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PERFORMANCE, RESULTS, AND BUDGET DECISIONS

HEARING

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT EFFICIENCY AND FINANCIAL MANAGEMENT

OF THE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTH CONGRESS

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PERFORMANCE, RESULTS, AND BUDGET DECISIONS

TUESDAY, APRIL 1, 2003

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

The subcommittee met, pursuant to notice, at 2 p.m., in room 2154, Rayburn House Office Building, Hon. Todd Russell Platts (chairman of the subcommittee) presiding.

Present: Representatives Platts, Blackburn, Miller, Towns, and Maloney.

Staff present: Mike Hettinger, staff director; Dan Daly, counsel; Larry Brady and Kara Galles, professional staff members; Amy Laudeman, clerk; Mark Stephenson, minority professional staff member; and Jean Gosa, minority assistant clerk.

Mr. PLATTS. A quorum being present, this hearing of the Subcommittee on Government Efficiency and Financial Management will come to order. And we will begin with some opening statements and then we will get to the testimony of our witnesses.

Federal Government appropriation decisions have traditionally been based on three things: the amount of funding that a program received in the previous year, the President's request, and the policy preferences of Congress. A more appropriate approach, however, is for Congress to focus on whether Federal taxpayers are receiving a good return on the investment of their hard-earned dollars. Unfortunately, it is a longstanding and well-documented fact that many agencies are unable to provide substantial tangible evidence of the benefits the public receives for the money spent. Today's hearing is the second in a series of three hearings on the topic of "Governing With Accountability." In this hearing we will explore the value of the Government Performance and Results Act [GPRA], and the Program Assessment Rating Tool [PART], which share the goal of attempting to provide the information necessary for Congress to make performance-based budgeting decisions.

In 1993, Congress passed GPRA, also known as the Results Act. GPRA seeks to tie the funds an agency receives through the appropriations process to the agency's annual performance results.

GPRA, however, is only as good as the quality of the goals each agency sets for its programs. While some agencies have made good use of GPRA, it is unfortunate that some agencies still have not set appropriate goals. The performance plans and reports required by GPRA have to be more than just a paperwork exercise if Congress

is going to be able to make informed budgeting decisions based on these reports.

President Bush and his administration should be applauded for their strong commitment to tying budget decisions to performance. In furtherance of the budget and performance integration initiative in the President's Management Agenda, OMB has developed the PART. Unlike GPRA, which looks at agency-wide performance, PART examines the performance of individual programs. PART was used for the first time this past year, and the PART ratings for 234 Federal programs, representing over 20 percent of all Federal funding, were published in the fiscal year 2004 budget. While PART has the potential to be a very valuable tool for appropriators, more than half the programs examined receive grades of "results not demonstrated" because of inadequate performance goals or the lack of data to provide evidence of results.

While GPRA and PART are important tools for measuring performance, it is unclear how these tools compliment one another. In a recent forum on GPRA and PART, many Federal managers expressed frustrations with what they view as two overlapping measurement tools. They would much rather see one set of measurements with clear guidelines.

Our witnesses today will certainly provide us with valuable input on how Congress can help facilitate improvements in the quality of performance information. I am pleased to have with us today the Honorable Donna McLean, the Chief Financial Officer with the Department of Transportation; Mr. Paul Posner, the Director of Strategic Issues at the General Accounting Office; and the Honorable Maurice McTigue, who leads the Government Accountability Project at the Mercatus Center.

I look forward to your testimonies regarding the budget and performance integration.

[The prepared statement of Hon. Todd Russell Platts follows:]

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Opening Statement
Chairman Todd R. Platts
Subcommittee on Government Efficiency and Financial Management
April 1, 2003

Federal Government appropriations decisions have traditionally been based on three things: the amount of funding that a program received in the previous year, the President's requests and the policy preferences of Congress. A more appropriate approach, however, is for congress to focus on whether federal taxpayers are receiving a good return on the investment of their hard-earned dollars. Unfortunately, it is a long-standing and well-documented fact that many agencies are unable to provide substantial, tangible evidence of the benefits the public receives for the money spent. Today's hearing is the second in a series of three hearings on the topic of "Governing With Accountability." In this hearing, we will explore the value of the Government Performance and Results Act and the Program Assessment Rating Tool, which share the goal of attempting to provide the information necessary for Congress to make performance based budgeting decisions.

In 1993, Congress passed the Government Performance and Results Act - known as GPRA or the Results Act. GPRA seeks to tie the funds an agency receives through the appropriations process to the agency's annual performance results.

