of waivers.

OMB Report—May 1, 1997. OMB reported on the results of the pilots; it did not recommend changes in the law.

GAO Report—June 1, 1997. GAO reported on agency readiness to begin full implementation.

Performance Plans to OMB—September 1997. Agencies provided OMB with their first annual plans setting performance goals for FY1999.

Strategic Plans—September 30, 1997. Each agency was to have completed a 5-year strategic plan, to be updated at least every 3 years. Congressional and stakeholders' views were to be considered.

Performance Budgeting Pilots Were to Begin—October 1997. At least five agencies were to be designated as performance budgeting pilots for FY1998 and FY1999 and to discuss levels of performance that would result from different budgeted amounts. OMB, May 1997, requested postponement to begin the pilots for FY1999 and FY2000. On October 1, 1999, OMB named five performance budgeting pilot projects.

Performance Plans—February 1998. OMB submitted to Congress a federal government-wide performance plan as part of the President's FY1999 budget. This is to recur for each fiscal year thereafter. Most agencies provided Congress and the public with copies of their annual performance plans after the government-wide performance plan was presented.

Performance Reports—March 31, 2000. Agencies submitted annual performance reports for FY1999 that compared actual performance with stated goals, explained why performance goals were not met, and gave future plans to meet each goal. For each subsequent year, agencies are to include performance data for the year covered by the report and the three preceding years.

OMB Recommendation on Performance Budgeting—Due March 2001. On Jan. 18, 2001, OMB reported to the President and Congress on the results of the performance budgeting pilots, but did not recommend that performance budgeting should be required or other changes in the GPRA statute.

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[22] Conversation with OMB official, May 2001. See also: Virginia A. McMurtry, *Performance Management and Budgeting: Benchmarks and Recent Developments,* CRS Report RS20938. The budget pilots dealt with DOD's military recruiting, FDA; HUD's HOPE VI housing program; the State Department's embassy security program; and the Social Security Administration's continuing disability program.

[23] T. Ballard, "House Chairman Sends Agencies Back to Drawing Board on Strategic Plans," *Gov. Exec.com,* Mar. 26, 2001.

[24] [http://www.governmentaccountability.org/scorecardfy2000.htm].

Mr. HORN. One of the goals of this bipartisan law was to improve the Federal Government's efficiency and accountability by shifting its focus away from a preoccupation with day-to-day activities. Instead, the law requires departments and agencies to focus on the results or outcomes of those activities. Once that goal is achieved, Congress will be able to make knowledgeable decisions on which Federal programs are worthy of support and which should be abandoned. The process is called results-oriented budgeting.

To achieve this goal the Results Act required that beginning in 1997, Federal agencies were to submit long-range strategic plans to Congress. These plans are updated every 3 years. The law also required agencies to submit annual performance plans and reports on their success in meeting those goals.

Agencies have now had 2 years of experience in developing measurable goals and reporting on their success in achieving those goals. Yet, many still have difficulty linking their long- and short-term strategic plans to the cost of their activities, even though this process is supposed to form the basis of their budget requests.

In 1998, House Majority Leader Representative Dick Armey of Texas stated that the agency plans failed to address management problems and lacked reliable data to verify and validate performance. In 1999, the General Accounting Office found that only 14 of the 35 Federal departments and agencies it examined were able to define some type of relationship between program activities on their proposed budgets and the performance goals cited in their plans.

To paraphrase Benjamin Franklin, reforming the government, no matter how good the changes, requires educating and enlightening the people and convincing them that their interests will be promoted by the proposed changes. Said Franklin, "This is not the work of a day," and so it may be said of the government's slowness in embracing the Results Act.

Unquestionably, the challenge of genuine reform in the Federal Government is formidable. Clearly, implementation of the Results Act remains a work in progress. Once completed, however, American taxpayers will ultimately have a more accountable, better-managed government, which is what they want and most certainly deserve.

Today, we will discuss recent agency progress in complying with the law. We are honored to have with us the ranking member of the Senate Governmental Affairs Committee, Senator Fred Thompson, a Republican of Tennessee, who has been an aggressive proponent of the Results Act. Senator Thompson has requested the General Accounting Office to review the most recent round of agency performance reports, covering fiscal year 2000. The General Accounting Office has just reported its findings for most of the agencies. And for that we are grateful.

In addition, we will hear from a panel of witnesses who have closely followed the government's efforts to implement the Results Act. They will discuss the successes, the failures, and the challenges that lie ahead.

[The prepared statement of Hon. Stephen Horn follows:]

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Opening Statement
Chairman Stephen Horn,
Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations
June 19, 2001

A quorum being present, the Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations will come to order.

Today, we will examine the progress being made by the government's executive branch departments and agencies to comply with the Government Performance and Results Act of 1993, often called the "Results Act."

One of the goals of this bipartisan law was to improve the federal government's efficiency and accountability by shifting its focus away from a preoccupation with day-to-day activities. Instead, the law requires departments and agencies to focus on the results, or outcomes, of those activities. Once that goal is achieved, Congress will be able to make knowledgeable decisions on which federal programs are worthy of support, and which should be abandoned. The process is called results-oriented budgeting.

To achieve this goal, the Results Act required that beginning in 1997, federal agencies were to submit long-range strategic plans to Congress. These plans are updated every three years. The law also required agencies to submit annual performance plans and reports on their success in meeting those goals.

Agencies have now had two years of experience in developing measurable goals and reporting on their success in achieving those goals. Yet, many still have difficulty linking their long- and short-term strategic plans to the cost of their activities, even though this process is supposed to form the basis of their budget requests.

In 1998, House Majority Leader Representative Dick Armey, R-TX, stated that the agency plans failed to address management problems and lacked reliable data to verify and validate performance. In 1999, the General Accounting Office found that only 14 of the 35 federal departments and agencies it examined were able to define some type of relationship between program activities on their proposed budgets and the performance goals cited in their plans.

To paraphrase Benjamin Franklin, reforming the government – no matter how good the changes – requires educating and enlightening the people, and convincing them that their interests will be promoted by the proposed changes.... "This is not the work of a day," he said. And so it may be said of the government's slowness in embracing the Results Act.

Unquestionably, the challenge of genuine reform in the federal government is formidable. Clearly, implementation of the Results Act remains a work in progress. Once completed, however, American taxpayers will ultimately have a more accountable, better-managed government, which is what they want and, most certainly, deserve.

Today, we will discuss recent agency progress in complying with the law. We are honored to have with us the ranking member of the Senate Governmental Affairs Committee Sen. Fred Thompson, R-TN, who has been an aggressive proponent of the Results Act. Senator Thompson has requested the General Accounting Office to review the most recent round of agency performance reports, covering Fiscal Year 2000. The GAO has just reported its findings for most of the agencies.

In addition, we will hear from a panel of witnesses who have closely followed and have been involved in the government's efforts to implement the Results Act. They will discuss the successes, the failures, and the challenges that lie ahead.

We welcome all of you, and look forward to your testimony.

Mr. HORN. We welcome today Mr. Sean O'Keefe, the Deputy Director of the Office of Management and Budget; Mr. Christopher Mihm, Associate Director of the U.S. General Accounting Office; Mr. Maurice McTigue, distinguished visiting scholar at the Mercatus Center of George Mason University; and Mr. John Mercer, deputy director for government performance at Logicon, Inc.

We welcome all of you and look forward to your testimony.

We will have to wait a little while because Senator Thompson is in a meeting right now in the Senate in terms of ranking members. But he's on his way and will be here in a few minutes.

And we might start with Mr. Christopher Mihm, and that way we'll open it up. You'll probably have a good punctual statement, Chris; I understand that. So I think we're going to swear you in.

[Witness sworn.]

Mr. HORN. Thank you. Please proceed.

STATEMENTS OF SEAN O'KEEFE, DEPUTY DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET; CHRISTOPHER MIHM, ASSOCIATE DIRECTOR, FEDERAL MANAGEMENT AND WORKFORCE ISSUES, U.S. GENERAL ACCOUNTING OFFICE; MAURICE McTIGUE, DISTINGUISHED VISITING SCHOLAR, MERCATUS CENTER, GEORGE MASON UNIVERSITY; AND JOHN MERCER, DEPUTY DIRECTOR FOR GOVERNMENT PERFORMANCE, LOGICON INC.

Mr. MIHM. Thank you, Mr. Chairman. And once again it is a great honor and pleasure to appear before you and this subcommittee to discuss how the Government Performance and Results Act can be used to assist Congress in its oversight and decisionmaking.

Over the last decade, Congress and the executive branch have implemented a statutory framework to improve Federal agencies' performance and executive branch and congressional decisionmaking. That framework includes as its core elements financial management and information technology reforms which have been the subject of extensive support and oversight from this subcommittee, as well as results-oriented legislation, especially GPRA.

Our work confirms the views that you expressed in your opening statement, sir; that is, while much work remains before this framework is effectively implemented across the government, there has been substantial progress in the last few years in establishing the basic infrastructure to create high-performing Federal organizations. The task now is to move to the more important phase of GPRA implementation; that is, using results-oriented performance information on a routine basis for an agency's day-to-day management and congressional and executive branch decisionmaking.

As a Nation, we face two overriding questions to effective Federal governance in the 21st century: What is the proper role of the Federal Government and how should government do business? As detailed in my written statement, GPRA can serve as a bridge between these two questions by linking the results the Federal Government seeks to achieve to the program approaches and resources that are necessary to achieve those results. In the interest of brevity, I'll hit just the highlights of two issues where we see GPRA making the greatest contribution to congressional decisionmaking.

Those two issues are, first, instilling the results orientation and, second, ensuring that daily operations contribute to results.

First, in regards to instilling the results orientation, as you mentioned in your opening statement, Mr. Chairman, the cornerstone of Federal efforts to successfully meet current and emerging public demands is to adopt a results orientation. That is to develop a clear sense of the results an agency wants to achieve as opposed to the products and services an agency produces, to move away from that preoccupation with outputs that you mentioned. Adopting such an orientation requires a cultural transformation for many agencies, one that can be accomplished only through the active and sustained attention of top leadership.

Unfortunately, our work has shown that attention is too often lacking. We recently reported the findings of our government-wide survey of Federal managers that showed that many agencies faced significant challenges in instilling such an orientation. For example, at 11 agencies, less than half of the Federal managers perceived, to at least a great extent, that a strong top leadership commitment to achieving results existed. At 26 of the 28 agencies we surveyed, less than half of the managers perceived—and I can suspend comments there in deference to the Senator.

Mr. HORN. Senator, you've got a willing member of GAO that will now yield some time to you. And we know you're busy today. So thank you very much for coming.

We're delighted to have the former chairman of Governmental Affairs in the Senate. He has taken a great interest in the Results Act, and we want to hear what he has to say.

STATEMENT OF HON. FRED THOMPSON, A U.S. SENATOR FROM THE STATE OF TENNESSEE

Senator THOMPSON. Thank you, Mr. Chairman. I'm not used to hearings actually starting on time, so I'm having a little adjustment to make here.

But I want to congratulate you for it, and I want to thank you for the opportunity of coming over and spending a little time on something that for too long has been under the radar screen. I think it underlies everything the government is trying to do, and that is trying to develop a government that is more results-oriented—instead of looking at inputs, look at what government is actually achieving.

As you know, the Results Act requires Federal agencies to develop 5-year strategic plans, annual performance plans, and submit annual performance reports. The act is intended to shift the focus of accountability from process to results. What matters is what these activities actually accomplish in real results that are important to the American people, such as things like workplace safety, fewer transportation accidents, less crime, better education and healthcare.

All this sounds like basic common sense, and it is. We need to work harder to reorient the Federal Government's thinking. Setting results-oriented performance goals and then using them to track progress, make resource decisions and manage day-to-day operations should come as second nature. Many State and local governments operate this way, as does much of the private sector. How-

ever, these concepts represent a fundamental cultural change in Washington.

Moving the Federal Government in this direction has been a real struggle. We've now completed two rounds of performance reports under the Results Act covering fiscal years 1999 and 2000. Both sets of performance reports were analyzed by the Mercatus Center, George Mason University, the General Accounting Office and the Senate Governmental Affairs Committee and others. All these analyses demonstrate that we have a long way to go before these reports will be anywhere near as informative and useful as they ought to be.

Let me touch on four major problems that we see with these reports: While the fiscal year 2000 version shows some improvement in each of these four areas, these problems affect most agency reports for both years 1999 and 2000.

First of all, with regard to assessing results, we can't tell from most of the reports whether agencies are making any progress toward achieving key performance results or not.

In each of the past 2 years, I asked the GAO to determine from the performance reports how well agencies were actually achieving certain key outcomes. In all, we looked at over 90 key outcomes across 24 major agencies. That includes such things as maintaining the Nation's combat readiness, maintaining the security of the U.S. borders, ensuring our tax laws are administered effectively, helping poor and disadvantaged families become self-sufficient, denying criminals access to firearms, reducing the availability and use of illegal drugs—things of that nature.

We found for the year 1999, again, fiscal year 2000, that you can't really tell from the reports whether the agencies were making progress on many of their key outcomes including the ones that I just mentioned. With the subcommittee's permission, I'd like to submit for the record a table that summarizes our findings in this regard.

Mr. HORN. Without objection, it will be put in the record at this point.

Senator THOMPSON. Thank you very much.

Second, we looked at making sense out of these overlapping programs that we have so many of. The performance reports don't tell decisionmakers or the public what's working and what's not within the mass of overlapping programs that exist in virtually every area of Federal activity. This is a huge problem when you consider how much overlap and duplication we have.

I just issued a two-volume report called Government at the Brink. I'll leave a copy of this report for the subcommittee.

Among other things, this report describes the extent of duplication and overlap that we have. Just to cite a few examples: 7 different agencies operate 40 different job training programs; 18—I'm sorry, 8 different agencies operate 50 different programs to aid the homeless; and 17 agencies operate 515 research and development labs.

These multiple programs hardly ever use consistent performance goals and measures that allow for comparisons among them. You're always comparing apples and oranges to pears. Nobody can seriously argue that all these programs are equally effective and nec-

essary, yet we lack the performance information to make rational choices among the programs and allocate resources to where they'll do the most good.

Another area we asked for, had to do with inadequate performance data. One fundamental barrier to the usefulness of the performance reports is the lack of reliable and timely performance data.

Mr. Chairman, I think it has to do, too, with the overall high-risk area that the GAO tells us about, having to do with financial mismanagement of the Federal Government. It is a growing problem that erodes the basis of all else that government is trying to do.

And I think of trying to come up with data, accurate data that we can measure, so we can see whether or not these agencies are doing any good, we fall flat. And it's a part of that bigger problem. This is the data that shows whether we're meeting the stated goals these agencies have for various problems.

GAO reports only 3 of the 24 major agencies can produce credible performance data. Now, this is a law. As you know, it was passed back in 1993. Most inspectors general likewise question the credibility of their agencies' performance data.

Congress passed a law last year intended to get agencies to pay attention to their data problems, and explain what they're doing to solve them. Unfortunately, it appears that few agencies took this mandate seriously. Agencies often failed to acknowledge specific data problems that had been highlighted by GAO and their IGs. I've asked the GAO to look at this in more depth.

I would also like to submit for the record my request letter to the GAO which outlines my concerns.

Mr. HORN. Without objection, it will be put in the record at this point.

Senator THOMPSON. Thank you.

Also, with regard to the area of resolving mission-critical management problems, I've heard the agency for years used the Results Act as a tool to resolve these massive management problems. I pointed out financial mismanagement and lack of ability to handle information technology projects. We spend billions of dollars, then throw up our hands and give up on the projects.

The revolution that's happening out there in the private sector, as you well know, Mr. Chairman, has not been brought into government. We don't get the benefit of it, but we spend billions of dollars trying to.

The human capital problem is that our people don't fit our jobs anymore. We downsize without any strategic plan at all. And the high-tech world we live in, when we need certain people in certain areas that are crucial to national security and to our government, we're losing those people. We're not recruiting new people. Our civil service system is out of date. Overlap and duplication, are massive, crucial, endemic management problems that the GAO has so eloquently told us about, and they threaten our ability to achieve these performance results. The Government in the Brink report I mentioned, catalogues these problems in detail.

As you are well aware, most agencies have had critical financial management problems that make them highly vulnerable to waste,

fraud and abuse. I'm happy to say that most agencies are now doing a better job of acknowledging these critical management problems in the performance report and describing in general terms what they're trying to do to resolve them. However, to generate serious action, agencies need to establish specific and measurable performance goals to directly address these problems, publicly track progress and ensure accountability. There is so much room for improvement here.

Unfortunately, agencies have established direct performance goals for less than half of the critical management problems that the GAO and their IG's have identified. So here we are, all these years later, and finally we haven't managed to even identify goals for half of these problems that everybody knows are crucial to the operation of our government. Somebody is not paying attention.

In short, there are still major deficiencies in agencies' performance reports and plans in the Results Act, and the act does not even come close to reaching its potential as a tool to improve government performance.

That said, the more important point is that the act is only a tool. It must be used to be effective. Good plans and reports are not ends in and of themselves; the end result is that managers and policymakers use the information they provide to help government performance.

So far, this hasn't happened. Results Act information has yet to be used significantly by either the executive branch or congressional decisionmakers to oversee program performance, allocate funding or reform non-performing programs. Likewise, according to a just-released GAO report, the Results Act has yet to take hold in the agencies as a tool for day-to-day management. The GAO reports leadership commitment is needed to sustain high levels of performance is not widely perceived among managers across government, and progress in fostering such leadership has remained stagnant.

My staff handed me something just today, Mr. Chairman, I think points this out probably better than anything else. It's from the Federal Times of June 18th, and it says, "Defense may be the next performance push." As you know, defense has been a poster child for financial mismanagement.

Mr. HORN. Right.

Senator THOMPSON. They can't balance their books, they can't pass an audit. They lose billions of dollars in stuff they can't account for. After all this Results Act talk, let's look and see how they look at it over there.

It says, "Some former and current defense insiders said they suspect the benefits of DOD's complying with the Results Act will be limited."

"'Most of the blood has already been squeezed out of the turnip on the business side,' said Robert Sole, Director of Program Analysis and Evaluation for the Office of the Secretary of Defense."

"There are not much savings that can be expected from changing business practices."

"'The Defense Department is not focused on the Results Act, and the senior leadership is not interested in it,' Sole said. 'Nor are many in Congress,' according to Robert Hale, former Assistant Sec-

retary of Financial Management and Comptroller of the Air Force. 'During my tenure as Air Force comptroller, I've never been asked about the Results Act by Defense authorizing and appropriating committees.' "

I think that's a pretty serious reflection on both the Department of Defense and Congress.

Can we turn this around? It seems to me that the jury is very much out on this question. What we seem to have now is a chicken-and-egg situation. A huge amount of time and effort has gone into implementing the Results Act, but it's not yet produced much really useful information. For example, the Congressional Budget Office stated that, "Its analysis found little in Fiscal Year 1999 performance report to guide the Congress in making choices about spending."

On the other hand, there is little incentive to invest lots more time and effort into making the information more useful, unless and until it's used. We need to break out of this cycle and start using performance information agencies and have them produce as best we can. Once we do this, the agencies will start paying attention and will start producing better information.

We can't let a desire for perfection be the enemy of the good. The important thing now is to get the ball rolling. If we can't do it, we might as well hang it up and consign the Results Act to the scrap heap of failed management reforms. We might as well go on with business as usual in Washington, where expectations of the Federal Government are so low that we simply accept high levels of waste, fraud and inefficiency as the normal cost of operation, and where each year we basically throw money at programs that sound good, and simply accept with blind faith that they're accomplishing something.

Obviously, I hope this doesn't happen. I'm very encouraged that the executive branch leadership is firmly committed to turning things around. OMB Director Mitch Daniels reaffirmed in a press conference, as he did with me on the Government at the Brink report, that using the Results Act to actually make decisions and run the government is a top priority for the administration. I'll certainly do everything I can to help make this a reality. I challenge my colleagues in the Senate and the House to do likewise. We can't afford to let this opportunity pass us by.

Thank you, Mr. Chairman. And I would be remiss if I didn't acknowledge and express my appreciation for your leadership in this area. Thank you very much.

Mr. HORN. Well, thank you, Senator.

Usually we don't ask questions of Senators and our own colleagues, but let me go for one that I think you and I have talked about before; and that is, we need some of the leadership on both sides of the rotunda—and that would be the majority leaders working together with the minority leaders, and the people that are elected in the Senate, not just the staff, and the people elected in the House, not just the staff—and get them in a room of the people that the President has appointed as his Ambassadors, and get them around the table to ask, "Is this what we really mean by this particular program?"

And often they would find, "Wait a minute, folks, just because we went into conference and tried to get this thing into a series of euphemisms so we can get out of here, and try to get on, what is the particular goal that should be sought, is it working, is it measurable, so forth?" In all the papers you've read—and you've read a lot of them, more than most Members in either body—what's the best standard of measurement that you've seen that would make some sense?

Senator THOMPSON. Government-wide or with regard to any particular——

Mr. HORN. Government-wide or particular.

Senator THOMPSON. Well, I haven't seen very many good ones. But if you were talking about specific goals that are supposed to be set out in a performance report, we have some that demonstrate the problem.

With regard to the Commerce Department, they say that they have a goal to assess its success in keeping the United States secure from proliferation of dual-use commodities and chemical weapons. The Bureau of Export Administration sets goals like the number of strategic industry analyses completed, the number of enforcement outreach visits conducted, and the number of in-use visits conducted, thus, Commerce progress related to this particular outcome. In other words, how many pieces of paper we shuffle, how many times we answer the telephone and things of that nature. This is endemic.

I don't think that throughout all these—the Department of Energy's Office of Counterintelligence reported that they performed 11 inspections during fiscal year 2000, but failed to note what security improvements resulted from those inspections. In other words, total input and not output is endemic across government.

I don't think that there is any government-wide performance standard. I think you have to look at every agency, and every agency has to identify what its goal is, or set-up goals are, and what its mission is. Why did we create it? If we were starting over again, would we create this agency or this department? And if so, why? What are we really trying to do here? It's not to shuffle pieces of paper, it's to save lives. It's not to answer telephones, it's to catch people, illegal people at the borders, you know. What are the results of what you're trying to do?

It's extremely difficult to focus agencies in on that, on an agency-by-agency basis. I don't think you could ever do it government-wide. But I think that, with leadership, it can be done.

I think we're gradually moving a little bit in the right direction. And that's why my comments sometimes might seem a little bit rough, but it's time we got some people's attention on this if we're serious about it. I mean, we pass a lot of legislation, you know, we might as well ignore, I suppose, or repeal; let's decide if this is one of them. If it is, let's get rid of it and forget it and just say that a few billion every year is the price we pay for democracy and don't ask any questions about it.

But if we don't take that attitude, if we think we can do better, then let's have some leadership. The President is going to have to lead. Members of Congress are going to have to lead. It's going to have to be integrated in the authorization process, probably more

importantly integrated into the appropriations process. Until people are required to give decent reports, No. 1, and then looking at those reports, you can tell that somebody is succeeding or failing and they're either rewarded or punished based on that—until that happens, this is a meaningless exercise.

Now, as I say, I think we're glacially moving in the right direction. But there is going to come a time when we need to decide, are we serious about this or not. And thanks to people such as yourself over here, I still think that we've got an opportunity to do some good, because we've got such a low floor to operate off of. We ought to, by accident, be able to save a few billion dollars a year without really doing very much. To that extent, I'm optimistic.

Mr. HORN. Well, we appreciate you coming over here and sharing your ideas. They're very pertinent and very useful to this issue.

Senator THOMPSON. Thank you very much.

Mr. HORN. Thank you.

We will now go back to Christopher Mihm, Associate Director, Federal Management Work Force Issues, U.S. General Accounting Office, so he can go through his preparation. And then we'll go back to the administration represented by Sean O'Keefe, Deputy Director, Office of Management and Budget.

Mr. MIHM. Thank you again, Mr. Chairman, Mr. Putnam. It's again an honor to be here.

When I suspended my comments in deference to the Senator, we were talking about the importance of top leadership attention. And I would just underscore what the Senator was saying, both in its importance, and that attention has often been lacking.

Senator Thompson hit the highlights of our recent report containing the survey results of Federal managers across the 24 CFO Act agencies. And just to reiterate some of those, at 11 agencies less than half of the managers perceived, to at least a great extent, that a strong top leadership commitment to achieving results existed. So this is less than half of the managers.

At 26 of the 28 agencies, less than half of the managers perceived, to at least a great extent, that employees received positive recognition for helping the agency accomplish its strategic goals.

At 22 agencies, at least half of the managers reported they were held accountable for the results of programs, to at least a great extent, but at only one agency did more than one-half of the managers report they had the decisionmaking authority that they needed to a comparable extent. In other words, at only one—and that's OPM—of the 28 agencies we surveyed did over 50 percent of the mangers say they had the decisionmaking authority they needed in order to achieve results.

To build leadership commitment and to help ensure that managing for results become a standard way of doing business some agencies using performance agreements need to define accountability for specific goals, monitor progress, and evaluate results. These are basically contracts rather than between government and private sector, between the senior political leadership and the senior career leadership.

We reported last October that performance agreements can be an effective mechanism to align the daily activities of agencies with re-

sults that take place outside those agencies. This then leads to the second point I was going to cover this afternoon.

GPRA is showing itself to be an important tool in helping Congress and the executive branch assess how agencies' daily activities contribute to results that benefit the American people. As Senator Thompson underscored, GPRA provides a vehicle for examining agencies' internal management capabilities and ensuring that they are positioned to achieve results.

As you know, Mr. Chairman, this past January we updated our high-risk and performance accountability series that outlined the major management challenges and program risks that Federal agencies face. Unfortunately, as the Senator noted, we have found that agencies are not consistently using GPRA to show how they plan to address these challenges and risks.

For example, when we looked at agencies' fiscal year 2001 performance plans, we found that there was a need to increase the breadth, depth and specificity of goals and strategies related to human capital and to better link them to agencies' program goals. They didn't have the goals they needed, and often when those goals were there, they weren't linked back to the programmatic results agencies are trying to achieve.

In summary then, Congress and the executive branch working together have put in place a management infrastructure with GPRA as its centerpiece. However, much more needs to be done before this infrastructure is effectively implemented across the Federal Government. The planning and reporting efforts under GPRA nevertheless are generating new and important information that has not been available in the past; information that congressional and executive branch decisionmakers can use to help assess what government should do in the 21st century and how it should do it.

Mr. Chairman, Mr. Putnam, this concludes my statement; and I would be pleased to respond to any questions you may have.

Mr. HORN. Thank you very much.

[The prepared statement of Mr. Mihm follows:]

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations, Committee on Government Reform, House of Representatives

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MANAGING FOR RESULTS

Using GPRA to Assist Oversight and Decisionmaking

Statement of J. Christopher Mihm,
Director, Strategic Issues

GAO-01-872T

Mr. Chairman, Ms. Schakowsky, and Members of the Subcommittee:

I am pleased to be here today to discuss the Government Performance and Results Act of 1993 (GPRA). As agreed with the Subcommittee, I will highlight how GPRA can be used as a tool to assist the Congress in oversight and decisionmaking and to help address the challenges facing the federal government in the 21st century. My statement is based on our large body of work in recent years assessing GPRA implementation and on strategic human capital management, as well as recent reports presenting the results of our survey of federal managers at 28 agencies and our analysis of human capital management discussions in agencies' fiscal year 2001 performance plans.[1]

Over the last decade, the Congress, the Office of Management and Budget (OMB), and executive agencies have worked to implement a statutory framework to improve the performance and accountability of the executive branch and to enhance executive branch and congressional decisionmaking.[2] This framework includes as its core elements financial management and information technology reforms as well as results-oriented management legislation, especially GPRA. As a result of this framework, there has been substantial progress in the last few years in establishing the basic infrastructure needed to create high-performing federal organizations. The issuance of agencies' fiscal year 2000 performance reports, in addition to updated strategic plans, annual performance plans, and the governmentwide performance plans, completes two full cycles of annual performance planning and reporting under GPRA.

However, much work remains before this framework is effectively implemented across the government, including transforming agencies' organizational cultures to improve decisionmaking and strengthen performance and accountability. Moreover, we are now moving to a more difficult but more important phase of GPRA implementation, that is, using results-oriented performance information as a routine part of agencies'

[1] *Managing for Results: Human Capital Management Discussions in Fiscal Year 2001 Performance Plans* (GAO-01-236, Apr. 24, 2001) and *Managing for Results: Federal Managers' Views on Key Management Issues Vary Widely Across Agencies* (GAO-01-592, May 25, 2001).

[2] *Managing for Results: The Statutory Framework for Performance-Based Management and Accountability* (GAO/GGD/AIMD-98-52, Jan. 28, 1998).

day-to-day management, and congressional and executive branch decisionmaking.

Using GPRA to Assist Congressional Oversight and Decisionmaking

As we move further into the 21st century, it becomes increasingly important for the Congress, OMB, and executive agencies to face two overriding questions:

- What is the proper role for the federal government?
- How should the federal government do business?

GPRA serves as a bridge between these two questions by linking results that the federal government seeks to achieve to the program approaches and resources that are necessary to achieve those results. The performance information produced by GPRA's planning and reporting infrastructure can help build a government that is better equipped to deliver economical, efficient, and effective programs that can help address the challenges facing the federal government. Among the major challenges are

- instilling a results-orientation,
- ensuring that daily operations contribute to results,
- understanding the performance consequences of budget decisions,
- coordinating crosscutting programs, and
- building the capacity to gather and use performance information.

Instilling a Results-Orientation

The cornerstone of federal efforts to successfully meet current and emerging public demands is to adopt a results-orientation; that is, to develop a clear sense of the results an agency wants to achieve as opposed to the products and services (outputs) an agency produces and the processes used to produce them. Adopting a results-orientation requires transforming organizational cultures to improve decisionmaking, maximize performance, and assure accountability—it entails new ways of thinking and doing business. This transformation is not an easy one and requires investments of time and resources as well as sustained leadership commitment and attention.

Based on the results of our governmentwide survey in 2000 of managers at 28 federal agencies,[3] many agencies face significant challenges in instilling a results-orientation throughout the agency, as the following examples illustrate.

- At 11 agencies, less than half of the managers perceived, to at least a great extent, that a strong top leadership commitment to achieving results existed.
- At 26 agencies, less than half of the managers perceived, to at least a great extent, that employees received positive recognition for helping the agency accomplish its strategic goals.
- At 22 agencies, at least half of the managers reported that they were held accountable for the results of their programs to at least a great extent, but at only 1 agency did more than half of the managers report that they had the decisionmaking authority they needed to help the agency accomplish its strategic goals to a comparable extent.

Additionally, in 2000, significantly more managers overall (84 percent) reported having performance measures for the programs they were involved with than the 76 percent who reported that in 1997, when we first surveyed federal managers regarding governmentwide implementation of GPRA. However, at no more than 7 of the 28 agencies did 50 percent or more of the managers respond that they used performance information to a great or very great extent for any of the key management activities we asked about.[4]

[3]These 28 agencies include the 24 agencies covered by the Chief Financial Officers Act of 1990 with an additional breakout of 4 selected agencies from their departments—the Federal Aviation Administration at the Department of Transportation, the Forest Service at the Department of Agriculture, the Health Care Financing Administration at the Department of Health and Human Services, and the Internal Revenue Service at the Department of the Treasury. For additional details on the governmentwide surveys, see GAO-01-592 and *Managing for Results: Federal Managers Views Show Need for Ensuring Top Leadership Skills* (GAO-01-127, Oct. 20, 2000) and *The Government Performance and Results Act: 1997 Governmentwide Implementation Will Be Uneven* (GAO/GGD-97-109, June 2, 1997).

[4]We asked about five key management activities including setting program priorities, allocating resources, adopting new program approaches or changing work processes, coordinating program efforts with other organizations, and setting individual job expectations.

Ensuring That Daily Operations Contribute to Results

As I mentioned earlier, we are now moving to a more difficult but more important phase of GPRA—using results-oriented performance information on a routine basis as a part of agencies' day-to-day management and for congressional and executive branch decisionmaking. GPRA is helping to ensure that agencies are focused squarely on results and have the capabilities to achieve those results. GPRA is also showing itself to be an important tool in helping the Congress and the executive branch understand how the agencies' daily activities contribute to results that benefit the American people.

Performance Agreements

To build leadership commitment and help ensure that managing for results becomes the standard way of doing business, some agencies are using performance agreements to define accountability for specific goals, monitor progress, and evaluate results. The Congress has recognized the role that performance agreements can play in holding organizations and executives accountable for results. For example, in 1998, the Congress chartered the Office of Student Financial Assistance as a performance-based organization, and required it to implement performance agreements. In our October 2000 report on agencies' use of performance agreements, we found that although each agency developed and implemented agreements that reflected its specific organizational priorities, structure, and culture, our work identified five common emerging benefits from agencies' use of results-oriented performance agreements.[5] (See fig. 1.)

Figure 1: Emerging Benefits From Using Performance Agreements

- Strengthens alignment of results-oriented goals with daily operations
- Fosters collaboration across organizational boundaries
- Enhances opportunities to discuss and routinely use performance information to make program improvements
- Provides results-oriented basis for individual accountability
- Maintains continuity of program goals during leadership transitions

Source: GAO analysis.

[5] *Managing for Results: Emerging Benefits From Selected Agencies' Use of Performance Agreements* (GAO-01-115, Oct. 30, 2000).

Performance agreements can be effective mechanisms to define accountability for specific goals and to align daily activities with results. For example, at the Veterans Health Administration (VHA), each Veterans Integrated Service Network (VISN) director's agreement includes performance goals and specific targets that the VISN is responsible for accomplishing during the next year. The goals in the performance agreements are aligned with VHA's, and subsequently the Department of Veterans Affairs' (VA), overall mission and goals. A VHA official indicated that including corresponding goals in the performance agreements of VISN directors contributed to improvements in VA's goals. For example, from fiscal years 1997 through 1999, VHA reported that its performance on the Prevention Index had improved from 69 to 81 percent.[6] A goal requiring VISNs to produce measurable increases in the Prevention Index has been included in the directors' performance agreements each year from 1997 through 1999.

The Office of Personnel Management recently amended its regulations for members of the Senior Executive Service requiring agencies to appraise senior executive performance using measures that balance organizational results with customer, employee, and other perspectives in their next appraisal cycles. The regulations also place increased emphasis on using performance results as a basis for personnel decisions, such as pay, awards, and removal. We are planning to review agencies' implementation of the amended regulations.

Program Evaluations

Program evaluations are important for assessing the contributions that programs are making to results, determining factors affecting performance, and identifying opportunities for improvement. The Department of Agriculture's Animal and Plant Health Inspection Service (APHIS) provides an example of how program evaluations can be used to help improve performance by identifying the relationships between an agency's efforts and results.[7] Specifically, APHIS used program evaluation to identify causes of a sudden outbreak of Mediterranean Fruit Flies along

[6]The Prevention Index measures the percentage of patients who receive certain medical interventions, such as alcohol screening, and is designed to assess how well VHA follows nationally recognized approaches for primary prevention and early detection of diseases with major social consequences, such as alcohol abuse.

[7]*Program Evaluation: Studies Helped Agencies Measure or Explain Program Performance* (GAO/GGD-00-204, Sept. 29, 2000).

the Mexico-Guatemala border. The Department of Agriculture's fiscal year 1999 performance report described the emergency program eradication activities initiated in response to the evaluation's findings and recommendations, and linked the continuing decrease in the number of infestations during the fiscal year to these activities. However, our work has shown that agencies typically do not make full use of program evaluations as a tool for performance measurement and improvement.[8]

Strategic Human Capital Management

After a decade of government downsizing and curtailed investment, it is becoming increasingly clear that today's human capital strategies are not appropriately constituted to adequately meet current and emerging needs of the government and its citizens in the most efficient, effective, and economical manner possible. Attention to strategic human capital management is important because building agency employees' skills, knowledge, and individual performance must be a cornerstone of any serious effort to maximize the performance and ensure the accountability of the federal government. GPRA, with its explicit focus on program results, can serve as a tool for examining the programmatic implications of an agency's strategic human capital management challenges.

However, we reported in April 2001 that, overall, agencies' fiscal year 2001 performance plans reflected different levels of attention to strategic human capital issues.[9] When viewed collectively, we found that there is a need to increase the breadth, depth, and specificity of many related human capital goals and strategies and to better link them to the agencies' strategic and programmatic planning. Very few of the agencies' plans addressed

- succession planning to ensure reasonable continuity of leadership;
- performance agreements to align leaders' performance expectations with the agency's mission and goals;
- competitive compensation systems to help the agency attract, motivate, retain, and reward the people it needs;
- workforce deployment to support the agency's goals and strategies;
- performance management systems, including pay and other meaningful incentives, to link performance to results;

[8] *Managing for Results: Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges* (GAO/GGD-98-44, Jan. 30, 1998).

[9] GAO-01-236.

- alignment of performance expectations with competencies to steer the workforce towards effectively pursuing the agency's goals and strategies; and
- employee and labor relations grounded in a mutual effort on the strategies to achieve the agency's goals and to resolve problems and conflicts fairly and effectively.

In a recent report, we concluded that a substantial portion of the federal workforce will become eligible to retire or will retire over the next 5 years, and that workforce planning is critical for assuring that agencies have sufficient and appropriate staff considering these expected increases in retirements.[10] OMB recently instructed executive branch agencies and departments to submit workforce analyses by June 29, 2001. These analyses are to address areas such as the skills of the workforce necessary to accomplish the agency's goals and objectives; the agency's recruitment, training, and retention strategies; and the expected skill imbalances due to retirements over the next 5 years. OMB also noted that this is the initial phase of implementing the President's initiative to have agencies restructure their workforces to streamline their organizations. These actions indicate OMB's growing interest in working with agencies to ensure that they have the human capital capabilities needed to achieve their strategic goals and accomplish their missions.

Management Capabilities

Major management challenges and program risks confronting agencies continue to undermine the economy, efficiency, and effectiveness of federal programs. As you know, Mr. Chairman, this past January, we updated our High-Risk Series and issued our 21-volume Performance and Accountability Series and governmentwide perspective that outlines the major management challenges and program risks that federal agencies continue to face.[11] This series is intended to help the Congress and the administration consider the actions needed to support the transition to a more results-oriented and accountable federal government.

[10] *Federal Employee Retirements: Expected Increase Over the Next 5 Years Illustrates Need for Workforce Planning* (GAO-01-509, Apr. 27, 2001).

[11] *High-Risk Series: An Update* (GAO-01-263, Jan. 2001) and *Performance and Accountability Series: Major Management Challenges and Program Risks: A Governmentwide Perspective* (GAO-01-241, Jan. 2001). In addition, see the accompanying 21 reports on specific agencies, numbered GAO-01-242 through GAO-01-262.

GPRA is a vehicle for ensuring that agencies have the internal management capabilities needed to achieve results. OMB has required that agencies' annual performance plans include performance goals for resolving their major management problems. Such goals should be included particularly for problems whose resolution is mission-critical, or which could potentially impede achievement of performance goals. This guidance should help agencies address critical management problems to achieve their strategic goals and accomplish their missions. OMB's attention to such issues is important because we have found that agencies are not consistently using GPRA to show how they plan to address major management issues.

Understanding the Performance Consequences of Budget Decisions

A key objective of GPRA is to help the Congress, OMB, and executive agencies develop a clearer understanding of what is being achieved in relation to what is being spent. Linking planned performance with budget requests and financial reports is an essential step in building a culture of performance management. Such an alignment infuses performance concerns into budgetary deliberations, prompting agencies to reassess their performance goals and strategies and to more clearly understand the cost of performance. For the fiscal year 2002 budget process, OMB called for agencies to prepare an integrated annual performance plan and budget and asked the agencies to report on the progress they had made in better understanding the relationship between budgetary resources and performance results and on their plans for further improvement.[12]

In the 4 years since the governmentwide implementation of GPRA, we have seen more agencies make more explicit links between their annual performance plans and budgets. Although these links have varied substantially and reflect agencies' goals and organizational structures, the connections between performance and budgeting have become more specific and thus more informative. We have also noted progress in agencies' ability to reflect the cost of performance in the statements of net cost presented in annual financial statements. Again, there is substantial variation in the presentation of these statements, but agencies are developing ways to better capture the cost of performance.

[12]OMB Bulletin No. 00-04, *Integrating the Performance Plan and Budget*, June 6, 2000.

Coordinating Crosscutting Programs

Virtually all of the results that the federal government strives to achieve require the concerted and coordinated efforts of two or more agencies. There are over 40 program areas across the government, related to a dozen federal mission areas, in which our work has shown that mission fragmentation and program overlap are widespread, and that crosscutting federal program efforts are not well coordinated.[13] To illustrate, in a November 2000 report, and in several recent testimonies, we noted that overall federal efforts to combat terrorism were fragmented.[14] These efforts are inherently difficult to lead and manage because the policy, strategy, programs, and activities to combat terrorism cut across more than 40 agencies. As we have repeatedly stated, there needs to be a comprehensive national strategy on combating terrorism that has clearly defined outcomes. For example, the national strategy should include a goal to improve state and local response capabilities. Desired outcomes should be linked to a level of preparedness that response teams should achieve. We believe that, without this type of specificity in a national strategy, the nation will continue to miss opportunities to focus and shape the various federal programs combating terrorism.