GPRA, however, is only as good as the quality of the goals each agency sets for its programs. While some agencies have made good use of GPRA, it is frustrating that some agencies still have not set appropriate goals. The performance plans and reports required by GPRA have to be more than just a paperwork exercise if Congress is going to be able to make informed budgeting decisions based on these reports.

President Bush and his Administration should be applauded for their strong commitment to tying budget decisions to performance. In furtherance of the budget and performance integration initiative in the President's Management Agenda, OMB has developed the Program Assessment Rating Tool or PART. Unlike GPRA, which looks at agency-wide performance, the PART examines the performance of individual programs. PART was used for the first time this past year, and the PART ratings for 234 Federal

programs, representing over 20% of all Federal funding were published in the fiscal year 2004 budget. While PART has the potential to be a very valuable tool for appropriators, more than half of the programs examined received grades of "results not demonstrated" because of inadequate performance goals or the lack of data to provide evidence of results.

While GPRA and PART are important tools for measuring performance, it is unclear how these tools compliment one another. In a recent forum on GPRA and PART, many Federal managers expressed frustrations with what they view as two overlapping measurement tools. They would much rather see one set of measurements with clear guidelines.

Our witnesses today will certainly provide us with valuable input on how Congress can help facilitate improvements in the quality of performance information. I am pleased to have with us today: The Honorable Donna McLean, the Chief Financial Officer with the Department of Transportation; Mr. Paul Posner, Director of Strategic Issues at the General Accounting Office; and Mr. Maurice McTigue who leads the Government Accountability Project at the Mercatus Center. I look forward to their testimonies regarding budget and performance integration.

Mr. PLATTS. And I am certainly now pleased to yield to the gentleman from New York, our ranking member, Mr. Towns, for the purpose of making an opening statement.

Mr. TOWNS. Thank you, Chairman Platts, for having this hearing today.

At its most basic level, performance budgeting requires linking agency performance information with budgetary decisions. When done correctly, performance budgeting would allow resources to be allocated according to an agency's stated goals and its results in meeting those goals.

Although the Government has undertaken several different management initiatives over the last 50 years, the Government Performance and Results Act has the potential to be the first to successfully link resources allocation with results. Nearing the 10-year anniversary of GPRA, I, along with Chairman Platts, have requested the U.S. General Accounting Office to take a thorough review of GPRA. I am hopeful the GAO will accept this request, and I look forward to reviewing the eventual results.

As part of the President's Management Agenda, the administration has developed its own initiative to integrate performance information with budgetary decisions. The Program Assessment Rating Tool was used to review about 20 percent of all Federal Government's programs for the 2004 budget.

As I stated in last week's hearing, successful management initiatives require a sustained and concerted effort. They must survive multiple administrations of different political parties. Understanding this, it is critical that performance budgeting uses and produces credible, reliable, and objective-based information. As the GAO stated in its written testimony, this type of information can shift budgetary discussions to what really matters, "lives saved, children fed, successful transition to self-sufficiently, and individuals lifted out of poverty."

I am concerned by the potential of some who may try to use performance budgeting to further an ideological agenda. For example, when evaluating a program that teaches comprehensive sexual education to reduce teen pregnancy, the program would be negatively evaluated because of its content and not its merits. If performance budgeting has any taint of such ideological agendas, it will have no credibility whatsoever.

I look forward to hearing from today's witnesses on the progress of both GPRA and the President's budgetary initiative, as well as how these two measures can work together.

On that note, Mr. Chairman, I yield back, and I am anxious and eager to hear from the witnesses.

Thank you, Mr. Chairman.

[The prepared statement of Hon. Edolphus Towns follows:]

Congressman Ed Towns
Subcommittee on Government Efficiency, and Financial Management: Performance, Results, and Budget Decisions
April 1, 2003

Thank you Mr. Chairman for holding today's hearing on performance budgeting. At its most basic level, performance budgeting requires linking agency performance information with budgetary decisions. When done correctly, performance budgeting would allow resources to be allocated according to an agency's stated goals and its results in meeting those goals.

Although the government has undertaken several different management initiatives over the last 50 years, the Government Performance and Results Act (GPRA) has the potential to be the first to successfully link resource allocation with results. Nearing the ten-year anniversary of GPRA, I, along with Chairman Platts, have requested the U.S. General Accounting

Office to take a thorough review of GPRA. I am hopeful that the GAO will accept this request and I look forward to reviewing the eventual results.

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matters, "lives saved, children fed, successful transition to self-sufficiently, and individuals lifted out of poverty."