Crosscutting program areas that are not effectively coordinated waste scarce funds, confuse and frustrate program customers, and undercut the overall effectiveness of the federal effort. GPRA offers a structured and governmentwide means for rationalizing these crosscutting efforts. The strategic, annual, and governmentwide performance planning processes under GPRA provide opportunities for agencies to work together to ensure that agency goals for crosscutting programs complement those of other agencies; program strategies are mutually reinforcing; and, as appropriate, common performance measures are used. If GPRA is effectively implemented, the governmentwide performance plan and the agencies' annual performance plans and reports should provide the Congress with new information on agencies and programs addressing similar results.

[13] *Managing for Results: Barriers to Interagency Coordination* (GAO/GGD-00-106, Mar. 29, 2000) and *Managing for Results: Using the Results Act to Address Mission Fragmentation and Program Overlap* (GAO/AIMD-97-146, Aug. 29, 1997).

[14] *Combating Terrorism: Federal Response Teams Provide Varied Capabilities; Opportunities Remain to Improve Coordination* (GAO-01-14, Nov. 30, 2000), *Combating Terrorism: Comments on Bill H.R. 4210 to Manage Selected Counterterrorist Programs* (GAO/T-NSIAD-00-172, May 4, 2000), *Combating Terrorism: Linking Threats to Strategies and Resources* (GAO/T-NSIAD-00-218, July 26, 2000), *Combating Terrorism: Comments on Counterterrorism Leadership and National Strategy* (GAO-01-556T, March 27, 2001), and *Combating Terrorism: Comments on H.R. 525 to Create a President's Council on Domestic Terrorism Preparedness* (GAO-01-555T, May 9, 2001).

Once these programs are identified, the Congress can consider the associated policy, management, and performance implications of crosscutting programs as part of its oversight of the executive branch.

Building the Capacity to Gather and Use Performance Information

Credible performance information is essential for the Congress and the executive branch to accurately assess agencies' progress towards achieving their goals. However, limited confidence in the credibility of performance information is one of the major continuing weaknesses with GPRA implementation.

The federal government provides services in many areas through the state and local level, thus both program management and accountability responsibilities often rest with the state and local governments.[16] In an intergovernmental environment, agencies are challenged to collect accurate, timely, and consistent national performance data because they rely on data from the states. For example, earlier this spring, the Environmental Protection Agency identified, in its fiscal year 2000 performance report, data limitations in its Safe Drinking Water Information System due to recurring reports of discrepancies between national and state databases, as well as specific misidentifications reported by individual utilities. Also, the Department of Transportation could not show actual fiscal year 2000 performance information for measures associated with its outcome of less highway congestion. Because such data would not be available until after September 2001, Transportation used projected data. According to the department, the data were not available because they are provided by the states, and the states' reporting cycles for these data do not match its reporting cycle for its annual performance.

Discussing data credibility and related issues in performance reports can provide important contextual information to the Congress. The Congress can use this discussion, for example, to raise questions about the problems agencies are having in collecting needed results-oriented information and the cost and data quality trade-offs associated with various collection strategies.

[15] *Managing for Results: Challenges Agencies Face in Producing Credible Performance Information* (GAO/GGD-00-52, Feb. 4, 2000) and *Managing for Results: Challenges in Producing Credible Performance Information* (GAO/T-GGD/RCED-00-134, Mar. 22, 2000).

In summary, Mr. Chairman, the Congress and the executive branch, working together, have put in place a management infrastructure—with GPRA as its centerpiece. More needs to be done before this infrastructure is effectively implemented across the federal government. However, the planning and reporting efforts under GPRA to date are generating new and important information that had not been available in the past—information that congressional and executive branch decisionmakers can use to help assess what government should do in the 21st century and how it should do it.

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

Contacts and Acknowledgments

For future contacts regarding this testimony, please contact J. Christopher Mihm on (202) 512-6806. Individuals making key contributions to this testimony include Susan Barnidge, Ben Crawford, Joyce Corry, Michael Curro, Emily Dolan, Peter Del Toro, Janice Lichty, Steven Lozano, Allen Lomax, Lisa Shames, Dorothy Self, and Sarah Veale.

Mr. HORN. We'll now have Mr. O'Keefe come to the table. And we might as well swear in everybody at once here. So if the gentlemen from George Mason University and Logicon will raise your right hand.

[Witnesses sworn.]

Mr. HORN. The clerk will note all witnesses have taken the oath.

And we will now get to the representative of the administration, Mr. O'Keefe, Deputy Director, Office of Management and Budget. We know you're a very busy person, but we'd certainly like to get your testimony in the record and some questions.

Mr. O'KEEFE. Thank you, Mr. Chairman. It's a pleasure to be with you and Mr. Putnam this afternoon. I'd like to submit for the record the prepared statement and summarize that if I could, for just a couple of moments.

Mr. HORN. All of these statements go in the record automatically once we call you in.

Just remember on that pleasure bit that you're under oath.

Mr. O'KEEFE. In that case, I'm just delighted to be here to see you, sir.

For all that I've learned about the Government Performance and Results Act over the last several years, I owe a tremendous debt of gratitude to a great faculty colleague friend of mine at Syracuse University by the name of Patricia Ingraham, who is the director of the Alan K. Campbell Institute for Public Affairs there, and has been conducting a government performance project for several years now.

Since enactment of the act, Ms. Ingrahm, Government Executive magazine and George Washington University have been engaged in an effort I'm sure your subcommittee is well aware of to measure State, local and Federal performance criteria and to publish those results on an annual basis. As a consequence, it has had a very compelling effect in changing the approach of many different levels of government—different government institutions—and resulting in a routine and regular assessment of how the performance is conducted.

I'm a native New Orleanian from, New Orleans, LA, where the city itself, under this particular criteria that the project was conducted, I think overall got a D minus. As a result, the citizenry of that city found it necessary and appropriate to comment on the city management. Their comments were quite loud and well understood in terms of the level of satisfaction relative to those performance criteria which had not been conducted for a long time.

It made the city management far more defensive about exactly what they were doing, but in the process of doing so, drew attention to the conduct of activity there, which had not been felt for a very long time. So, at a minimum, this particular effort on the part of so many different institutions, be it Federal, State or local, for the purpose of trying to identify where the shortcomings or advantages and successes of various public institutions have resided, is nonetheless, I think, an opportunity to focus the attention on what citizens expect relative to what is appropriate. It also measures what that performance requirement is. Sometimes it can have some very dramatic results as a result of that attention.

Having said that, I'm sure, Mr. Chairman, it comes as no surprise to you, that I concur wholeheartedly to your assessment and that of Senator Thompson. We find ourselves in the Federal Government, across the board in every department and agency, implementing the Government Performance and Results Act. I think it's been discouraging at best.

Again, having seen this from a distance and looking at the effort—as Senator Thompson alluded to, in State and local governments—there are so many that are so far ahead of where we are that as a consequence, I think this has been not a particularly impressive implementation effort. Although we've done a great job, from what I can gather, in trying to determine how to comply with the law at its minimums; and that, as a result, may in turn be the nature of the problem we're confronting.

This is a way of expressing a little more, I think, to what Senator Thompson referred to as the "cultural phenomenon" that we're dealing with here. GPRA, with all due respect, has been treated by Federal agencies and departments, by and large as another reporting requirement; something else that needs to be complied with. And as a consequence of that, for it to be useful, for it to be really useful for any management purpose, it has to be introduced into the regular day-in-and-day-out management processes that are conducted throughout every Federal department and agency. It's nowhere near there. There are a very few interesting examples of how it's beginning to take hold, but those are noticeable by their distinguished nature of being so few, not because it's pervasive.

I am influenced very heavily by a mind-set that is captured as follows: government should be results-oriented; guided not by process, but guided by performance. There comes a time when every program must be judged either a success or a failure. When we find success, we should repeat it, share it and make it the standard. When we find failure, we must call it by its name.

A government action that fails in its purpose must be reformed or ended. That was President Bush's comment during the campaign, and he has lived by that since Inauguration Day of this year.

And, as a function of the management agenda that he has just completed, there are five primary issues on that agenda. No. 1 on that agenda, is the integration of the the performance criteria within the budget itself. This is, in my estimation, the only way that we're ever going to see a tangible kind of improvement, not in terms of reporting requirements, not in terms of producing lots of strategic plans that make mighty fine doorstops, but instead become a management objective that is laid-out and measured. Therefore, success or failure is determined each year in the budget process by whether or not those resources are provided to recognize the appropriate means by which to accomplish that task.

In a career engaged in the resource management business, by and large the dominant part of my professional career in public service, I have found it frustrating that the process culture in the administration and, with all due respect, in Congress as well, is largely input-oriented. We look at individual parts, different items, whatever else. We measure success or failure by the percentage differential, the delta between last year and this year.

Headlines of newspapers celebrate increases by, you know, multiple percentage points, and lament decreases by the same amount as if somehow that was a measure of how well or poorly various programs are performing. As a consequence of that, we are doomed to the proposition, under this kind of approach and this kind of process, that every single year looks at that delta as if everything that was performed the prior year was done absolutely to perfection. As a result all we're arguing about is dollars at the margin, the differential between last year and this year.

That's the approach that is taken within every department and agency. It's taken by the various committees of Congress, as well. In looking at those relative measures of failure or success, we spend more time analyzing that difference than anything else and presume again that the composition or conduct of how programs are conducted is just fine, when all we're doing is just measuring increments.

Well, beginning in 2003 as a consequence of the President's initiative, the No. 1 item on his five-item management agenda, the budget will incorporate specific linkages of performance criteria and indicators with the budget requests for very specific programs. Let me quickly give you the criteria for those programs, or those projects, in those agencies and departments that will be reflected in the 2003 budget that will carry these criteria and what they're going to call for.

In order to apply this, it's got to be clearly stated. No. 1, there has to be a specified, desired outcome that is articulated; and it can't be, with all due respect to my good friends and colleagues at the State Department, stating that for the purposes of accomplishment of agenda for the State Department, achievement of world peace is the outcome. It needs to be a lot more specific than that.

It needs to be narrowed down to a specific program objective that can be seen, and has a result that is measurable for which we can see the distinction. That's going to take time and a lot of negotiation. An awful lot of platitudes can be passed off as outcomes. As a result, there needs to be an effort for sorting through it all. In order to really follow through to make this a meaningful effort, it's going to require that we be diligent and purposeful about how we define those outcomes. If we fail in our definitions, we will have to wonder about why the program is in business in the first place and resort back to President Bush's quote on this point.

Second, there is going to be an examination of multiple means to accomplish that outcome, not just the one stock way it's going or the way it's been done. It has to be an examination of what the alternatives are, how you achieve that same result that is defined.

Third, there has to be a third identification of the outputs. What are we using as a means to determine whether or not that result, that outcome, has been achieved? What would we use for the purpose of defining that as a performance measure?

The fourth, that there be a complete—and I mean in its truest sense, a complete inventory of all of the inputs required. By virtue of the fact that we look at the budget as an input-oriented kind of process from agencies and departments all the way through Congress—we are fixated and more focused on itemizing individual inputs in ways and arrays that suit budget officers, not program

managers. As a consequence, it is easier for them to array those kinds of expenses and identify them in order to comply with the requirements that you can spend no more than what's been appropriated for those purposes, and less so on the program's success.

So, as a consequence, all the inputs required have to be tallied up, rather than buried in lots of different locations; and that's going to take work.

So, when you think through these criteria, it basically means that there's going to be a selected number of programs and projects that can pass through this kind of test that require this many answers to that many circumstances.

And last, but maybe most important, from my view with a bias as a resource manager, is the identification of cost-per-output, which includes all the costs to accomplish and achieve the task. Right now, what we do more often than not is satisfy ourselves as long as we captured most of the costs; maybe it's a good enough reflection. Now, until we get to the stage where we are accurately measuring all the expenses it takes to carry out the task and the manner in which it's being done—we'll never be able to appropriately judge what the cost or the relative performance comparison would be of any other way to achieve the same result. As a result, this becomes the fool's errand that we have been trapped by for so many years of permitting or being permissive about how we capture costs as we go through this.

So, in that regard—and I'm very hopeful that this committee will be helpful in this endeavor in the weeks ahead—we hope to submit or advance to you a legislative proposal to begin this long effort, which it's going to take, in order to capture all these costs to truly measure what the cost-per-output will be. And it begins within the weeks ahead.

Again, a couple of initiatives we're going to advance for the purpose of trying to calculate just the cost of all expenses to support individual full-time-equivalent civilian personnel throughout the Federal Government. As it stands now there are lots of different ways to measure that, and lots of different ways in which the sources and costs of individuals to be supported are, in some cases, budgeted directly within a department or agency, and in other cases, they're budgeted centrally through other parts of the Federal Government and allocated back.

As a means to at least try to corral all the parts that go with that, this is the first step in a long series of efforts we hope to enlist your support and endorsement of, to at least begin that process of capturing all expenses necessary and then working through the criteria described here a moment ago.

In conclusion, I would say that as the 2003 budget is submitted, there will be a selected number of programs that are going to meet these criteria. These are very rigid, extremely specific kinds of criteria that have to be complied with, and errors or compromises along the way of how you would conduct this particular approach are, in turn, the very things that would bring it to its downfall.

So, as a result, we have to be very diligent in making sure only those programs we incorporate within the 2003 budget fully meet these criteria. Absent doing that, all we've done is simply created yet another case in which we're starting criteria that cannot be ac-

curately measured. But in that regard, we hope to bring life to GPRA, use the tools that were enacted several years ago for the purposes for which they were intended, and carry them out in a way that we can assure a little more reasonably, that indeed, they are an accurate reflection of how well the performance of various programs will exist.

Again, thank you for the opportunity to testify, Mr. Chairman. It's a pleasure to see you.

[The prepared statement of Mr. O'Keefe follows:]

STATEMENT OF
SEAN O'KEEFE
DEPUTY DIRECTOR
OFFICE OF MANAGEMENT AND BUDGET
Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations
House Committee on Government Reform
June 19, 2001

Mr. Chairman, thank you very much for inviting me to appear today before your subcommittee. For over half a decade, the House Committee on Government Reform has helped shepherd OMB and the agencies over the course of implementing the Government Performance and Results Act. We welcome your insights and counsel, and we appreciate your continuing leadership and commitment in this endeavor. Let me also acknowledge the leadership and effort of Senator Thompson during his years as Chairman of the Senate Committee on Governmental Affairs, and the active and ongoing role that Committee has played in overseeing and assisting in the implementation of this Act.

Government-wide implementation of the Results Act began in earnest in 1997, with the transmittal of the first set of strategic plans and annual performance plans. If we were to look back at those initial plans, we would see how much progress has been made since that time. It is substantial. The agencies have already prepared a second set of strategic plans, and will send the fifth set of performance plans – for FY 2003 -- to OMB in several months. The second set of annual performance reports, covering FY 2000, were sent to the President and Congress this past March.

An FY 2000 performance report is governed by what an agency included in its FY 2000 performance plan. The Act does not allow agencies to engage in retrospective revisionism, such as adding new performance goals, omitting existing ones, or rewriting and tinkering with others. For its annual performance report, an agency is captive – for better or worse -- to what was written in its performance plan. This does not mean we cannot learn and profit from reviews and critiques of these reports, for ultimately, this should make them better products. But the greater value of assessments such as those prepared by Maurice McTigue and his colleagues at the Mercatus Center will be in applying the findings and suggestions to future performance plans.

By our yardstick, simply measuring the quality of the plans and reports, or gauging the processes the agencies used to prepare these plans and reports is only part of the assessment we must make as we look at where we are and what more we have to do. The more important question is how the information in the plans and reports is used to manage the agencies, make resource, policy, and program decisions, and improve the efficiency and effectiveness of what the government provides and delivers.

OMB staff regularly have conversations with their government counterparts in other countries. The experience elsewhere, in countries such as Australia and Great Britain, is that it

has taken from five to eight years to put performance-based management fully in place. So we are nearing that critical point when GPRA must take hold as an essential and valuable tool in the management of our government.

I believe we are doing our part to make GPRA implementation a success. Let me outline the actions we are taking in this regard. First and most critically is the President's very clear signal that he wants his Administration and our government to be results-oriented. This was highlighted in February in the President's Budget Overview, "A Blueprint for New Beginnings", and buttressed in the President's April Budget transmittal. The forthcoming "President's Management and Performance Plan" will further reinforce the priority he has placed on this effort.

Within OMB, we have just completed 19 'Spring Reviews'. These reviews were an unprecedented look, both in their scope and detail, at the performance of agency programs across the government, and at what is needed to make some programs more effective. These reviews also identified those areas where, quite frankly, we are in need of better data before we can determine what, if anything, needs to be done to improve performance.

The Spring Reviews also aided us in selecting a group of outcome and related output goals on which we will focus during the Fall Review of the agency budget requests. Following Fall Review, OMB traditionally 'passes back' to an agency the budget amounts that would be included in the President's budget. As part of its FY 2003 passback, OMB expects to include target values for the performance goals for the selected sets of outcome/output goals. Our intention is that the number of performance goals covered in passback will substantially increase in future years.

We are using the passback process to underscore the importance we place on fully integrating performance and budget. The passback values are informed by the budget and performance data received from the agency and reviewed by OMB. In pairing budget dollars with performance target levels, we will be showing our use of and reliance on program performance data in budget formulation.

Let me sketch several related initiatives for making our government more results-oriented. We will soon propose legislation to the Congress that will fully charge the costs of certain retirement and health benefits to an agency and its programs. We would like to begin this charging in FY 2003, and expand this full charging of costs in future years to cover support services, capital acquisition, and hazardous waste cleanup. This should provide managers with a much more accurate picture of what it costs to administer programs and operations, and promote greater competition between the government and the private sector in conducting activities that are commercial in nature.

We will be using workforce planning to anticipate critical skills, reduce organizational layers, re-align staff for better service delivery, and reward employees for achieving results. We will be improving the reliability, usefulness, and timeliness of financial reports. And we will be making greater use of performance-based contracts. Together, these initiatives mark a sea-

change in our use of performance information in managing the Federal government and giving the American public the results they deserve.

Mr. Chairman, that concludes my prepared statement. I will happy to answer any questions you may have.

Mr. HORN. Thank you.

Let me ask a few questions before you leave here. Are you putting together a team within OMB to help you on the measurements and the bringing together and getting rid of the stagnation, but getting performance-based management and budget all on the same thing by the year 2003? Is that on track now? What are your plans as to how you'll get some help?

Mr. O'KEEFE. Again, I am of the mind that the talent for this resides throughout this entire Federal Government. This is a very professional workforce. There is no question, if properly challenged and focused in the direction of this endeavor, there is no absence of talent to accomplish this task.

What I defined are real basic fundamentals of how you go about devising performance relative to budget criteria. This is not something that in my professional experience, in lots of different places, both here on Capitol Hill, as well as in an agency and department and on the White House staff, there has never been any absence, in my mind, of talent sufficient to carry this out. It means we must be more specific about the guidance we want to see implemented.

In that regard, I think we are very well equipped from a staff-talent standpoint within the Office of Management and Budget to devise that guidance properly and to do it in a way that is more specific. And again we have to be. The biggest challenge is not necessarily whether there is sufficient depth of talent within the organizations, it's being specific about the guidelines that meet these criteria that will pass muster for inclusion in the 2003 budget and thereafter. I expect there will be a limited number that we'll see in 2003, but the ones we'll see will truly be a reflection of the concept I've talked about today.

Mr. HORN. Well, what will you do with the budget examiners in this role? They're going to be going through the same thing they've done for 40 years, and it's going to occur in certain months. So where's the programmatic analysis, as opposed to simply the budget analysis? And do you have those people in mind to help you with that?

Mr. O'KEEFE. Well, sir, I must confess, in 1978, I started off at GS–0 step, minus 23. I am therefore a Luddite and testimony to the fact that we're trainable. There is, I think, lots of opportunity to make sure that the talent pool we have—the very professional financial management talent we have throughout the Federal Government in departments and agencies—can begin to look at these issues as program analysts and more in terms of analyzing this particular approach to it rather than concentrating on the increments.

Again, with all due respect, sir, it is the entirety of the process that motivates our financial managers, our resource managers throughout the Federal Government to focus on the incremental differences between last year and this year. Because that's what every department and agency seeks, that's what the headline of every newspaper demands, and that's what the Congress looks at in making appropriations year after year. Until we break that circumstance, we should not be surprised that resource managers respond exactly as we've trained them to.

This is an effort to begin going down another road, which is again based in its logic on basic simplicity, asking the fundamental question, what is it you seek as a result and an outcome? Why is it in business in the first place? What are the elements and expenses required to carry it out? What are the different ways you go about doing it? How do you take process steps out and then measure it, based on its success or failure? It's not that rough.

As a result, it just means we've got to be disciplined about it and start to provide the motivations, as well as the incentives, for people to begin to look at it that way. And that's why we're carefully selecting those programs and projects that will meet these criteria rather than trying to do it across the board.

Mr. HORN. Have you had a chace to look at the Mercatus studies that——

Mr. O'KEEFE. Yes, sir.

Mr. HORN. What's your reaction?

Mr. O'KEEFE. I am well familiar with the results and the accomplishments of Mr. McTigue in that regard. I guess, suffice it to say, that if the results and achievements that he and the Mercatus study reveal in this circumstance can be achieved in the circumstances they had to deal with, by goodness, we should have a leg up on the challenges we have to sword with. Because at least it's focused in the same direction, it's focused on the same results that we're looking for in terms of improvement.

I don't think there's a Federal manager out there that's driven by malice or different political, philosophical objectives that is diametrically opposed to a democratic system. As a consequence, we're all on the same page in that regard, and it should be a much easier hurdle to deal with.

Mr. HORN. Let me yield 10 minutes to the gentleman from Florida for questioning the witnesses.

Mr. PUTNAM. Thank you, Mr. Chairman.

Beginning with Mr. O'Keefe, what institutional changes would you recommend to the Congress in terms of the bifurcated authorization and appropriations process, the fact that agencies have barely had an opportunity to begin spending their budget when they're making preparations for the next budget cycle? What institutional changes would—should Congress make to have a more performance-driven executive branch?

Mr. O'KEEFE. Well, again I would suggest that it is incumbent upon the administration, as it has been for as long as, you know, the Budget Act of 1921, that the President propose the programs and various resource levels that he considers to be appropriate and necessary to conduct and carry out the conduct of the Federal Government.

As a result, it is incumbent upon you to set the debate in that regard, and the Congress, in turn, to determine what is the best way for the power of the purse to be exerted and to determine what you think is the most efficient way to dispose of that particular set of proposals.

And as a result, in my mind, I don't think organizationally or institutionally there is any dramatic change that needs to occur other than simply to be on the same proposition we've discussed here, which is that the outcome, the result, that we're seeking is what

will become the criteria. And, therefore, flexibility of how the appropriations structure may be made, how the various programs may be justified, is more driven by that particular objective rather than what is the input and how many fulltime equivalents are there at Depot X or Y or whatever else.

That will all flow from the information. It will all be readily apparent and visible. If, instead, the result or the concentration is looking at what the performance result is, I don't think there needs to be a dramatic change in the way the authorizing and appropriations process works throughout the Congress, other than an acceptance of a change in recognition of those committees in examining how you measure what success is.

Mr. PUTNAM. You don't think there should be an increase in resources and time spent by the Congress on oversight, as the Senator pointed out in panel one?

Mr. O'KEEFE. Well, sir, again I've spent half of my public service time as part of the congressional institution and the other half in the executive branch in various positions. In the course of that time, I've learned that I've never been in a position where I've asked for more congressional oversight, sir.

Mr. PUTNAM. Mr. Mercer, do you think that there are any congressional institutional changes that could result in a more performance-driven Federal Government?

Mr. MERCER. Certainly. And would you like me to address those now or wait until after I've made my statement? What would be your preference?

Mr. HORN. Why don't we do both? Let's answer the questions now and then you're going to have a chance to give your statement.

Mr. MERCER. If I were king and could impose some changes on Congress that I thought would make it more results-oriented, two thoughts come to mind.

One is a thought that was originally reflected in the earliest drafts of the Results Act, which would have required that Congress include measurable performance goals in any authorization or appropriation legislation; otherwise, the legislation would be subject to a point-of-order. This provision would have applied to both House and Senate legislation. That's one change.

I understand the House rules have been amended to sort of head in that direction beginning this year by requiring some notion of addressing performance—what results programs are expected to achieve—in the report that accompanies the legislation to the Rules Committee. But I'm going to be very interested to see how high the Rules Committee sets that bar, because the reason they didn't put many teeth into the requirement was that the committees objected to the notion of when they send legislation to the Rules Committee, they would actually have to say what the program is supposed to accomplish, which is exactly the same standard we expect the agencies to meet.

Another change I might make is with respect to oversight. If I had my preference, I would require each committee to issue a report at the beginning of the year stating all the issues over which they have jurisdiction. And you can be sure that would be an expansive list; committees like to think their jurisdiction would be fairly large. Then I would require them, next to that, to cite when

they're going to have an oversight hearing on that, when was the last one and when is the next one. That might indicate that they haven't had and don't plan to have any oversight hearings, and hopefully that would embarrass them into scheduling one.

I would also have a definition of what oversight is. In my experience—I had 8 years in the Senate with the oversight committee there, the Governmental Affairs Committee, in watching congressional oversight—and generally in other committees it was picking at particular issues, but they rarely would ask questions about the financial management of a program: Why does this agency not get a clean opinion? They rarely, if ever—I say rarely, probably never—had a copy of the agency's strategic plan, or annual performance plan in front of them and went through that as a basis for oversight. But I would define "oversight" as including those general issues. I would call them out and say that this is what an oversight hearing has to look at in order to be called, dignified, with the term "oversight."

Then I would require them to issue a report on each hearing that they've had as to what their findings were with respect to financial management, what their findings were with respect to the quality of the strategic plan, what their findings were with respect to the quality of the recent annual performance plan—the most recent annual performance report—and maybe some Clinger-Cohen issues. I would define, in other words, "oversight" as including those issues that you have to address, and to issue a report on it.

Now, Congress doesn't usually want to put requirements on itself, certainly nothing that specific. But like I say, if I were king, that's what I would do.

Mr. PUTNAM. Thank you.

Mr. O'Keefe, what consequences will OMB contemplate for agencies who fail to comply with the Results Act?

Mr. O'KEEFE. I'm parsing through the very words you've used in that question, because I think that's the nature of the issue we're consorting with right now. The agencies and departments, by and large, comply.

Mr. PUTNAM. They haven't produced a clean audit report on a consistent basis in the history of the government, and three have managed to produce a snapshot over the course of the last several years. So clearly there's a lack of compliance.

Mr. O'KEEFE. I guess we're parsing through words here, because with all due respect, sir, the act itself doesn't say you have to have a clean opinion. It says you have to have an opinion, you have to have an audit. The CFO Act of 1990 says that.

So, as a result, in terms of filling out the paperwork and complying, the agencies and departments are filling out papers. They're doing strategic plans or what passes for them. But again, in many respects I don't think they make much more than mighty fine doorstops. We're focused more on compliance and less on how you use the tools of the act to actually fulfill its objectives.

So, as a result, if I said, here are the penalties for not complying, what I would get is slavish adherence, slavish compliance; they would make sure they got every single paper that is defined by the act submitted on time right there, and it would be meaningless—right now they don't use it for management purposes.

What I think is victory or success is getting Cabinet officers, as President Bush did, to sign up to the proposition that the No. 1 item in the criteria for his management agenda, that is going to be implemented in every department, is to begin the long process of infusing the performance criteria to the budget. And that means identifying what an outcome is, what the result is you want, why it's in business in the first place, going through all those rigid criteria and ultimately then coming up with a determination about how successful or not a program is and, therefore, what resources should it have to carry out those objectives.

That's a different way of looking at it than being traffic cops or enforcers at OMB, which we're going to do. We can always ask that they comply with this. Frankly, I find that to be not nearly so significant a mission as the one the President has identified as No. 1 on his management agenda.

Mr. PUTNAM. I agree it's not nearly as significant, but since they can't even accomplish the baby step, I'm pretty pessimistic on their accomplishing the long haul. If they don't know how much money they spent, then I'm pretty cynical about their knowing where it went.

So I'm hopeful, as we embark on this, there are a number of States, including Florida, that are now several years into a performance-based budgeting program. There are a number of States whose mistakes we can learn from, whose successes we can learn from. And we look forward to the continuation of this discussion.

My time has expired, Mr. Chairman.

Mr. HORN. You can have 5 minutes more if that will help.

Mr. PUTNAM. No. Thank you.

Mr. HORN. OK. I still am not quite clear on what you're thinking is in that 2003 section where you relate performance and budget. Are there going to be various pilot programs, or is it going to be across the board in the government? What's the thinking on this?

Mr. O'KEEFE. It will not be across the board. It has to meet the criteria that I outlined in the commentary, which is, first and foremost, you have to identify what the outcome is and have everyone agree with what that's supposed to be. Again, it can't be as lofty or as ethereal or as platitudinous as achievement of world peace. It has been to be definable as, for example, the proposal that has been submitted to the Congress, as a matter of fact, in an amendment submitted just last week, the establishment of an AIDS trust fund.

As a result, that would, in my mind, lend itself nicely, very successfully to the kind of criteria we're talking about here, to determine how much we should put into that particular task; because the identification of the outcome, the objective in that circumstance, has been very specifically identified by Secretary Colin Powell and Secretary Tommy Thompson. They have signed-up to what they want the result of that to be. They said, "Here is the consequence we want to see happen as a result of creating this financial mechanism."

From there, there are a lot of different ways to do it. Spirited debates over whether or not you should, in the achievement of the outcome, try to reduce and influence the proliferation, expansion of that horrendous disease in a series of very, very spirited ap-

proaches or, excuse me, spirited debate about what approaches are more effective, whether it's treatment, whether it's something as fundamental as sanitation programs—a range of different approaches—that in developing circumstances, there's an advocacy for lots of different schools of thought.

So during the course of the 2003 review, my bet is—and, again, just picking this one at random—there is likely to be a very conscientious effort applied toward saying, what are the various methods that we could go about achieving the result that both the Secretary of State and the Secretary of Health and Human Services have identified as the outcome. They can say, "That's what I want to see happen," and say, "Here are the various approaches we could use to accomplish that task. Here are the inputs that are necessary to go do it." How many people, what kind of assets, things, etc., do you need to do that?

In the case of treatment, it's one set of professional skills. In the case of improving, again, living conditions, sanitation circumstances, whatever, in whatever location they're trying to achieve this, it could be more of an economic development-related kind of approach. Two very different ways to go do it, requiring very different inputs, very different kinds of assets and capabilities to bring to bear aren't mixable parts; you have to be able to figure out what it is you want to do.

Last, to determine what is the output desired, what is it we're seeking to go do, how would we measure success or failure or movement in the direction of achieving that success or failure? Is it the number of folks who have contracted the disease or reduction thereof? Is it the number of people treated? Whatever the criterion is going to be, that's the—there are varying ways to go about doing it.

And last, to look at what is the cost-per-output, once you've decided what that output is, as a measure of determining what the result is. What is the cost to accomplish that, and how do we corral up those expenses and make them relative to all the other alternatives?

That's the kind of program I think is going to lend itself most specifically, again just at random, to achievement of the result we're looking for; as opposed to this year you put X number of bucks into it, and last year you put Y number of dollars into it, and are we better off relative to this year versus last because that percentage is high or low?

Mr. HORN. Let's apply that scheme that you've just spelled out, which certainly is one way to go at it.

Secretary Thompson spent a few weeks up in Baltimore looking into the so-called HCFA, the Health Care Financing Administration. And as he said, everywhere he goes, people are griping about HCFA; and one of his ideas was everybody likes Medicare and Medicaid and maybe we can have the Medicare organization and Medicaid—and that's M-O-M, mom, and nobody gets mad at mom—so maybe that would get HCFA off the books.

But at HCFA let's apply what they do there. They have fees that are allowed or not allowed by professional doctors. They have intermediaries that are very difficult to really have much to say by the planning group of the Health Care Financing Administration; and

a lot of it is handled by the so-called intermediaries, and I think that's one thing that ought to be looked at. If it takes legislation, we ought to get it.

And so there would be a little more flexibility. But we have doctors across the country that say, I can't practice medicine at those rates and something ought to be done. And I think something ought to be done. And I believe, Chris—again, remind me of the figure for Medicare. It's—as I remember, it was something like $13.5 billion misuse.

Mr. MIHM. Improper payments. That's my recollection yes, sir.

Mr. HORN. That's not hay. And the Columbus Army Processing Center on checks know that's not hay. Those people are spewing out and have been over 5 years—maybe it's solved now—but $1 billion worth of checks, and they just went wondering where the paper was to back it up. And doesn't that lead to malfeasance, to fraud, to abuse and so forth? And are we serious about that? What can we do?

Mr. O'KEEFE. Well, I think, you know, you've raised—a priority should be placed toward those programs which are identified, for example on the GAO high-risk list, that are perennial favorites.

Having said that, I think you've got to be able to identify them as specifically as you've just done. If, instead, I were to select one that Congressman Putnam, for example, referred to of saying, "Gee, they can't pass a financial statement, a clean audit opinion." Well, in and of itself a clean audit opinion doesn't make me rest any better. It just doesn't. I don't think I'm going to sit back and feel like, boy, we've really licked the problem today.

If the Defense Department next year suddenly gets a clean audit opinion. I'm not sure I believe that any more than the one they've got right now. If, instead, the answer is, as Secretary Rumsfeld has said, the achievement of improvements to the financial systems, which he is dedicated to doing, in turn is going to provide greater visibility over management of programs, visibility over cost—so I can answer the kind of questions that you posed, very rightly posed—then, all right. This is the truest form of oversight in that context.

If he can answer those kinds of situations, if the result, oh, by the way, happens to be a clean opinion all the better. But achievement of that outcome in and of itself is not a result. It is a consequence, a happy one, but it isn't an objective all by itself; and it is the end condition of what is exposed there. It should be a management device. It should be something that should inform management decisionmaking, not an end in and of itself.

Whereas you rightly say or, I think, correctly point out that the kind of conditions we look at of Medicare, Medicaid, etc., kinds of payments in which the erroneous payment—that's one that is a ripe example of a set of program objectives that should lend itself quite nicely to the approach that I've defined here. Those will be the kinds of programs we're going to look at first.

But, again, I don't want to prejudge the outcome of what ultimately is going to pass muster in this case. I think, again not to sound too rigid on this point, but I'm really quite convinced that it is a criterion that has to be adhered to. It's got to meet all the gates I've talked about. You've got to be able to identify clearly

enough what the outcome is, and have everybody agree to what that is.

You have to be able to identify all the inputs, be able to develop a cost-per-output, have all the costs necessary and included in that particular equation to be able to measure that properly. If you don't meet all those criteria, you're kidding yourself. You've basically just gone ahead and developed something that, in turn, may yield a different answer or a wrong answer relative to other alternatives and other approaches on how to accomplish the same objective.

I'd rather make sure that the programs we select, the areas we select to apply this, lend themselves best toward this solution and then start to work through the successes, as opposed to try to slap something on that will pass for compliance in this area.

In a previous incarnation, I made a mistake of having done that before. I don't want to do it again.

Mr. HORN. You've had a lot of experience across the government looking at it from Congress, looking at it within the major complex organizations that are part of the executive branch. And I wonder if you would agree that there's a little, simple thing that ought to be before executives every Monday morning if they're working with their fellow administrators in a particular area; and that is simply to get the accounting processes, so the Secretary of the Navy or Army or Air Force or Defense can see percentage-wise what was spent in the last month. And if it's—let's say 12 percent of the year has gone by, and they've got 24 percent of the money going, then the question is, what is that buying?

Is it buying equipment? It might be prudent to do that. Let's get all the equipment out before the prices go up.

Let's—if you've got personnel intensive, just as I found in the university, that you expect those to be on a little more prudence of, say, 15 percent year expanded, you should be about 15 percent for personnel. Because that's just clear that there—now, is that helpful to a management group or isn't it? And if so, what else could be done to put on their plate, to say to the Secretary of Defense, "Here's where it is, Chief, this month, in case you have to move money around."

Mr. O'KEEFE. No. Positively that is a very helpful accounting tool, and there's no question that kind of visibility is desirable, no doubt about it whatsoever.

I'll tell you that based on, I guess, my impression in the course of the professional experiences I've had the privilege of working through in public service, by and large—there are some very notable exceptions, but by and large—the general proposition, the financial management community throughout the Federal Government is reasonably good at spending money only on those programs for which Congress has provided the money, and spending only those amounts that Congress has provided.

As a general rule, pretty high marks. Big time exceptions to that, and when they happen, they're front page news; but as a general proposition, pretty good at those two principles.

If you chase them back, those are the same two principles that were the centerpiece of the Budget and Accounting Act of 1921. As a result, we haven't really progressed a whole lot in terms of matu-

ration of the systems to do much more than simply identify as a matter of accountancy where it's going to and restricting the amount that can be available for those purposes.

It's taken a long time. Again, in the last 10 years, an amazing array of tools that Congress has enacted that are far more modern in forcing the administration to look at this differently—the CFO Act, GPRA, a range of different initiatives that have gone on in order to focus the attention more in the direction of thinking precisely in the manner you've described. How do you make it real-time for management information purposes as opposed to either compliance or demonstrating that the thieves didn't run away with the Treasury?

Matter of fact, the two things that were the fundamentals of what motivated the 1921 act to be enacted in the first place. It was a success. Great. Now, let's declare it a success and move on to the next phase. I think that's what GPRA and the CFO Act and others have helped do.

Mr. HORN. Let me ask you one more question, and then you're free, and we'll hear from our friends at George Mason.

The President's budget proposes a new account in the General Services Administration that provides what appears to be a new, or at least expanded, role for the Office of Management and Budget involving the direct control of a program, the Electronic Government Fund.

Does this added responsibility require new specific authorization? If not, why not? And who controls it? And is this a supplemental fund?

Mr. O'KEEFE. Let me provide you a far more explicit answer for the record, if you would permit me, sir. Because in terms of the first part of your question of what legal authorities are required, if memory serves me right, we have included language, or at least a provision, for an account within the General Services Administration for the purposes of administering their E-Government Fund for that purpose.

But in terms of exactly the legislative language required, let me defer and give you a better answer for the record itself.

In terms of what its purpose is, I can speak to that; and it is——

Mr. HORN. Without objection, it will be put in the record at this point.

Mr. O'KEEFE. Thank you, Mr. Chairman.

The purpose and the objective of why it was set up this way is an attempt to leverage the $45-plus billion we spend every single year for information technology throughout the Federal Government. That's a lot of money to go out for the purposes of developing, maintaining, continuing or introducing new information technology.

And as a consequence, it is typically the case that it's not a point that we haven't availed ourselves throughout the Federal process of the most modern or the most useful or the most up-to-date or the most contemporary information technology advances. Typically, the argument from the Defense Department for example has been, "Oh, yes, we're busy introducing, you know, last generation's technology into today's systems that are coming out."

In this particular case, the technology is moving so rapidly, and we are so far ahead of it, that in many respects it is far more capacity than we can actually utilize as efficiently as we could. So, as a consequence, the E-Government Fund is intended to try to leverage those cases specifically in which there is commonality across departments and agencies, and which will have an opportunity to try to have a user base that is adaptable for lots of different applications, those circumstances which lend themselves not necessarily to an individual discipline but a multitude of disciplines.

So it's more integrated management systems, those are the kinds of things we're looking for, again as a way to stay ahead of and encourage the kinds of opportunities for utilizing the advances in information technology on as wide an application as we possibly can government-wide, and to motivate different departments and agencies to participate in that program.

It is purposely not designed as a means to substitute for the modernization efforts of any individual agency or department. That clearly is the effort we're about throughout the entire Federal process and will again be more evidenced in the 2003 budget submission to you, to try to leverage that across the entire Federal Government; but also to require agencies and departments to engage in the information technology modernization necessary. At $45 billion a year, that is not an absence of resources; it's a question of where it's being applied and how efficiently.

Mr. HORN. I think that makes a lot of sense in many ways. In the Debt Collection Act of 1996 we provided an incentive for departments that would bring in the debts, and they would get certain percentages just for that purpose of improving their computing capacity.

And I think some of those things would help in terms of not just waiting for the annual budget, but dealing with the problem of the new software, new hardware. And it would make some sense, I would think, because as you say, it's going awfully fast.

Mr. O'KEEFE. Yes, sir.

Mr. HORN. Well, you needed to be back downtown. We're glad you came. Thank you very much.

Mr. O'KEEFE. Thank you, Mr. Chairman. I appreciate your patience.

Mr. HORN. We will now go back to our friends, Mr. Maurice McTigue, distinguished visiting scholar, Mercatus Center, George Mason University; and Mr. John Mercer, deputy director for Government Performance at Logicon.

So, Mr. McTigue, it's all yours.

Mr. MCTIGUE. Thank you, Mr. Chairman.

I wanted to start by saying that at this stage, I think we've been through the boring part of the Government Performance and Results Act and now we're getting to the exciting part. The first two stages were really planning and implementation. Now we have some information. And the exciting part is about, what do we do with the information that's being produced?