I am concerned by the potential of some who may try to use performance budgeting to further an ideological agenda. For example, when evaluating a program that teaches comprehensive sexual education to reduce teen pregnancy, the program would be negatively evaluated because of its content and not its merits. If performance budgeting has any taint of such ideological agendas, it will have no credibility at all.

I look forward to hearing from today's witnesses on the progress of both GPRA and the President's budgetary initiative as well as how these two measures can work together.

Mr. PLATTS. Thank you, Mr. Towns, for your opening statement.

Before we bring the witnesses forward, I would just like to recognize Ms. Blackburn and Ms. Miller for joining us. I appreciate your attendance here today and participation.

If I could ask our witnesses now to come forward, and we will administer the oath. And also any individuals who will be assisting, guiding the witnesses as part of their testimony here today, if they could also stand to take the oath.

[Witnesses sworn.]

Mr. PLATTS. Thank you.

And the clerk will note that the witnesses all affirmed the oath.

And I would like to now proceed directly to the testimony, so, Ms. McLean, we will begin with you, followed by Mr. Posner and Mr. McTigue. The subcommittee certainly appreciates the substantive written testimonies that each of you have provided.

And I think I mentioned, Ms. McLean, I appreciate having those ahead of time to be able to do what I call my midnight homework, when I do my best work.

But we have had a chance to review those, and we would just ask that you limit your opening testimony to no more than 5 minutes here today.

Ms. McLean, if you would like to begin?

STATEMENTS OF DONNA MCLEAN, ASSISTANT SECRETARY OF TRANSPORTATION FOR BUDGET AND PROGRAMS AND CHIEF FINANCIAL OFFICER, DEPARTMENT OF TRANSPORTATION; PAUL POSNER, DIRECTOR, STRATEGIC ISSUES, U.S. GENERAL ACCOUNTING OFFICE; AND MAURICE MCTIGUE, DIRECTOR, GOVERNMENT ACCOUNTABILITY PROJECT, MERCATUS CENTER AT GEORGE MASON UNIVERSITY

Ms. MCLEAN. Great. Thank you very much.

Thank you for the opportunity to speak before you today. My testimony will address the Budget and Performance Integration Initiative and will provide an update on the administration's overall efforts to integrate budget and performance. The Budget and Performance Integration Initiative is one of five governmentwide initiatives instituted by the President. I will explain how this Initiative, along with the Program Assessment Rating Tool [PART], as you have already discussed, is helping us improve our review of the Federal budget.

The Budget and Performance Integration Initiative is intended to build the results-oriented Government envisioned by the President by ensuring that Federal resources are directed to programs that work and that programs that do not perform are either reformed or ended. Through the Budget and Performance Integration initiative, we are changing the dialog about funding to focus on what can be achieved with the total funding a program receives. The administration has developed a traffic light grading system to track how well the Federal departments and agencies are executing the President's Management Agenda. While no "green" scores have been achieved in this initiative, nine agencies, including the Department of Transportation, have earned a "yellow" status score.

To make the relationship between funding and performance more transparent and understandable, several agencies have begun

modifying their preparation and presentation of their budgets to clarify how proposed funding relates to performance goals and outcomes. At the Department of Transportation, we redesigned both the budget preparation process and presentation of the budget submissions so that the information on performance goals and targets for each program could be connected directly into the traditional budget account formats. By changing our review process this way, we identified ways to enhance the effectiveness of existing programs without necessarily requesting additional resources.

Although we have made significant strides in integrating budget and performance data, we also acknowledge that program performance results for some Federal programs are still uncleared or not measured. The administration has developed the PART to improve the quality of performance information overall, to inform decision-making and, most importantly, to improve program performance.

The PART essentially is a questionnaire that assesses the program's purpose, its design, its strategic planning, its management, and its results and accountability. It is designed so that the burden is on the program to demonstrate performance. If there is no solid positive supporting evidence, the PART result is deemed not favorable and the program receives a lower PART rating. The requirement for evidence supports the principle that Federal managers must be accountable for effectively designing and managing their programs.

For the 2004 budget, the PART was used to rate the performance of 234 Federal programs, covering approximately 20 percent of the total Federal budget. This first effort confirmed a longstanding suspicion: half of the programs assessed were unable to demonstrate results. Despite the fact that agencies have been reporting on performance under the Government Performance and Results Act [GPRA], since 1999, many still do not have performance measures that clearly relate program goals to outcomes in a way that facilitates accountability. The administration's application of the PART will improve performance reporting, making it more focused, more credible, and more useful.