The Government Performance and Results Act doesn't do anything on its own. It's a tool. Compliance with the Government Performance and Results Act doesn't do anything either unless the information produced is used in some way to actually change the

quality of the performance of the organizations that are covered by the Performance and Results Act.

I want to pick out five issues and spend a moment or two on them. And the first one is examining outcomes, not agencies. And I think that we're going to be getting a change in the behavior and the performance of government only if we start to look at outcomes as the issue, not an agency as an entity in its own right and it's worth preserving just because it's been there for 140 years or something like that.

The agency is actually the deliverer of services, and we can judge its performance in delivering the service.

But the politicians and the public should be interested in, what is the result that you're aiming to achieve by the use of that organization. If it's in defense, it's readiness and superiority. So how much has our readiness and superiority improved during the year is the issue, not the Department of Defense?

Most outcomes have multiple agencies and programs that are addressing those outcomes. And it's our view that it would be much better to look at the outcome and all of the programs and agencies that are trying to impact that outcome and make comparisons between the level of impact or success that they're having on bringing about improvement in that issue.

If you were to do that, you introduce competition between government activity, and in the introduction of that competition, all of the benefits that normally come with competition come as well. You will have new avenues of innovation, discovery; and all of those processes will look for better ways of being able to achieve the result, because effectively people will see that they're competing for a common pool of money rather than having a guaranteed appropriation.

That brings me to the second part, which I think was addressed in part by your colleague, Mr. Putnam, in one of his questions; and that is linking performance and appropriations. Unless there is a consequence for either complying or not complying, and either using or not using the information, then of course you're not going to change behavior.

In Congress, I think there are two cultures that need to be addressed in Congress itself. The first of those cultures is the culture of the committees of Congress. And I think that without having a structural change, if committees would start to view their activities that the experts on issues would be the oversight and authorizing committees that know this particular issue in great depth, and what they become then is the research arm of the appropriators and the appropriators; pick that expert opinion up and make decisions based upon that. Essentially what you're doing is linking performance and appropriation.

Until such time there is a linkage between performance and the allocation of money, we're not going to see a major change in the way in which government organizations work. That will bring about a very rapid change, of course, if such a situation were to occur. It's very encouraging to see that the administration is looking at exactly that, as Mr. O'Keefe has just set out for us.

The third issue is requiring agencies to measure outcomes of importance. And I think that in a number of areas the government

isn't well served in actually addressing a primary issue in terms of what is the state of knowledge on that issue.

For many years, you've had programs that have worked on the issue of homelessness. But who knows anything about the state of homelessness in the United States at this particular point in time? Why is it that on one of the wealthiest countries in the world we have one of the highest rates of homelessness? What is it about the programs that are addressing that issue that is currently not successful?

Well, one of the issues that might view, that might actually be there, that hasn't been identified in the past, is that many of the activities of governments have been directed at the consequences of problems rather than the causes, the political processes, that there are homeless people, so it starts to put in programs to house the homeless people. But who's out there looking at the cause?

And unless you address the cause, what you do by addressing the consequence is that you start to build in dependency. So the programs you're putting in place are actually creating dependency rather than solving the dependency that was your original intent. And it is by focusing on outcomes that you start to identify that there are factors here that we're not addressing, that are making this problem worse rather than better.

I think a classic case is the feeding programs that are run by USDA, instituted in the first instance, as I understand it, to use up agricultural surpluses. But you now have some of the biggest feeding programs in the world, and are quite probably creating a lot of dependency as a result of that. So the problem is having negative effects in many instances rather than positive effects. Until such time as somebody starts looking at the causes of the hunger, I think that the program is going to have some negative effects while it actually feeds hungry people.

The last comment I want to make is this: changing the political value equation. What I'm talking about here is that political commitment to issues are too frequently measured in terms of how many additional dollars you spend on that issue. An election is coming up: Congress spends more dollars on the drug issues because drugs are topical at that time. But there's no indication whatsoever whether those additional dollars are going to have positive or negative effects. And I think in that case, in some instances, the expenditure of dollars has had negative rather than positive effects.

So if you were actually to follow through, in an ideal world, the concepts that come out of the Government Performance and Results Act, what you would see is that the value equation would gradually change so that things weren't measured in terms of how many additional dollars you spent, and political commitment wouldn't be measured in terms of how many additional dollars you spent; it would be measured in terms of what was the public benefit that arose from the expenditure of those dollars, how successful have we been in eliminating that problem or diminishing that problem, how successful have we been at enhancing that good?

In my view, that is the real value of the Government Performance and Results Act. Until such time as you go through all of those other stages, you won't start to impact that value equation.

But when you succeed in impacting that value equation, then I think the political scenario and the success ratio of government will change dramatically.

Thank you, Mr. Chairman. I'm very happy to answer questions.

Mr. HORN. Well, we thank you.

[NOTE.—The publication entitled, "2nd Annual Performance Report Scorecard: Which Federal Agencies Inform the Public," may be found in subcommittee files.]

[The prepared statement of Mr. McTigue follows:]

MERCATUS CENTER
GEORGE MASON UNIVERSITY

TESTIMONY

From

The Hon. Maurice P. McTigue, Q.S.O.
Distinguished Visiting Scholar
Mercatus Center at George Mason University

For

Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations

Committee on Government Reform
United States House of Representatives

June 19, 2001

On

"The Results Act: Has It Met Congressional Expectations?"

Mr. Chairman, I am honored to have been invited to testify before you on the status of progress towards the full implementation of The Government Performance and Results Act of 1993 (GPRA).

First, let me point out that when Congress passed GPRA in 1993, it called for full implementation by government agencies *seven years later*, when the first annual performance reports (for Fiscal Year 1999) would be due. Consequently, as of today, we (Congress and the public) have received results information on only two fiscal years. The first year established the baseline. The second year tells us only if performance exceeded

or fell short of the previous year. It is only when year three and subsequent years are added that trend lines will begin to appear.

I point this out because I frequently hear comments that the results Act is failing because it was passed in 1993 and there is little to show for the last eight years. This judgment is premature, since there are only two years of reports. Expectations of GPRA's effectiveness should keep in mind its actual length of service. Otherwise, a valuable tool for improved accountability will be damaged in the eyes of Congress and the public.

From my experience as a member of the federal government in my native country of New Zealand and from what I have seen so far in the United States government, GPRA is potentially the most powerful tool for bringing about productive change and meaningful accountability that has been introduced in the U.S. in the last 50 years.

Having made the plea for GPRA, I would like to address what I see as the current status in the evolution of GPRA: What should be the next steps, and how can the federal government – Congress and the Executive branch together – maximize the incentives GPRA is capable of producing?

GPRA Today

There are four distinct stages to the implementation of this Act:

The first is the planning stage, carried out in 1997, which required the preparing of long term strategic plans for government agencies. The purpose here was to identify all government activity and identify the priority of each of those activities - hence the use of the word "strategic". Although goals were identified and included in the plans, the setting of strategic priorities has not as yet begun in earnest for most agencies.

The second stage is implementation – putting the strategic plan to work – which commenced with fiscal year 1999. The novelty of this stage is that for the first time agencies are required to measure the results of their efforts in terms of *outcomes*. Clearly, this measuring process has posed major challenges for many agencies, but gradually, meaningful results information is beginning to appear. I would estimate that it would probably be fiscal year 2005 before this process has matured to the point where quality outcome information is available across government.

The third stage is disclosure; it is at this point that the effectiveness of government activity in producing clear public benefits should become transparent. At the Mercatus Center at George Mason University, we have conducted an analysis in each of the two years reported to date. We decided to compare agencies' performance reports to each other, highlighting best and worst practices, because we believe the quality of the reporting and the completeness of the disclosure is crucial to the success of changing government accountability from accounting for money spent to accounting for public benefits produced. Our study ranks government organizations against each other based not on their performance but on the quality of the disclosure of the results of their performance. In the two years examined, there has been an appreciable improvement in the quality of disclosure. (Current report submitted for the record.)

The fourth stage is the utilization of the information produced by GPRA. Progress here has been most disappointing. Unless the results information agencies produce is used to make future management and resource allocation decisions, then GPRA becomes only a paper exercise.

Congress and The Administration

The actions taken by these two bodies can create powerful incentives that could change the entire culture of government agencies. Congress and the Administration must demonstrate that results information will be a major influence in future decision-making. The Administration must send a powerful message by explicitly considering performance

information as they develop the government's budget. Congress should cite the prior fiscal year's results as major factors in appropriation decisions.

It is very encouraging to see that President Bush and the Office of Management and Budget Director Mitch Daniels are going to link performance to funding in the 2003 budget. This will have an immediate and profound effect on agencies. This single action should turn around the disappointing statistics revealed in the May 2001 GAO Survey of the use of performance information in decision-making in agencies. In my opinion, the limited use of performance information is due to the fact that there has been no consequence for either using or not using the information. With OMB's powerful incentives to maximize performance, all the aids to improved performance - including the use of performance information - are going to be used more extensively.

Congress now needs to address its strategy to hold agencies accountable for high performance. The work of authorizing and oversight committees could be used as research that informs appropriation committees, allowing them to pass a budget that constitutes the best possible allocation of resources. The goal would shift from an emphasis on appropriate spending, to maximizing the benefit to the public. This will complete the tight and visible connection between performance and appropriations.

Removing Barriers

In order to carry out the theory above most effectively, a few housekeeping issues must be addressed. Our study of the annual reports of agencies has identified the lack of quality financial information on the costs of programmatic activity. While it seems that eventually, activity-based costing will become widespread throughout government, it is outcome-based costs that are most useful to political decision-makers. The cost per unit of success is possible to determine in many instances, and having this would serve the purposes discussed above until more sophisticated systems are in place. For example, it is possible to give a fairly accurate cost per person placed into work for employment programs. FEMA is able to quote a benefit of $2 saved for every $1 spent on risk

mitigation in disasters and other examples exist that allow at least some cost information to be used in the decision-making process.

Accountability Processes

Traditionally Congress and the Administration has used an accountability process based upon assessing the performance of individual departments or agencies. We would recommend that in a results - oriented accountability environment, a better approach would be to select particular outcomes and then examine all activities designed to impact that outcome.

The purpose of this approach is that decision-making would then be advantaged by having results information on all activities impacting an outcome available to the decision maker – regardless of which agency delivered the program. The process of comparing programs across outcomes creates competition for what would appear to be a common pool of money, where the best would clearly get the major share of the resource. Such competition would create strong incentives to continually improve performance by discovering innovative and creative ways of maximizing program achievement. It is the absence of these incentives that is currently limiting progress in much of government.

Finally the ability to be able to make comparative assessments of different activities that address a common goal provides a unique new opportunity to assess opportunity costs. With the information on the various performance levels of different programs it is a relatively simple exercise to look at what level of public benefit could be produced if the existing resources were redeployed to the most effective programs. This exercise then tells decision-makers what the public benefit cost of the status quo allocation is.

In recent months at Mercatus Center we have developed a process that can be used equally effectively by Congress or the Administration to achieve the above results. This process, which we call "Outcome - Based Scrutiny", can easily be adapted to look at

outcomes across many agencies or inside a single agency depending on the needs of the examininer.

I trust this testimony, Mr. Chairman, will be helpful to the Committee in its deliberations on the progress and potential of the Government Performance and Results Act.

Testimony prepared by:

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Mr. HORN. And let's go back now to Mr. Mercer. Do you have some comments on either Mr. O'Keefe's remarks, Mr. Mihm's and Mr. McTigue's. Plus any other things you want to get on the record.

Mr. MERCER. I understand my full written statement will be put in the record.

Mr. HORN. Automatic.

Mr. MERCER. Of course. And I'll just hit some of the key points and like to lay some items out.

First of all, I'm John Mercer and I'm here testifying before you today solely in my capacity as the former counsel to the Senate Governmental Affairs Committee who led the development of the Government Performance and Results Act of 1993. I'm not testifying as a representative of any other interest.

I first want to say how much I appreciate the continued interest this subcommittee has shown in GPRA and particularly your leadership, Mr. Chairman.

First, a little bit of background on the legislation. I served from 1989 to 1997 as Republican counsel to the Senate Governmental Affairs Committee. GPRA, as a specific piece of legislation, began with a conversation I had with Senator Bill Roth, for whom I worked, in January 1990, about a real-life example of a performance-based management and budget system that had proven to be very effective and which I thought applicable to the Federal Government. So he asked me to develop the legislation on his behalf.

And I would be remiss if I didn't acknowledge the very important input I got in developing that from Walter Groszyk of OMB.

The law was intended to point the Federal Government toward a vision of improved government performance and then to begin moving it down the road toward fulfilling this vision. GPRA, in other words, was intended to lay a firm foundation upon which to build a more complete structure of performance management, but wasn't intended to achieve that full vision by itself. Clearly, other reforms would be needed.

GPRA intended to encourage this primarily through two means, increased transparency and accountability.

There are some who sincerely believe that this effort wouldn't work because government is inherently inefficient, in this view, because it has little or no competition. You hear that often. But this is exactly what GPRA intended to provide, competition for every Federal agency and program by making them compete against their own past performance. When performance is tracked and reported over time, there is inevitably pressure to show steady improvement.

The actual inspiration for GPRA was the performance-based management and budget system of the city of Sunnyvale, CA. I had served there as mayor and city councilmember. I think it's relevant to look at that city.

Mr. HORN. I was fascinated by your sort of case study there. Was John Deever city manager before or after or during it?

Mr. MERCER. John Deever was city manager in 1973 when the city first started developing performance audits for programs; and he put some of the elements in place.

As you know, he left for Long Beach, I think in 1977, and Tom Lewcock came in as city manager and really turned it into performance-based budgeting. Lewcock came in 1978–79 and developed the performance-based budgeting system.

I'll say that when I was developing GPRA, a team from GAO and OMB went out and visited the city. This was in 1991. The following year in congressional testimony—I think this is interesting because it gives an indication of what we'd like to see happen in the Federal Government—OMB said in testimony before the Governmental Affairs Committee, "As indicated, the city of Sunnyvale, California, stands out as the single best example of a comprehensive approach to performance measurement that we have found in the United States."

And I should say that New Zealand is not in the United States. Now this is the key sentence.

"One underlying reason for the success achieved in Sunnyvale is the fact that every program manager uses the system to plan, manage and assess progress on a day-to-day basis." We hope to get to that in the Federal Government, but as we've heard, we're a long way from that. Sunnyvale's performance budget is actually a fully integrated program performance plan and annual budget, using performance-based budgeting with full cost accounting.

Now, GPRA itself contains no specific requirement for real performance-based budgeting nor do the requirements for performance planning reach every activity and employee of a department. However, these elements were important aspects of the vision underlying GPRA.

I'll talk a little bit more about performance budgeting in my statement, but I'd like to make a couple of key points about it.

I think it's important to understand that a true performance budget is not simply an object class budget with some program goals attached. Real performance-based budgeting gives a meaningful indication of how the dollars are expected to turn into results, not necessarily with scientific precision but at least through a general chain of cause and effect.

The most effective governmental performance-based budgeting does this by showing how dollars fund day-to-day activities, how those activities generate outputs, and then what outcomes should result. The basic building block of a sophisticated performance budgeting and management system, in my opinion, is the cost-per-unit of activity which rolls up into cost-per-unit of output. This is a powerful format because it directly measures what most managers actually manage on a day-to-day basis, dollar expenditures and staff activity, in order to achieve certain outputs. These elements serve as the underpinnings for achieving higher level objectives including program outcomes.

The earliest drafts of the statute, in fact, contain provisions requiring agency plans and reports to include, "trends in costs-per-unit of result, unit of service or other unit of output." Unfortunately, I had to remove those provisions when I discovered that agencies did not have in place and weren't required to have in place the requisite cost accounting systems.

I am pleased to say that in 1998 the Federal Accounting Standards Advisory Board issued a requirement that agencies develop

this type of information. And quoting just briefly from it, what they said is that, "The managerial cost accounting statement and standards contained in the statement are aimed at providing reliable and timely information on the full cost of Federal programs, their activities and outputs." Those standards will provide a method for identifying the unit cost of all government activities.

Now, I recognize agencies have scarcely begun to do this, but at least it's a requirement. And that's a fundamental building-block of a really powerful performance-based budgeting system, amongst other uses.

There's more potentially good news, and we heard it reflected here today in Mr. O'Keefe's statement, that in the President's budget he announced that agencies will be asked to submit performance-based budgets this September for a selected set of programs. I'm hopeful they will set the bar high enough that we will see in those performance budgets that they pilot how activities are funded and those activities turn into outputs which, in turn, become outcomes.

Now, what's the big deal about performance-based budgeting? I have outlined in my written statement a little bit more some of the uses of it, but just in general, it not only shows that there is a relationship between dollars and results, but done right, it gives some indication of what that relationship is, how those dollars become results. When you do that, you can then begin to, at least in a general sense, see what the impact of increased dollars or budget cuts could have.

It allows for more informed contracting-out decisions, because you see the full costs, if you do this right, of the results you get when you think about contracting. It's certainly useful in promoting performance management. And perhaps my favorite use of it, as we use it throughout Sunnyvale, is that program goals became two-part goals.

We hear about program goals under GPRA right now as what level of result. When you put a cost factor, particularly unit cost, then you can have goals that are two-part, achieve a certain result at a certain cost-per-unit. When you do that and you link that to pay-for-performance systems or some other methodology for tracking this, you can begin to create incentives for actually reducing the cost of government.

Right now, the incentive in every Federal agency is to spend every nickel of your budget. Now, under GPRA, it's spend every nickel and get a certain level of result. In Sunnyvale, it was to get a certain level of result at a certain unit cost, and by the way, if you drive down the unit cost you're eligible for a bonus. So at the end of the fiscal year there was a disincentive to sweep money out the door, because that just raised your unit costs and blew your chances of getting a bonus.

And now GPRA's relevance to day-to-day management; I have to say that I had expected that within a couple of years of the performance plans, these plans would have cascaded down to the lowest levels of the organization. This has not happened and it is a major reason that the government-wide movement toward managing for results has been impeded.

Too many Federal managers still believe that GPRA does not apply to them; and in a literal, legal sense I suppose it doesn't. But for GPRA to work, every Federal employee must be involved.

At the lowest organizational level there must be an annual plan that shows how the activities of the manager and the staff directly support achievement of the next-higher level plan. Each higher level plan should, in turn, do the same until all such plans can be traced clearly up through the organization to support the agency-wide plan. Otherwise, departmental and agency plans will be little more than wish lists, if you can't literally trace that plan back down in the organization to day-to-day activities. There are methodologies for formally linking that, and I have appended an example at the end of my testimony.

At this point, I'll say that the final area—and I won't go into it because I touched on it earlier, and I'd be glad to address it in the questions—I've been disappointed in the lack of use of this by Congress. There is still, as we all know, much room for improvement there, in things that should be done.

Mr. Chairman, I thank you for this opportunity to talk about my favorite subject.

[The prepared statement of Mr. Mercer follows:]

STATEMENT OF JOHN MERCER

BEFORE THE
SUBCOMMITTEE ON GOVERNMENT EFFICIENCY, FINANCIAL
MANAGEMENT, AND INTERGOVERNMENTAL RELATIONS
U.S. HOUSE OF REPRESENTATIVES

JUNE 19, 2001

THE RESULTS ACT: HAS IT MET CONGRESSIONAL EXPECTATIONS?

Mr. Chairman and Members of the Subcommittee:

I am John Mercer, and I am testifying before you today in my capacity as a former Counsel to the Senate Governmental Affairs Committee who led the development of the Government Performance and Results Act of 1993. I thank you for this opportunity to address some of the background behind GPRA, particularly its origin, purposes and original expectations.

I first want to say how much I sincerely appreciate the strong and continued interest this subcommittee has shown in GPRA over the past several years. Today's hearing is only the latest example of your leadership, Mr. Chairman, in ensuring the on-going oversight of this important law's implementation.

I served from 1989 to 1997 as Republican Counsel to the Senate Governmental Affairs Committee, most of that time under Senator William V. Roth, Jr. (R-DE) and then under Senator Ted Stevens (R-AK). During that time I had the privilege of developing on

behalf of Senator Roth a legislative idea that we now know as the Government Performance and Results Act.

In one sense, the genesis of GPRA as a specific piece of legislation began with a conversation I had with Senator Roth in January of 1990. In that conversation, I described for him a real-life example of a sophisticated and comprehensive performance-based management and budget system that had proven to be very effective in an American government. I suggested to him that I knew of no reason why the federal government could not do something similar, so he asked me to develop the appropriate legislation.

In order to assess the effectiveness of GPRA's implementation to date, it is useful to understand what the law was intended to achieve. One way of looking at this issue of original intent is to understand that from the beginning, GPRA was intended to point the federal government in a particular direction toward a generally defined vision of improved government performance, and then to begin moving it down that road a ways toward fulfilling this vision. The law that was enacted in 1993 was not really expected to get us all the way there by itself. Subsequent reforms, either administrative or statutory, would likely be needed.

GPRA, in other words, was inspired by a comprehensive performance management vision, but was not drafted to be a comprehensive reform. It was intended to lay a firm foundation upon which to build a more complete structure of performance management.

Several of the remaining elements of that structure were even anticipated in the law's earliest drafts, though later removed before final enactment. For this reason, part of my own assessment of the law's effectiveness involves the degree to which it is inspiring further reforms necessary to fulfill the ultimate vision behind its origination.

The findings and purposes sections of the statute offer a fair indication of what GPRA itself intended to accomplish, or at least to encourage. In brief, it was to improve the effectiveness of federal programs as measured by their actual results, and to do this by improving the performance of those programs through better management. It was hoped that in the end, this would mean greater confidence by the American people in their federal government.

Transparency and Accountability

And how did GPRA intend to encourage this? Through two primary means – transparency and accountability. At bottom, those are really the two core values reflected in GPRA. They are the values suggested in its statutory language, and they are values essential to the broader vision of comprehensive reform toward which GPRA directs us.

Transparency and accountability in federal agencies is key to improving performance, particularly as measured by program efficiency and effectiveness. Transparency means being able to see clearly what an agency or program is doing, how it is doing it, what resources it is consuming along the way, how it is expending those resources, and what

results it is achieving or impact it is having. Accountability is taking the information gleaned from that transparency, comparing it to pre-established goals or other expectations, and then initiating some appropriate action with respect to the program or responsible individuals, based upon the degree of fulfillment of those pre-established expectations.

GPRA mandates a significant increase in the transparency of federal operations, through its various requirements for agency goals and strategies, and for the reporting of results. It also encourages some degree of accountability, both by mandating necessary information on program results and by requiring agencies to describe what action they plan to take where a goal was not met. It is important to keep in mind that while agencies and programs are notably more transparent than they were even five years ago, not only is there still much room for improvement in meeting GPRA's own specific expectations, there is far more room for improvement in fulfilling the vision behind GPRA. And if anything, we have even further to go in instilling the type of accountability required for a truly performance-based, results-oriented government.

Competition within Government

I have described transparency and efficiency as being key to improving efficiency and effectiveness. I would like to add a point here about GPRA's effort to improve government efficiency. There are people who sincerely believe that government is inherently inefficient, due to the fact that government has little or no competition. They

believe that because of this, efforts to motivate major improvements in government efficiency are largely doomed to failure.

I would agree that competition is probably essential to motivating sustained improvement in organizational performance – and that this rule certainly applies to government efficiency. And this is exactly what GPRA intended to provide – competition for every federal agency, bureau, and program. How? In the same way that competition is provided to the lone runner who goes out every morning and runs five miles, and steadily improves performance. They will compete against their own past performance.

This is the likely result for any organization, including government. When its own performance is tracked and reported over time, there is almost inevitably a built-in pressure to show steady, if even slow, improvement. In my own years of experience in a government noted for its high levels of performance, I found this sense of competition against past performance to be an even more powerful motivator over the long term than established goals.

The Inspiration for GPRA

The actual inspiration for GPRA was the performance-based management and budget system of the city of Sunnyvale, California. I had served there on the City Council between 1979 and 1987, part of that time as Mayor. To really understand what GPRA is all about, it might be useful to take a look at the system used in Sunnyvale. Such an

examination would also suggest just how much further the federal government has to go to fulfill GPRA's vision, as well as some of the additional steps it needs to take.

I recognize it may seem to strain credibility to assert that the experience of a single city of 130,000 out in California is a meaningful lesson for an entity the size and complexity of the federal government. However, the very existence of GPRA today is evidence that Sunnyvale's example may be relevant to federal management reform.

The metaphor I sometimes use to justify this point is that the same principles of aerodynamics and physics that apply to a small, single-engine airplane also apply to a giant 747. This does not mean that to build the 747 you simply take the blueprints for the smaller airplane and magnify them 50 times. But it does suggest that if you first study the smaller, less complex model it may be easier to see and understand the fundamental principles at work that allow it to fly, and then you can begin adapting them to the larger, more complex subject.

This may be the singular lesson of the Sunnyvale experience – that there are indeed certain fundamental principles of efficient, effective government that can be applied to improve the operations of any government, regardless of size, complexity or mission. In fact, for over 20 years, governments from across the country and around the world have been coming to Sunnyvale to examine its system. A team from GAO and OMB visited the city ten years ago, and the next year in congressional testimony OMB stated the following:

> "As indicated, the City of Sunnyvale, California stands out as the single best example of a comprehensive approach to performance measurement that we have found in the United States. . . . One underlying reason for the success achieved in Sunnyvale is the fact that every program manager uses the system to plan, manage, and assess progress on a day-to-day basis."
>
> OMB testimony to the Senate Governmental Affairs Committee
>
> May 5, 1992

I am confident that some of the methods by which Sunnyvale applies those principles can be appropriately adapted to the operations of the federal government. I believe that if this is done correctly, federal program managers will themselves begin using their own performance management systems to "plan, manage, and assess progress on a day-to-day basis" – as OMB pointed out is the case in Sunnyvale.

This is not the time or place to give a full tutorial on all of the elements of Sunnyvale's management and budget system, but I would like to mention a few key highlights and then explain their relationship to the vision underlying GPRA and what they may suggest for further federal management reform.

Sunnyvale's planning and management system begins with a 20-year strategic plan, whose various elements are updated every five years. Directly linked to this plan is the performance budget. This budget is actually a fully integrated program performance plan

and annual budget, using performance-based budgeting with full cost accounting. At the end of each year, there are performance reports for each program that, amongst other uses, are key elements in the city's managerial pay-for-performance system.

Relevance to Federal Management Reform

How is this relevant to GPRA and federal management reform? Clearly, the notion of having a long-term strategic plan that is updated periodically is reflected in GPRA. So too is the notion of having an annual performance plan that links to the strategic plan, followed by annual performance reports that compare actual results to original goals and objectives.

However, GPRA contains neither a requirement for real performance-based budgeting, nor for use of performance reports in any systematic pay-for-performance regimen. Nor do the existing requirements for strategic and annual performance planning reach every program, activity and employee of a department. I can say, however, that these missing elements – which are integral to the system that inspired GPRA – were important aspects of the vision underlying that legislation.

Performance-Based Budgeting

I would like to address at this point the subject of performance-based budgeting. "Performance-based budgeting" is an increasingly used, but little-defined term. In a

general sense, it might be thought of as the practice of affecting a program's budget on the basis of its past or anticipated levels of performance, while still recognizing that politics also plays an important role in budgeting. In other words, it can simply mean that you intend to give more money to those programs that show better performance.

However, a more concrete definition may be important here, or else "performance-based budgeting" becomes little more that a slogan. There is another, more precise meaning of the term, which refers to a particular format or structure of budget presentation. I prefer this meaning of the term, as it is the one that inspired GPRA, and so it is the one I will address.

I think it is important to understand a true performance budget is not simply an object class budget with some program goals attached. It tells you much more than just that for a given level of funding a certain level of result is expected. Real performance-based budgeting gives a meaningful indication of how the dollars are expected to turn into results. Not necessarily with scientific precision, but with at least through a general chain of cause and effect. The most effective governmental performance-based budgeting does this by showing, for each program area, how dollars fund day-to-day activities, how those activities in turn generate outputs, and then what outcomes should result. Appended to this testimony is an example of governmental performance-based budgeting from the system that inspired GPRA.

This type of transparency makes much clearer the efficiency and cost-effectiveness of government programs. Efficiency is a ratio between inputs and outputs, while cost-effectiveness is a ratio between inputs and outcomes. In both instances, the input is generally dollars, though in some instances it might be measured in work hours or other resources.

In my experience, the most significant measure of a government program's efficiency is the cost per unit of output, or per other measure of result. The basic building block of a sophisticated performance-based budgeting and management system is the cost per unit of activity, which roles up into cost per unit of output. This is a powerful format, because it directly measures what most managers actually manage on a day-to-day basis: dollar expenditures and staff activity in order to achieve certain outputs. These elements serve as the underpinnings for achieving higher-level objectives, including program outcomes.

Admittedly, GPRA itself addresses only the output and outcome sides of the equations. However, I can say that if a law can have a hope, then GPRA very much hoped to see the cost side of the equation filled in some day. In its earliest drafts, the statute in fact contained provisions requiring agencies to include in their annual performance plans and reports, "trends in costs per unit-of-result, unit-of-service, or other unit-of-output." Unfortunately, I reluctantly had to remove those provisions from the draft when I later discovered that agencies did not have in place the requisite cost accounting systems to generate unit-cost information, and that despite previous enactment of the Chief Financial Officers Act, there was no requirement they do so.

I am pleased to be able to say that this began to change in 1998 with implementation of a new accounting standard for federal agencies. The Federal Accounting Standards Advisory Board issued a standard for Managerial Cost Accounting that requires agencies to be able to develop this type of information. To cite a few lines from that standard (emphasis added):

> "The managerial cost accounting concepts and standards contained in this statement are aimed at providing reliable and timely information on the full cost of federal programs, their activities, and outputs. . . . In July 1993, Congress passed the Government Performance and Results Act (GPRA) which mandates performance measurement by federal agencies. In September 1993, in his report to the President on the National Performance Review (NPR), Vice President Al Gore recommended an action which required the Federal Accounting Standards Advisory Board to issue a set of cost accounting standards for all federal activities. Those standards will provide a method for identifying the unit cost of all government activities."

I recognize that many agencies have scarcely begun to implement effective managerial cost accounting systems, but at least there is a requirement and GAO is watching and reporting on compliance.

There is more recent potentially good news. In the President's budget of April 9, he announced that, "Agencies will be asked to submit performance-based budgets this September for a selected set of programs." I know the devil is in the detail, and that instructions have not yet been issued on exactly what this means, but it is indeed an encouraging sign. I am hopeful that, however low the bar may be set this first year or two, the Administration's ultimate intention is to move agencies toward real performance-based budgeting. This would mean not only linking dollars to results, but actually giving some indication – through activities and outputs, and including unit costs – *how* those dollars are expected to translate into result.

So as I said, if a law can have hope, then GPRA is truly hopeful that we may be on the road toward real performance-based budgeting, building on the foundation laid down by this law and inspired by the same vision that inspired the law in the first place. This is what it tried to achieve from the very beginning. If this happens, then the law will have fulfilled one of its major expectations.

Uses of Performance-Based Budgeting

Having given some indication of what performance-based budgeting is, I should perhaps explain why this form of budgeting is important. From my own eight years of experience in a sophisticated application of the system in government, I can suggest a number of ways in which I have found it to be invaluable. To mention a few:

- It helps clarify the relationship between dollars and results, not just by showing that a certain budget amount should produce a certain set of results, but also by giving an indication of how those dollars are expected to generate those results.

- It facilitates resource allocation decisions, by showing how budget increases and decreases may affect program results.

- It allows for more informed contracting-out decisions, particularly if full cost accounting is used, by showing the real cost of achieving a specific level of service.

- It promotes performance management, when this budget system is used as a basis for ensuring agency information systems provide managers on-going data on the costs and results of their program activities.

- It provides an opportunity for two-part goals that measure performance in both dimensions of cost and result, particularly when merged into unit costs. For example, a program might have a goal of processing grant applications within 30 days at a unit cost of $1,250 per application. Improved performance could be defined as achieving either a shorter processing time or a lower unit cost. This is an example of how the competitive pressure to beat last year's performance can start to ratchet down the cost of government.

- It can play an important role in creating incentives in a pay-for-performance system. For example, once a sufficient level of result is achieved, managerial bonuses might be linked to maintaining that level of service, while decreasing the program unit costs. This creates a particularly strong incentive for managers not to spend every program dollar where it is not necessary for achieving the desired results.

GPRA's Relevance to Day-to-Day Management

While I had no real expectation that GPRA by itself would lead directly to performance-based budgeting, I did have higher hopes for the law in another area. I had expected that within a couple of years of the development of the first agency annual performance plans, these plans would have cascaded down to the lowest levels of the organization. This has not happened, and it is a major reason that the government-wide movement toward "managing for results" has been impeded. In this fact, I find perhaps my biggest disappointment about the law's implementation so far.

Let me be blunt. Too may federal managers still believe that GPRA does not apply to them and their responsibilities. I suppose that in a literal sense these managers may be right, because the law's provisions apply explicitly only to the department or independent agency as a whole. The departments themselves have generally pushed GPRA's strategic and annual planning requirements to the next lower organizational level, so we find bureau and agency plans, too. But this is not sufficient.

In my experience, for a law like GPRA to work, every agency employee must be involved. By this I mean is that the GPRA plans must be just the start of a series of directly linked plans that cascade down through every organizational unit and subunit in the agency. At the lowest organizational level, whether at headquarters or in the field, there must be an annual plan that shows how the activities of the manager and staff directly support achievement of the next higher-level plan. Each higher-level plan should in turn do the same, until all such plans can be traced clearly up through the organization to support of the agency or departmental plan.

When this is done, I will no longer hear the type of comment I recently heard at one federal department. It was explained to me that when some field managers were brought to headquarters for annual planning, they spent the first part of their stay helping with departmental GPRA-related planning. Then they put that aside, and turned to development of their own business plans for their field offices, which they considered to be the real planning and as completely unrelated to the department's GPRA plan. In other words, neither in their minds nor on paper was there an explicit, necessary relationship between what the department planned to achieve for the year and what they themselves planned to do. The connection was missing.

If this is not corrected, then departmental and agency plans will become not much more than wish lists. There will be a hope that the strategies are carried out and the goals achieved, but no clear methodology for ensuring this happens.

If I may refer back to my experience in Sunnyvale, we found there an added benefit to this type of planning. When you start with the major, agency-wide goals and objectives, and then drive down through various subunit planning and link to the day-to-day activities of program staff, something interesting happens. You sometimes find there are activities you have been engaged in that do not really support in any meaningful way the agency's defined objectives. As a result, this type of comprehensive, multi-layer, interrelated planning can stimulate changes in the way programs are executed and resources expended.

For this reason, it is my opinion that all federal managers should be instructed, either by statute or by executive order, to develop their own GPRA-related plans. Done properly, this will ensure that all agency dollars, staffing and activities are clearly supportive of executing the agency's strategies and achieving its goals.

When this type of planning is combined with an effective performance-based budgeting system – one that can drill down to the unit costs of day-to-day activities – we will be a long way down the road toward fulfilling the vision of performance-based, results-oriented government that first inspired GPRA.

Congressional Use of GPRA

The one other area of some disappointment for me has been the slowness of Congress to use the fruits of GPRA and to become more results-focused. I know that there will be a report on this issue soon, and that it is likely to report progress on this front. And I certainly do not have the best perch from which to view what is or is not happening. However, I do remain concerned about this.

From the beginning, I had hoped that the legislation would, at least after a few years, inspired Members of Congress to bring GPRA plans and reports to committee hearings, and use them in grilling Administration witnesses. I had hoped that there would be more debates over what specific measures should be used to track program success. I had hoped that amendments would be offered to nail down more tightly the goals and objectives of a particular proposal. And I had hoped that Appropriators would relish the opportunity to performance plans and reports in examining how well agencies used their funds and in getting specific commitments for improvement.

I had found during my 13 years on staff on both sides of Capitol Hill, that much of the time the partisan disagreements are on means rather than ends. Often, advocates on both sides of an issue actually want to achieve the same end results – they disagree over which approach works best. I believe that if Congress were truly inspired by GPRA, Members would challenge each other to be specific on how to test the merits of their own solution. It might be suggested that someone with the courage of their convictions ought not shrink

from defining up front how to measure later whether their proposal was sufficiently effective.

In fact, the earliest drafts of GPRA did include a provision requiring authorization and appropriation bills in both the House and the Senate to contain "objective, quantifiable, and measurable standards and goals expected to be achieved" and to "include indicators of cost per unit-of-result, unit-of-service, or other unit-of-output" – or else be out of order. This provision was the one major item subsequently removed from our bill over Senator Roth's objection.

I know that the House of Representatives, at the beginning of this session, amended its rules to require some sort of statement of goals in reports accompanying legislation going to the Rules Committee. It will be interesting to see just how high that committee sets the bar for compliance and how diligently it is enforced. My understanding is that the other committees strongly opposed any requirement that the actual legislation contain measurable goals for program results.

Again, I thank you Mr. Chairman and Members of the Subcommittee, for giving me this opportunity to explain a bit of the background, context, and intent behind GPRA and to give some assessment of progress to date. I would be pleased to answer any questions.

Program 412 - Police Services

Program Outcome Statement

Provide a safe community and a feeling of security among the citizens by:

- The protection of lives, property, and rights of all people,
- The deterrence and prevention of crime,
- The apprehension and prosecution of offenders,
- The maintenance of order and resolution of conflict,
- The prompt response to incidents requiring immediate police attention, and
- The development and maintenance of a safe and orderly flow of traffic in a fair, prompt, sensitive and courteous manner, to the satisfaction of citizens.

So that:

City of Sunnyvale
Program Performance Budget

Program 412 - Police Services

Program Outcome Measures	Weight	FY 2000/2001 Adopted	FY 2001/2002 Recommended
* An average seven year weighted FBI crime index crime rate per 100,000 population 54% below the national weighted FBI crime rate, 63% below the California weighted FBI crime rate, and 38% below the Santa Clara County weighted FBI crime rate is achieved.			
- Percentage Below National Crime Rate	5	54.00%	54.00%
- Percentage Below California Crime Rate	5	63.00%	63.00%
- Percentage Below County Crime Rate	5	38.00%	38.00%
* An average seven year weighted clearance rate for the crimes of murder, rape, robbery, aggravated assault, and burglary 59% above the national weighted clearance rate for these crimes, and 66% above the California weighted clearance rate for these crimes is achieved.			
- Percentage Above National Clearance Rate	4	59.00%	59.00%
- Percentage Above California Clearance Rate	4	66.00%	66.00%
* The Budget/Cost Ratio (planned cost divided by actual cost) is at 1.0.			
- Ratio	4	1.00	1.00
* A traffic collision ratio per million miles traveled at the previous three year average is achieved.			
- Ratio	3	2.80	2.80
* A community perception of safety rating of 85% is achieved.			
- Rating	3	85.00%	85.00%
* A response time to emergency police calls for assistance of seven minutes (from time received by dispatch) 90% of the time, and a response time to urgent police calls for assistance of 11 minutes (from time received by dispatch) 90% of the time is achieved.			
- Number of Minutes/Emergency	2	7.00	7.00
- Number of Minutes/Urgent	2	11.00	11.00
* A dollar loss per citizen due to crime and traffic collisions at the prior three year average, adjusted for inflation, is achieved.			
- Dollar Loss Per Citizen	2	$337.99	$337.99
* An overall customer satisfaction rating of 85% for Police Services is achieved.			
- Rating	1	85.00	85.00
* The Cost Efficiency Index is at 100.			
- Index	1	100.00	100.00

City of Sunnyvale
Program Performance Budget

Program 412 - Police Services

Service Delivery Plan 41201 - Crime Control and Public Order Maintenance

Provide a safe community and a feeling of security among the citizens by:

- The protection of lives, property and rights of all people, the deterrence and prevention of crime,
- The apprehension and prosecution of offenders,
- The maintenance of order and resolution of conflict, and
- The prompt response to incidents requiring immediate police attention, so that:

Service Delivery Plan Measures	FY 2000/2001 Adopted	FY 2001/2002 Recommended
* An average seven year weighted FBI crime index crime rate per 100,000 population 54% below the national weighted FBI crime rate, 63% below the California weighted FBI crime rate, and 38% below the Santa Clara County weighted FBI crime rate is achieved.		
- Percentage Below National Crime Rate	54.00%	54.00%
- Percentage Below California Crime Rate	63.00%	63.00%
- Percentage Below County Crime Rate	38.00%	38.00%
* An average seven year weighted clearance rate for the crimes of murder, rape, robbery, aggravated assault, and burglary 59% above the national weighted clearance rate for these crimes, and 66% above the California weighted clearance rate for these crimes is achieved.		
- Percentage Above National Clearance Rate	59.00%	59.00%
- Percentage Above California Clearance Rate	66.00%	66.00%
* An average (mean) response time to emergency police calls for assistance of four minutes (from time received by dispatch), and an average (mean) response time to urgent police calls for assistance of seven minutes (from time received by dispatch) is achieved.		
- Number of Minutes/Emergency	4.00	4.00
- Number of Minutes/Urgent	7.00	7.00
* A dollar loss per citizen, due to property crime, at the prior three year average, adjusted for inflation is achieved.		
- Dollar Loss Per Citizen	$32.48	$32.48
* A community perception of safety rating of 85% is achieved.		
- Rating	85.00%	85.00%
* A customer satisfaction rating of 85% for Police Services is achieved.		
- Rating	85.00%	85.00%
* The Cost Efficiency Index is at 100.		
- Index	100.00	100.00

City of Sunnyvale
Program Performance Budget

Program 412 - Police Services

Service Delivery Plan 41201 Part 01 - Crime Control and Order Maintenance

Protect the lives, property and rights of all people, maintain public peace and order, resolve conflicts, and promote community confidence in the police, through prompt response to emergency and urgent calls for assistance, and appropriate police response to non-emergency situations that are either criminal, might become criminal if no action is taken, where criminality is uncertain, or where action is needed to prevent conditions that could erode public order, so that:

* A dollar loss due to crime at the prior three year average, adjusted for inflation is achieved.
* A return response to disturbances and conflicts is not required within six hours at least 90% of the time.
* Appropriate abatement action is taken on abandoned/nuisance vehicles within five days of being reported 90% of the time.
* A community perception of safety from crime and disorder rating of 85% is achieved.
* A customer satisfaction rating of 85% for Crime and Order Related Services is achieved.
* The Cost Efficiency Index is at 100.