It is also important to note that the PART is intended to enrich budget analysis, not supplant it. Numerous factors are considered when developing a budget: policy goals, economic conditions, external factors, and other variables. And they will continue to be considered along with performance. So while one of the goals of the budget and performance integration initiative is to have performance-derived budget decisions, there may be cases where a high performing program could not achieve improved results with additional funding, and, thus, there is no justifiable reason to increase funding.

In addition to supporting funding decisions, the use of the PART also supports management actions and legislative proposals included in the President's budget. For example, the PART review for the Federal Aviation Administration's Airport Improvement Program supported restructuring that we believe will strengthen the program's ability to focus Federal resources where they have the greatest impact. There are similar examples relating to other agencies throughout the budget.

The PART has its shortcomings, but based on a first year's experience, the administration believes this process is beginning to work and over time will boost the quality of Federal programs and provide taxpayers with more and better results for their tax dollars. Despite its already significant contributions toward integrating budget and performance, the PART is still a work in progress.

Thank you, Mr. Chairman, for inviting me to discuss the administration's effort to improve budget and performance integration and how the PART process is helping us make improvements in the review of Federal programs. Thank you. I would be happy to answer any questions.

[The prepared statement of Ms. McLean follows:]

TESTIMONY OF DONNA MCLEAN

ASSISTANT SECRETARY OF TRANSPORTATION FOR BUDGET AND

PROGRAMS AND CHIEF FINANCIAL OFFICER,

DEPARTMENT OF TRANSPORTATION

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT EFFICIENCY

AND FINANCIAL MANAGEMENT

COMMITTEE ON GOVERNMENT REFORM

UNITED STATES HOUSE OF REPRESENTATIVES

APRIL 1, 2003

Thank you for the opportunity to meet with you today. My testimony will address the Budget and Performance Integration Initiative and will provide an update on the Administration's overall efforts to date to integrate budget and performance. I will explain how the five government-wide initiatives help us improve our review of Federal budgets and programs including a discussion on the Program Assessment Rating Tool (PART). Although my testimony will focus on the government-wide activities in support of the budget and performance integration initiative, I have included some observations from my perspective as the person responsible for implementing this initiative at the Department of Transportation.

I understand that at last week's hearing you received an update on the President's Management Agenda overall and the use of the Executive Branch Scorecard to rate agency performance each quarter. In summary, the Administration has seen strong progress, but there is much work to be done. Many of the problems we are working to correct will require years of sustained effort, but we remain committed to the Agenda and we know that we can achieve its goals. As OMB staff reported at last week's hearing, the President's Management Initiatives Scorecard is working. I can tell you from my perspective at the Department of Transportation, the scorecard with its clear goals, specific work plans, and regular feedback is driving improvements in our programs. At DOT, we take our scorecard ratings very seriously and Secretary Mineta expects that his managers will achieve results. This tool is helping us to achieve identified results in an effective way while creating a culture of accountability for Federal program managers.

Background

The Budget and Performance Integration Initiative is intended to build the results-oriented government envisioned by the President by ensuring that Federal resources are directed to programs that work and that programs that do not perform are either reformed or ended. The Administration has developed a "traffic light" grading system to track how well Federal departments and agencies are executing the President's Management agenda. While no "green scores" have been achieved in this initiative, nine agencies, including Transportation, have earned "yellow" status scores. Although we've seen strong improvement in this area throughout the Executive Branch, the Budget and Performance Integration initiative in some ways represents a departure from the way the government has typically operated. In the past, discussions about program funding levels have presumed an automatic annual increase, as if obtaining additional funding itself were a measure of performance. Through the Budget and Performance Integration initiative, we are working to change the dialogue about funding to focus on what can be *achieved* with the funding a program receives. Agencies are increasingly using performance information and anticipated results to justify their budget requests – and not just requests for additional funding -- but their *total* budget requests. As a result, the process encourages innovative thinking, program restructuring and realignment, and redirection of funds within current budget levels.

Performance-Based Budgets

In an effort to make the relationship between funding and performance more transparent and understandable, several agencies have begun to modify the preparation and presentation of their budgets to make clear how proposed funding relates to performance goals and outcomes. For example, at the Department of Transportation we have organized our budget submissions in such a way that the link between additional resources and improved performance is apparent. This was accomplished by redesigning both the budget preparation process and presentation of budget submissions so that information on performance goals and targets for each program could be cross-walked directly into traditional budget account formats. This new format provided an opportunity for us to consider how requested budget increases for DOT Operating Administrations would impact DOT's performance goals and Strategic Plan. We found that by changing our review process in this way, we could identify ways to enhance the effectiveness of existing programs without necessarily requesting additional resources.