	Costs	Products	Work Hours	Product Costs
Activity 412000 - Provide Police Patrol				
Product: Hours Patrolled				
FY 2000/2001 Adopted	$2,629,245.22	37,756.00	37,756.00	$69.64
FY 2001/2002 Recommended	$2,822,764.81	37,756.00	37,756.00	$74.76
Activity 412020 - Respond to Non-Emergency Calls				
Product: A Non-Emergency Call Responded To				
FY 2000/2001 Adopted	$2,285,752.27	52,000.00	32,570.00	$43.96
FY 2001/2002 Recommended	$2,435,282.58	52,000.00	32,570.00	$46.83
Activity 412030 - Respond to Urgent Calls				
Product: An Urgent Call Responded To				
FY 2000/2001 Adopted	$1,315,966.67	8,500.00	18,900.00	$154.82
FY 2001/2002 Recommended	$1,412,468.23	8,500.00	18,900.00	$166.17
Activity 412040 - Respond to Emergency Calls				
Product: An Emergency Call Responded To				
FY 2000/2001 Adopted	$295,960.56	2,000.00	4,250.00	$147.98
FY 2001/2002 Recommended	$317,874.79	2,000.00	4,250.00	$158.94

City of Sunnyvale
Program Performance Budget

Program 412 - Police Services

	Costs	Products	Work Hours	Product Costs
Activity 412050 - Provide Police Contracted Overtime				
Product: An Event Completed				
FY 2000/2001 Adopted	$37,978.52	75.00	670.00	$506.38
FY 2001/2002 Recommended	$41,706.51	75.00	670.00	$556.09
Activity 412060 - Provide Prisoner Transport				
Product: An Event Completed				
FY 2000/2001 Adopted	$132,401.09	1,850.00	2,162.00	$71.57
FY 2001/2002 Recommended	$142,330.48	1,850.00	2,162.00	$76.94
Activity 412250 - Provide Field Admin - SLES				
Product: Work Hours				
FY 2000/2001 Adopted	$147,735.47	1,870.00	1,870.00	$79.00
FY 2001/2002 Recommended	$138,811.03	1,870.00	1,870.00	$74.23
Activity 412350 - Crime Control and Order Maintenance				
Product: Work Hours				
FY 2000/2001 Adopted	$819,140.58	11,679.00	11,679.00	$70.14
FY 2001/2002 Recommended	$865,983.76	11,679.00	11,679.00	$74.15
Activity 412430 - AVASA Abatement Program				
Product: A Vehicle Abated				
FY 2000/2001 Adopted	$73,464.30	2,500.00	3,276.00	$29.39
FY 2001/2002 Recommended	$76,831.25	2,500.00	3,276.00	$30.73

Totals for Service Delivery Plan 41201 Part 01:	**Costs**	**Work Hours**
FY 2000/2001 Adopted	**$7,737,644.68**	**113,133.00**
FY 2001/2002 Recommended	**$8,254,053.44**	**113,133.00**

City of Sunnyvale
Program Performance Budget

Program 412 - Police Services

Service Delivery Plan 41201 Part 02 - Crime Prevention

Enhance the quality of life, prevent and reduce crime and demand for police services in neighborhoods, schools, business and industry, so that:

* The ratio of police calls for service per 1,000 population is at the prior three year average.
* The criminal offense recidivism rate for diverted juveniles is five percent.
* The residential burglary rate per 1,000 living units is at the prior three year average.
* The commercial burglary rate per 1,000 businesses is at the prior three year average.
* The ratio of businesses experiencing more than five false alarms in the previous 12 month period per 1,000 businesses is at the prior three year average.
* The three year average of drug usage of Sunnyvale high school age students is 10% below the three year national average.
* A customer satisfaction rating of 85% for Crime Prevention Services is achieved.
* The Cost Efficiency Index is at 100.

	Costs	Products	Work Hours	Product Costs
Activity 412070 - Provide Crime Prevention Services				
Product: A Participant Hour Completed				
FY 2000/2001 Adopted	$686,786.36	50,000.00	13,416.00	$13.74
FY 2001/2002 Recommended	$748,390.59	50,000.00	13,416.00	$14.97
Activity 412080 - Provide Crime Prevention Administration				
Product: Work Hours				
FY 2000/2001 Adopted	$176,246.00	3,648.00	3,648.00	$48.31
FY 2001/2002 Recommended	$188,562.11	3,648.00	3,648.00	$51.69
Activity 412090 - Provide School Liaison				
Product: A School Visit Completed				
FY 2000/2001 Adopted	$132,237.54	2,900.00	1,900.00	$45.60
FY 2001/2002 Recommended	$141,659.03	2,900.00	1,900.00	$48.85

City of Sunnyvale
Program Performance Budget

Program 412 - Police Services

	Costs	Products	Work Hours	Product Costs
Activity 412100 - Provide Juvenile Probation Services				
Product: A Juvenile Intervention Contact Made				
FY 2000/2001 Adopted	$64,102.33	4,500.00	1,814.00	$14.24
FY 2001/2002 Recommended	$68,000.98	4,500.00	1,814.00	$15.11
Activity 412360 - Crime Prevention				
Product: Work Hours				
FY 2000/2001 Adopted	$31,586.89	374.00	374.00	$84.46
FY 2001/2002 Recommended	$31,926.39	374.00	374.00	$85.36

Totals for Service Delivery Plan 41201 Part 02:	**Costs**	**Work Hours**
FY 2000/2001 Adopted	**$1,090,959.12**	**21,152.00**
FY 2001/2002 Recommended	**$1,178,539.10**	**21,152.00**

City of Sunnyvale
Program Performance Budget

Program 412 - Police Services

Service Delivery Plan 41201 Part 03 - Criminal Investigation

Solve crimes through the identification and successful prosecution of criminals, by conducting thorough criminal investigations, including the thorough collection and processing of physical evidence, so that:

* The average seven year clearance rate for murder is 91% above the California rate, and 67.8% above the national rate.
* The average seven year clearance rate for rape is 34% above the California rate, and 33% above the national rate.
* The average seven year clearance rate for robbery is 121% above the California rate, and 119% above the national rate.
* The average seven year clearance rate for burglary is 213.7% above the California rate, and 194.4% above the national rate.
* The average seven year clearance rate for aggravated assault is 22.2% above the California rate, and 28.3% above the national rate.
* The clearance rate for fraudulent documents is at the prior seven year average.
* The clearance rate for assigned grand theft/industrial espionage cases is at the prior seven year average.
* All narcotics/vice complaints reported by citizens are followed up within two weeks 90% of the time.
* An issuance rate by the district attorney's office at 95% is achieved.
* The Cost Efficiency Index is at 100.

	Costs	Products	Work Hours	Product Costs
Activity 412110 - Provide Investigations Administration				
Product: Work Hours				
FY 2000/2001 Adopted	$372,671.83	7,296.00	7,296.00	$51.08
FY 2001/2002 Recommended	$398,110.12	7,296.00	7,296.00	$54.57
Activity 412120 - Maintain Liaison with Court, District Attorney and City Attorney				
Product: Work Hours				
FY 2000/2001 Adopted	$63,126.25	907.00	907.00	$69.60
FY 2001/2002 Recommended	$67,627.51	907.00	907.00	$74.56

City of Sunnyvale
Program Performance Budget

Program 412 - Police Services

	Costs	Products	Work Hours	Product Costs
Activity 412130 - Appear in Court				
Product: Work Hours				
FY 2000/2001 Adopted	$240,588.85	3,396.00	3,396.00	$70.84
FY 2001/2002 Recommended	$261,578.61	3,396.00	3,396.00	$77.03
Activity 412140 - Provide Patrol Follow-Up Investigation				
Product: A Case Followed-Up				
FY 2000/2001 Adopted	$302,736.93	4,200.00	5,400.00	$72.08
FY 2001/2002 Recommended	$325,054.90	4,200.00	5,400.00	$77.39
Activity 412150 - Investigate Persons Crimes				
Product: A Case Investigated				
FY 2000/2001 Adopted	$997,382.86	900.00	15,375.00	$1,108.20
FY 2001/2002 Recommended	$1,070,730.96	900.00	15,375.00	$1,189.70
Activity 412160 - Investigate Property Crimes				
Product: A Case Investigated				
FY 2000/2001 Adopted	$340,243.19	1,400.00	4,886.00	$243.03
FY 2001/2002 Recommended	$365,401.99	1,400.00	4,886.00	$261.00
Activity 412170 - Conduct Vice/Narcotics Investigations				
Product: A Case Investigated				
FY 2000/2001 Adopted	$564,046.08	400.00	7,716.00	$1,410.12
FY 2001/2002 Recommended	$606,819.61	400.00	7,716.00	$1,517.05
Activity 412180 - Collect and Process Physical Evidence				
Product: A Case Investigated				
FY 2000/2001 Adopted	$821,704.13	4,695.00	10,664.00	$175.02
FY 2001/2002 Recommended	$873,070.51	4,695.00	10,664.00	$185.96
Activity 412240 - Conduct Crime Analysis				
Product: Reports				
FY 2000/2001 Adopted	$120,515.20	250.00	1,814.00	$482.06
FY 2001/2002 Recommended	$124,215.49	250.00	1,814.00	$496.86

City of Sunnyvale
Program Performance Budget

Program 412 - Police Services

	Costs	Products	Work Hours	Product Costs
Activity 412370 - Criminal Investigation				
Product: Work Hours				
FY 2000/2001 Adopted	$63,173.76	748.00	748.00	$84.46
FY 2001/2002 Recommended	$63,852.76	748.00	748.00	$85.36

Totals for Service Delivery Plan 41201 Part 03:	**Costs**	**Work Hours**
FY 2000/2001 Adopted	**$3,886,189.08**	**58,202.00**
FY 2001/2002 Recommended	**$4,156,462.46**	**58,202.00**

Totals for Service Delivery Plan 41201:		
FY 2000/2001 Adopted	**$12,714,792.88**	**192,487.00**
FY 2001/2002 Recommended	**$13,589,055.00**	**192,487.00**

City of Sunnyvale
Program Performance Budget

Program 412 - Police Services

Service Delivery Plan 41202 - Traffic Safety

Minimize injuries, deaths and property loss caused by collisions on public roadways by providing a safe and orderly flow of pedestrian, bicycle and vehicular traffic, to the satisfaction of citizens, so that:

Service Delivery Plan Measures	FY 2000/2001 Adopted	FY 2001/2002 Recommended
* A ratio of traffic collisions per million miles traveled at the previous three year average is achieved.		
- Ratio	2.80	2.80
* A ratio of collisions involving bicycles per million miles traveled at the previous three year average is achieved.		
- Ratio	0.10	0.10
* A ratio of collisions involving pedestrians per million miles traveled at the previous three year average is achieved.		
- Ratio	0.06	0.06
* A ratio of number of traffic collisions with injuries/fatalities per million miles traveled at the previous three year average is achieved.		
- Ratio	0.96	0.96
* Maintaining a dollar loss per citizen due to traffic collisions at the prior three year average.		
- Dollar Loss Per Citizen	$259.07	$259.07
* A traffic offense recidivism rate of diverted juveniles of five percent is achieved.		
- Rate	5.00%	5.00%
* Reports of chronic unsafe traffic conditions are followed up within seven days of receiving report 90% of the time.		
- Percent of Time	90.00%	90.00%
* All major injury/fatal collisions investigated, analyzed and findings/recommendations forwarded to traffic engineering within one month of collision 90% of the time.		
- Percentage of Findings/Recommendations	90.00%	90.00%
* A customer satisfaction rating of 85% for Traffic Safety Services is achieved.		
- Rating	85.00%	85.00%
* The Cost Efficiency Index is at 100.		
- Index	100.00	100.00

City of Sunnyvale
Program Performance Budget

Program 412 - Police Services

	Costs	Products	Work Hours	Product Costs
Activity 412190 - Provide Traffic Administration				
Product: Work Hours				
FY 2000/2001 Adopted	$164,295.18	2,545.00	2,545.00	$64.56
FY 2001/2002 Recommended	$177,979.46	2,545.00	2,545.00	$69.93
Activity 412200 - Provide Traffic Safety Education				
Product: Participant Hour Completed				
FY 2000/2001 Adopted	$1,120.44	100.00	20.00	$11.20
FY 2001/2002 Recommended	$1,036.88	100.00	20.00	$10.37
Activity 412210 - Conduct Collision Investigations				
Product: A Collision Investigated				
FY 2000/2001 Adopted	$396,970.85	1,900.00	5,700.00	$208.93
FY 2001/2002 Recommended	$426,532.75	1,900.00	5,700.00	$224.49
Activity 412220 - Provide Traffic Control/Direction				
Product: A Location Patrolled				
FY 2000/2001 Adopted	$349,385.09	6,760.00	26,109.00	$51.68
FY 2001/2002 Recommended	$496,710.72	6,760.00	26,109.00	$73.48
Activity 412230 - Provide Traffic Enforcement				
Product: A Traffic Stop Made				
FY 2000/2001 Adopted	$1,345,995.72	35,000.00	19,335.00	$38.46
FY 2001/2002 Recommended	$1,443,419.91	35,000.00	19,335.00	$41.24
Activity 412380 - Traffic Safety				
Product: Work Hours				
FY 2000/2001 Adopted	$408,958.04	5,838.00	5,838.00	$70.05
FY 2001/2002 Recommended	$431,838.71	5,838.00	5,838.00	$73.97

Totals for Service Delivery Plan 41202:	**Costs**	**Work Hours**
FY 2000/2001 Adopted	**$2,666,725.32**	**59,547.00**
FY 2001/2002 Recommended	**$2,977,518.43**	**59,547.00**

City of Sunnyvale
Program Performance Budget

Program 412 - Police Services

Service Delivery Plan 41298 - Allocated

Allocated costs.

Activity 412960 - Provide Management and Administration				
Product: Work Hours				
FY 2000/2001 Adopted	$331,021.78	3,069.00	3,069.00	$107.86
FY 2001/2002 Recommended	$348,664.25	3,069.00	3,069.00	$113.61
Activity 412970 - Provide Police Training				
Product: Work Hours				
FY 2000/2001 Adopted	$1,694,275.05	26,423.00	26,423.00	$64.12
FY 2001/2002 Recommended	$1,818,543.12	26,423.00	26,423.00	$68.82
Activity 412980 - Provide Patrol Supervision				
Product: Work Hours				
FY 2000/2001 Adopted	$761,351.71	10,919.00	10,919.00	$69.73
FY 2001/2002 Recommended	$809,755.21	10,919.00	10,919.00	$74.16

Totals for Service Delivery Plan 41298:	**Costs**	**Work Hours**
FY 2000/2001 Adopted	**$2,786,648.54**	**40,411.00**
FY 2001/2002 Recommended	**$2,976,962.58**	**40,411.00**

Totals for Program 412:		
FY 2000/2001 Adopted	**$18,168,166.74**	**292,445.00**
FY 2001/2002 Recommended	**$19,543,536.01**	**292,445.00**

FEDERAL TIMES

Reprinted from the April 9, 2001 Issue of FEDERAL TIMES

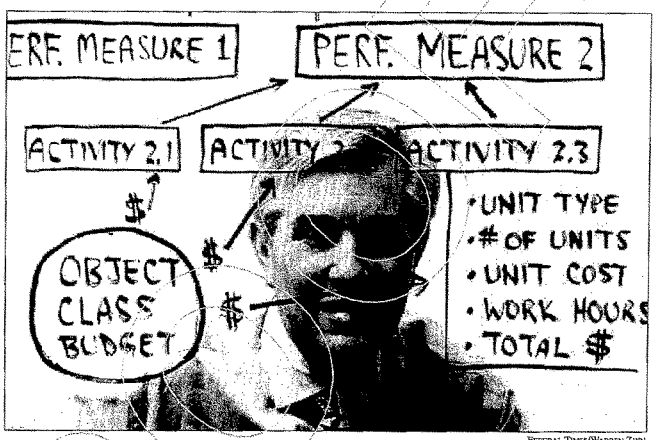
Consultant Crusades for Better Federal Performance

As the Bush administration presses agencies to link performance goals to their budgets, John Mercer's phone has been ringing off the hook.

Mercer has been working with agencies in applying the 1993 Government Performance and Results Act — the law that requires agencies to set goals and measure results against them — since he started as a consultant in 1998.

"All the departments have performance plans. I help them improve their plans," Mercer said. "A lot of their subunits don't have plans, so I help them develop plans."

There is good reason many a[illegible]es bring their performance reports to this soft-spoken, good-government guru: He helped write the law requiring the reports. At the time, he was an aide with the Senate Governmental Affairs Committee.



Consultant John Mercer helps agencies chart their paths to performance-based budgeting.

FEDERAL TIMES/WARREN ZINN

Today, Mercer is deputy director for government performance at Logicon Inc. of Herndon, Va., a supplier of information technology products and services.

He is considered by many a foremost expert on performance-based budgeting — a method of linking program results to budget requests that most agencies are trying to achieve.

Since the Bush administration took office, Mercer has briefed top-level executives at the Office of Management and Budget on how agencies should proceed with performance-based budgeting. One large department also is working with h[illegible]o develop a performa[illegible]based budget.

Most agencies are filing performance reports, which are supposed to show whether agencies are meeting their goals and what effect their programs are having on the country.

But for many agencies, tying performance levels to specific annual funding levels seems impossible.

Mercer disagrees.

In the 1980s, Mercer was mayor of Sunnyvale, Calif., a city of 130,000 in Southern California. There, he and other city officials established a performance-based budget that caught the attention of local, state and federal government officials from around the country.

"The federal government is different, of course, but there are principles that apply," Mercer said. "The same principles that apply to aerodynamics on a small, single-engine plane apply to a 747."

In Sunnyvale, city officials found they were able to map out on paper how tax dollars achieved certain results. As a result, tax rates dropped to one of the state's lowest and citizen satisfaction with local government skyrocketed.

Mercer, who once served as an aide to Rep. Charles Wiggins, R-Calif., returned to the federal government in 1988 as assistant secretary of the Housing and Urban Development Department.

There, Mercer tried to implement some of the performance-management practices that had proved successful in Sunnyvale. No luck.

"There was little interest," he said.

"So I started to think, 'Well, there ought to be a law!' "

In 1989, Mercer took a job as Republican counsel on the Senate Governmental Affairs Committee. After a few months, he presented his idea for the Results Act to Sen. William Roth, R-Del., and drafted a bill.

The incoming Clinton administration supported the bill and helped push it through Congress.

Unlike some previous government-reform bills, the Results Act shows no sign of fading. Though struggling, agencies still are to implement the act. The Bush administration has named performance management a top priority.

Mercer moved to Logicon — then Federal Data Corp. — in 1998. Since then he has been helping agencies retool performance-management systems in hopes that the federal government's management will be as efficient as Sunnyvale's.

Bill Landauer

IN PROFILE

Career highlight: "Proposing an idea for federal management reform and having the opportunity to develop it into a law — the Government Performance and Results Act."

One needed change to the federal government: "I would publish the Web-page address for the GPRA plans and reports of all federal agencies and major programs in the income tax guide sent out to the public every year."

Part of federal government most in need of reform: "Bringing greater transparency to the relationship between budget resources, day-to-day activities and program results through real performance-based budgeting."

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Mr. HORN. I take it Sunnyvale still uses those processes?

Mr. MERCER. Absolutely. Their most recent budget, an example from it—the budget they adopted this month—is the appendix. I use an example from police services. If you look at that, the appendix in my testimony, you will see what is frankly the most sophisticated performance-based budgeting system in the United States. Countries come from all over the world to look at it.

They're not going to stop that. It's very powerful stuff. The citizens love the fact that the level of result keeps going up and the cost of government drops steadily, and they get lots of attention.

Mr. HORN. Where would be the second or third or fourth city that would have this type of approach?

Mr. MERCER. Well, I don't know. Which is not to say that nobody does it now, but I know if they did, it's fairly recent. I don't know of any city that links it to day-to-day activities, so that in these performance budgets you see all of the work hours for all the employees covered, linked to activities. Somebody may have done that.

But just short of that, actually having goals and driving it down and that sort of thing, Phoenix, AZ, ought to be recognized. It's obviously a much larger city than Sunnyvale and was one of the co-winners of the Bertlesman Award for being the best-run city in the world. Christchurch, New Zealand, was the other one, and Phoenix, AZ.

Cities in the West with council-manager forms of government tend to be where you would want to look for examples. If you're looking at big cities, then San Diego and Dallas and cities like that. But if you're looking for the best of the best, well, it's Sunnyvale.

Mr. HORN. How about the State of Oregon, are you familiar with what they're doing?

Mr. MERCER. The Oregon benchmarks?

Mr. HORN. Right.

Mr. MERCER. Yes. I'm not familiar with what they're doing now. When I was counsel to the committee, I was familiar with what they were doing. It got a lot of publicity.

I was probably less impressed than most people that looked at it only because—not because their heart wasn't in the right place and they weren't a leader in a lot of this—they had lots and lots of measures for things; arguably, too many in some instances. But in any event—and they had a lot of input from the public in developing these—all that was very good.

But they didn't drive it down to the actual operations of the government. That is, you set—these are the benchmarks for where we want—certain indicators of health, education, whatever, to be 5 years, 10 years, 20 years from now for the State, that was a wish list. When I looked behind the curtain, I didn't see anything that said, OK, to get there 5 years from now here's what we have to do for each of the next 4, 5 years. And that means, you know, here's how many work hours we're going to apply to this task which will create this outcome, which should generate the outcome—at least we hope. That, they haven't done, so here's a great wish list; now let's go off about our business and hope we hit the targets.

Unless you drive it down—and in my opinion, you have to formally link it down to day-to-day activities—like I say, you've got to cascade it down. In Sunnyvale, there are task codes. There's a

five-digit task code for everything everybody does. And some people would look at that and say, that's overkill. I would say the proof is in the pudding. It works.

They do it right. And they drive down the unit cost of government. And they drive up performance because it's linked to day-to-day activities in a formal, meaningful way.

Mr. HORN. Mr. McTigue, the New Zealand plan has a lot of aspects of that, I gather. Could you give us a little idea of what would happen in Christchurch, let's say? Or the government generally? What did they do with their Ambassadors who have to account for everything in the embassy, or is it out of their pocket?

Mr. MCTIGUE. Can I just link it into something that Mr. O'Keefe said a few moments ago in a response to a question from you, Mr. Chairman? He was talking about the approach that the administration is taking at the moment in identifying very clearly the outcome, what is the issue that you're addressing; and then looking around at the multitude of different ways in which you might address that in making choices among those that might be biased, impacting that, and they might be quite different activities. That was at the heart of most of the reform of the central government of New Zealand. By looking just for exactly what is the outcome if it's dependency, then let's look at the variety of programs that impact dependency.

Then taking something that Mr. Mercer said, what we looked for was not really the unit cost, but the cost-per-unit of success which is slightly different, because some of these programs might have higher costs but better success rates or they might be dealing with a different cohort of people and the cost might be different. So we looked at costs-per-unit of success. And then what you left on the table was a decision for the elected politicians to make in terms of, is the value to the community in this program justified given the known level of success and the cost-per-unit of success. And in some cases the answer was yes.

I can give you a clear example from my own experience where there were two programs that were seeking additional funding, both designed to try and get people back into the work force. One of them was a very basic program that had a high success rate, 70 percent of their participants got back into work at a relatively low cost of $256 per week per person.

There was another program designed for at-risk youth that had a similar success rate, about 70 percent of their people went to work, but at a much higher cost, $932 per week per participant. The difference, though, was for those people who got jobs out of that youth program, their criminality rate dropped by 60 percent. That far outweighed the additional cost.

But what you had was all of the elements on the table, so that the political process was able to make a good decision and say, "yes, this program at four times the cost is good value because keeping people out of the criminal justice system more than compensates for that additional cost."

In the case of a place like Christchurch, it manages itself in a very similar way to that which has been outlined for Sunnyvale or for Phoenix. But it's a concentration on what are the essential services that the public needs and delivering those services in the best

possible way, using competition in many instances as a meaning of finding the best way of delivering the services; and in some instances, deciding that these are services that the government should no longer deliver, that there are other people who would be better or more appropriate to deliver these programs. And to a degree, that parallels some of the President's ideas with the concept of using faith-based organizations; not because they were faith-based, but just because they happened to have a very high success level in dealing with people in dependency, dealing with families that were at-risk and things like that.

It was their success level rather than the fact that they were faith-based. But that's what we're really looking for, who's the best provider, and the government should actually buy the services from the best provider of those services.

Mr. HORN. Mr. Mihm, what's your thinking now? Your colleagues in the General Accounting Office have spent a lot of time looking at these proposals. Can we learn anything from Sunnyvale, Christchurch, Oregon and the Mercatus Center of George Mason University?

Mr. MIHM. I think, Mr. Chairman, we can learn an awful lot from those examples. I have been fortunate to be involved in some of those studies. I certainly was very fortunate and honored to assist the subcommittee in its examinations of Australia and New Zealand management reforms a year—I guess 2 years ago.

One of the interesting points of the whole trend toward results-oriented management is that all the Western democracies and State and local governments are basically moving in the same direction, and that is despite differences in cultures and histories and forms of government, whether it be Western or Republican forms, as we have here. There is a worldwide trend basically toward a greater focus on results, a greater focus on trying to link performance and results as part of the budget of the appropriations process.

I would underscore a couple of points that you've heard, I think, running throughout the entire theme. The first is how important it is to bring good cost information, program cost information, performance information and budget information together. And the power of the management reforms that Congress has put in place were really begining to pay off, once those three actually come together.

The second point, though, is how difficult that is going to be. I was intrigued by the list that Mr. O'Keefe listed of the very high bar that they're going to have in order to accept programs into this new budget approach. I think it's great that bar is high. What I would remind us all, though, is the very difficult time that we all had with the performance budgeting pilots under GPRA.

I know this subcommittee worked—expended quite a bit of energy with OMB over the last 3 years to, first, get them to identify pilots and then, second, to find out what was going on for those. The bar for those pilots was much lower than what Mr. O'Keefe is suggesting. This is in no way saying you ought to adjust the bar.

Mr. HORN. My conclusion on that was that it was laughable.

Mr. MIHM. And one of the challenges that they had, sir, as you know, was just finding enough places around government that had

program cost information. And as a result, they did come up with some pilots that were perhaps not as robust or prominent as the authors envisioned when they wrote the provision for the performance budget pilot.

So I would just underscore that this really is the long haul. John and Morris have underscored that what's going on in Sunnyvale, and New Zealand began well over a decade ago. What's been impressive with the United States is that we've put the infrastructure in place just over the last half-dozen or so years, but we're still lagging behind the rest of the world in terms of being able to use that infrastructure to be making decisions.

Mr. HORN. So where do we go from here in terms of the General Accounting Office? You're doing another study now for Senator Thompson, I believe.

Mr. MIHM. Yes, sir. There's a couple of things that we're doing.

We're looking at each of the annual performance plans and reports, as the Senator indicated, for usually up to four or five key outcome areas for each agency, and will be reporting out in separate reports on each of the 24 largest agencies. Over the next basically 2 weeks or so those reports will come out. This is part of our commitment to move beyond—as we've all been discussing—questions of just compliance and quality with GPRA to more substantive discussions as to the value of GPRA to informed decisionmaking.

The second thing that we're continuing to do is look at the attention that agencies are paying to the major management issues. This subcommittee and certainly my colleagues back at the GAO, the Comptroller General, have invested an awful lot of attention and energy into making sure that agencies pay due attention to their major management problems; those high-risk areas to make sure there are people accountable for getting off those lists. This list has been around, as you know, since 1990 and many of these things have been on there right from the very beginning. We need to have people accountable for getting this thing off of there, so we don't have to come up each year and give the Congress a new and somewhat augmented list.

The third thing that we're doing is paying particular attention to human capital in the annual performance plans. Too often the human capital, the personnel aspect, has been seen as just yet another functional area to be stove-piped and, OK, we'll have the personnel office kind of write us some nice goals. And that's not to deprecate those; those can be important goals, but they're not integrated into the programmatic thinking that is taking place in the agencies.

Then, I guess the final area we are spending a lot of attention on are the performance management aspects, as to how do we specifically link programmatic outcomes to day-to-day difficulties within agencies? We've had a lot of discussion here about the budget aspect of that. We're focused on a lot of the incentives that are given to managers and how individual managers are held accountable.

Mr. HORN. The General Accounting Office has found that the agency use of performance information and decisionmaking has de-

clined since 1997. What do you think might have caused that decline and how might Congress help resolve the problem?

Mr. MIHM. Well, the finding that you're mentioning there is from our survey of Federal managers, and it is one of the most disturbing aspects of the responses that we get.

We surveyed managers in 1997 and again in 2000. As you indicate, we have got lower levels of reported use of performance information in a variety of very important categories, that is, managers using it to allocate resources, to set program priorities, to coordinate with cost-cutting programs, which has been a major topic of discussion here today.

And what was most disturbing about that, Mr. Chairman, is, we were asking, if you will, a methodologically impure question; that is, we were asking managers to report on themselves which—my colleagues have designed questionnaires saying, you never want to do that because you'll always get an inflated and more positive answer because you know people will try and give you what they think you want to hear—we still got bad responses so that kind of even heightened my concern on that. We're getting behind the data to try and find out what's going on.

I think one of the problems—there's a couple of things that can't be going on there. One is that we're—whereas in the early years of GPRA—that is, in 1993–94 up through 1997—we had an awful lot of attention, a lot of congressional attention, certainly a lot of attention, at least a lot of rhetorical attention, from OMB, over the last couple of years there hasn't been an equivalent level of attention.

It runs the very real risk of becoming, as Mr. O'Keefe was mentioning, a paperwork-driven exercise in agencies that becomes overly focused on measurement and not focused on what it really ought to be about, which is agencies in Congress engaging in conversations about, what are we trying to achieve, how are we doing and how are we improving performance? Which gets directly to the second part of your question, what can Congress do on this?

The single most important thing that Congress can do is continue to have oversight hearings like this, continue to bring up performance and performance-related questions and programmatic oversight when you meet with the people from GSA and the other committees under—or other agencies under this subcommittee's jurisdiction, and certainly in your appropriation capacities to start or to continue to ask performance-related questions during the budget process. People's hearts and minds will follow when they see congressional leadership on that and OMB leadership.

Mr. HORN. Couldn't you think of a sort of matrix-type questionnaire where you get the managers of the Federal Government to say not what they do, but what they think the other managers do? And I think we could get a lot of data from that, where they wouldn't be saying, I did it. Don't put bars in the State and all that. But it just seems to me that's the way to get at it and not say, "this is what I do or don't do, but my, you know, fellow manager does that."

Mr. MIHM. We did ask a series of questions related to that about the extent to which top leadership and their agency used performance information for a variety of tasks. We even asked questions,

and I've conveniently forgotten the responses, about whether or not they felt GAO was using performance information in assessing their progress. As I said, it can be newly forgotten, the responses to that particular question. But we do try and tease that out from them.

Mr. HORN. And have you identified any of the positive trends, as opposed to the negative trends between this year's performance reports and last year's? Is there anything that's making that difference?

Mr. MIHM. I think we're seeing a couple of things that are positive, in our view. We see—while the weaknesses in agency data certainly continues to be a very real problem—greater attention by agencies within their annual performance plans and reports to explaining those data limitations, to being able to tell Congress and other stakeholders and decisionmakers, here are the decision-making consequences of this poor data. So that's one positive achievement.

Second, we're seeing greater attention to cost-cutting programs and the need to effectively coordinate those cost-cutting programs—still very much a work in progress. We don't have the common performance measures for similar functions that Mr. McTigue and Mr. Mercer mentioned, but at least we're getting recognition that other agencies are involved.

Third, a lot of the effort that's been expended over the last few years to try and get agencies to articulate outcome-oriented sets of goals is beginning to pay off. We do have some—as Mr. O'Keefe mentioned, there are still the world peace or what typically is also known as the "end world hunger" goals where, you know, just give us more money and we promise hunger goes away.

I think those are becoming fewer and farther between. We are seeing greater understanding of agencies that they need to focus on results.

The real problem that we're still seeing within agencies is this linking daily activities, linking budgets, linking the use of resources to results that take place outside those agencies. That is still the fundamental struggle that they're facing.

Mr. HORN. The ability to link performance information to cost seems to be the common failure. What solution would you suggest?

Mr. MIHM. Well, I think one of the single most important things we need to do is to continue to put pressure on agencies to effectively implement the statutory framework that Congress has done.

In getting back a little bit to Mr. Putnam's question about, are there structural changes, my view is that Congress has done its part. It's now up to the executive branch agencies; and Congress can still do more and OMB can do more. It's up to them to step up to the plate.

Congress has made known, through FFMIA, that the cost accounting standards are to be implemented. As Mr. Mercer mentioned, we're still quite a ways away from there. We're still, as Mr. O'Keefe mentioned, quite a ways away from agencies even being able to produce clean audit opinion.

As you well know, we chair—the Comptroller General sits basically in this chair and explains why we offer a disclaimer on the government-wide financial statement.

So we need to still, as a Federal Government, continue to make progress in implementing the statutory framework, the tools that Congress has already given to agencies. We can explore whether other tools are needed, but that's the first step. Let's implement what Congress has already told us to implement.

Mr. HORN. Some of us believe in moving to a 2-year budget appropriations cycle. How does the Comptroller General of the United States feel about that? Do we know?

Mr. MIHM. I don't know sir. I know we have testified on it. And rather than give you something that I would have to correct for the record, let me go back, find out and then get back to you immediately with the proper answer.

Mr. HORN. We'll put it in the record at this point, without objection.

This will be my last question to you.

Some programs produce their benefits on an annual basis, while other government programs, such as those that conduct research and development, find it more difficult to estimate the timing of the scientific discovery. That's obvious—or the measure of a result from a research program.

And do you have any advice on how the government agencies that conduct these types of programs can provide meaningful performance metrics? And that would be Agriculture, NIH, HHS, some of the others, or social science and so forth; what's your feeling on that?

Mr. MIHM. Actually I'll start and say, there are provisions within the Government Performance and Results Act that allow for agencies to use qualitative goals, or even with the authorization of OMB, where it's characterized as the alternative form of measurement. The National Science Foundation is one agency.

At GAO we use a qualitative goal as the alternative form of measurement. That is exactly designed to get at situations where the performance, or the outcome, is exceedingly hard to measure and where the outcome takes place or can be achieved over years.

Just to really drive home the point you were making in the question, Mr. Chairman, I was once talking with someone from the National Science Foundation, and they put it to me in a very direct way; they said, how do we set annual performance goals this year for people who are going through post-doctoral fellowships in part funded or supported for National Science Foundation when their outcome will be the discovery of cures for diseases 20 and 25 years from now that we don't even know the name of yet, because the people that are now doing cutting-edge AIDS research were in post-doc programs before we even know AIDS existed? So how do we set goals like that?

Well, there has been work on that. And the National Science Foundation has done quite a bit of work on this alternative form of measurement.

The key thing that we advise agencies is, don't turn this into a technical debate. Sit down with Congress, sit down with the authorizers, sit down with the appropriators and your other stakeholders and develop a common understanding about how progress will be measured, what we're trying to achieve, how we're going to know we're on the right track. If agencies do that, then they've

done GPRA the way GPRA should be done and have not turned it merely into a measurement exercise.

Mr. HORN. You're very right on that. And that's exactly what we want to do.

Yes, Mr. Mercer.

Mr. MERCER. I'd like to respond to that same question. Two thoughts: First, to echo what Mr. Mihm just pointed out, that the statute actually does envision alternative forms of measurement other than objective, quantifiable, measurable, which is what it prefers first and foremost. In wrestling with the notion of, what kind of measurable goal would I expect from the State Department for some of its diplomacy programs, I knew I had to have an escape hatch in the legislation, something other than just throwing up your hands and saying, well, we can't measure anything.

So I took a whack at it, and it stayed in the law. It allows you to come up with something on your own, but getting approval from OMB first of all. Then it suggests one, and this is the one that's used.

It says, first define a successful program, you know, a written narrative, a subjective statement. And then, being a little queasy about leaving that in there just like that, thinking, well, you could write something—"we want to improve the quality of life of people living below the poverty level" or some mushy thing. It says, you have to have a second statement, and that is of a minimally effective program. In other words, presumably something that shows some positive value, but not enough that you could call it a success.

In other words, success had to be measured in context; and the context was something that was less by definition, less than successful, but not a total failure. Presumably, if it didn't meet either standard, then it would be a failure. It says, you have to write the definitions in terms that would allow an outside, objective analysis of looking at your program's results for the year to be able to determine which of those categories it fit into.

As Mr. Mihm points out, the National Science Foundation has made pretty good use of that. And, in fact, it's probably one of the most underutilized aspects of GPRA; and I hate to point it out, because I love to see measurable goals, but recognizing that's not always possible, especially for outcomes.

Mr. HORN. Could you get us that section of the law that you had something to say with? And we'll put it in the record at this point.

Mr. MERCER. Sure. I'll cite that.

But I'd like to answer more broadly because it's an answer I give, and it's almost tongue in cheek, but I'm just sort of overstating it, but it literally—there are some elements of truth to this test—when confronted with a program that says, there aren't ways, there are not any good ways to measure the effectiveness of what I do, when a manager says that for their program, then what we did in Sunnyvale—though we did it more delicately than I will state it here—you say to the manager, you're saying that the nature of this program that you manage is such that it's not easy to come up with measures of success?

He says, that's right.

Well, we pay you a pretty good salary; but it occurs to me that we could probably save ourselves a lot of money if we replaced you

with somebody that we pay half as much, get somebody in here pretty mediocre, because as you indicate, nobody could tell the difference.

Of course, at that point, the manager will start to give you ideas on how to measure effectiveness. Because if you let them say that this program can't have goals for effectiveness, then what you're really saying is, we can't tell the difference between excellence and mediocrity.

If they can't write down, using even the alternative format that GPRA allows, a clear distinction that an objective observer looking at the program could tell which category it fits into, if they can't tell the difference between excellence and mediocrity, then why don't we just slash our personnel budgets, hire a lot of mediocritites and nobody is going to know the difference. We will save ourselves some money.

That is usually a motivation for people to tell you what they're doing is really good, and you can measure it. Often it would be somebody else complaining about it.

Mr. HORN. Mr. McTigue.

Mr. MCTIGUE. Mr. Chairman, just very briefly, the first thing is that you should not absolve anybody from providing you with a measure just because what they do is difficult to measure. There are varieties of ways in which you can find surrogates which will show, maybe not the progress on a particular program, but the progress on a body of work, what's happening to the volume of knowledge that's being acquired in this area. And I think that's very appropriate for places like the National Cancer Institute, the science foundations, etc.

Getting into the detail that Mr. Mihm was referring to, in my view, is a way of trying to escape being measured. In the private sector, there's a huge range of measures that are used to look at research and development and technology development and taking into account risk and the fact that not all of the investments are going to produce a positive result.

So there is a whole body of knowledge there where the private sector also uses surrogate measures to be able to show whether or not there is value in these activities. So I think that it can be done. The thing that's important is that it should not be excused because it's difficult to do.

Mr. HORN. Thank you.

Mr. Mihm, anything to add?

Mr. MIHM. No, sir, unless you have additional questions.

Mr. HORN. If there are no additional comments, why we're now adjourned. The staff will be put together for Russell George, staff director/chief counsel; Bonnie Heald, director of communications; Earl Pierce, professional staff member; Scott Fagan, assistant to the committee; Chris Barkley, staff assistant; Alex Hurowitz, Ryan Sullivan, and Fariha Khaliq, interns.

Minority staff: Michelle Ash, minority counsel; Earley Green, assistant minority clerk; and Theresa Coufal, minority staff assistant.

And court reporter: Julie Thomas. Thank you, Julie, very much. We appreciate it.

[Whereupon, at 4:48 p.m., the subcommittee was adjourned.]

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