For example, in reviewing the FY 2004 budget request for the Federal Transit Administration, the performance data information played a significant role in restructuring FTA programs in ways that we believe will improve the programs performance without requesting additional resources. By consolidating a myriad of transit programs in order to give the States and localities additional flexibility to better meet the mobility needs in their communities, the President's Budget request reflects an FTA program that tracks more closely to its core missions. At the same

time this consolidation has the added benefit of reducing the administrative burden on grantees, since fewer separate grant applications would be required. As a result, we expect FTA to be able to deliver an improved program without a major funding increase.

Similarly, during the FY 2004 budget process, the Federal Motor Carrier Safety Administration's budget presentation was restructured from three accounts into two so that performance goals and budget resources related to highway safety goals were clearly distinguished.

These are just two examples within the President's request for Transportation programs where a stronger link between budget and performance data has improved our assessment of programs. While my comments have focused on our experience at the Department of Transportation, other agencies are taking comparable steps to improve their budget presentations.

Program Rating Assessment Tool – the "PART"

Although we have made significant strides in integrating budget and performance data, we also acknowledge that program performance measures for some Federal programs are still unclear or not measured. Some of these programs have performance measures that do not support the intended program outcomes. Some are only measuring their programs' outputs and have never examined whether those outputs actually result in or support the intended program outcome. The effective use of performance information to drive budget decision-making requires informative and credible performance measures. To address these concerns, the Administration has developed a Program Assessment Rating Tool -- the PART -- to improve the quality of performance information overall, inform program decision-making, and most importantly, to improve program performance.

The PART is essentially a questionnaire that is applied to a program to assess its purpose and design, strategic planning, management, and results and accountability. The PART uses a consistent approach to rate the performance of Federal programs against a high "good government" standard while providing some flexibility to allow for the unique aspects of programs. The tool was developed to generate impartial findings that are easy to understand, credible, and useful. The detailed analysis that supports the ratings is publicly available on the OMB website so that interested parties may review it and bring other relevant information to bear.

The PART is designed so that the burden is on the program to demonstrate performance. Absent solid evidence to support a positive answer, the answer is deemed not favorable and the program receives a lower rating. The requirement for evidence supports the principle that federal managers must be accountable for justifying that their programs are well designed and well managed.

The PART was developed through an open, consultative process. An initial version of the PART was released for public comment in May 2002. It was reviewed by a number of independent groups including the Performance Measurement Advisory Council, chaired by former Deputy Secretary of Transportation Mortimer Downey; a group from the President's Council on Integrity and Efficiency; and the National Academy of Public Administration. The President's Management Council approved the final version this past July.

For the FY 2004 Budget, the PART was used to rate the performance of 234 Federal programs, covering approximately 20 percent of the total Federal budget. The burden of proof is based on program results. Programs without demonstrated results, because they have failed to establish adequate performance measures or have no supportive performance data, received a rating of "Results Not Demonstrated". Other possible ratings were "Effective", "Moderately Effective", "Adequate", and "Ineffective".

This first use of PART confirmed a longstanding suspicion – more than half of the programs assessed were unable to demonstrate results. Despite the fact that agencies have been reporting their performance under the Government Performance and Results (GPRA) Act since 1999, many still do not have performance measures that relate program goals to outcomes the public would expect the programs to generate. In implementing GPRA, the government has not fully met the spirit of the law. While GPRA has resulted in the generation of many reports, few have been useful to policy makers. In addition, we do not have evidence that GPRA has resulted in improved performance. Through the use of the PART, the Administration aims to improve performance reporting by making it more focused, credible and useful. We also aim to make performance really matter, as Congress intended when it passed the GPRA in 1993.

As I mentioned at the outset, one goal of the Budget and Performance Integration Initiative is to have performance drive budget decisions. The purpose of the PART, however, is to enrich budget analysis, not supplant it. The relationship between a program's PART rating and its funding level is not formulaic. Lower ratings do not automatically translate into funding cuts just as higher ratings do not always result in increased funding. Numerous factors are considered when developing a budget – policy goals, economic conditions, external factors, and other variables – and they will continue to be considered *along with* performance. There may be a case when a high performing program could not achieve improved results with additional funding so that there is no justifiable reason to increase funding. It is also important to remember that efficiency improvements can increase productivity, that improved performance can be achieved through other means besides increasing funding. As a result, the PART encourages the use of measures to assess and improve program performance.

During the FY 2004 budget process, information provided in the PART was used to support funding decisions for many programs. The National Weather Service,

which received an "Effective" rating during the PART assessment, received a $48 million increase over the President's FY 2003 request. Similarly, the Department of Health and Human Services' Health Centers program received an effective rating during its PART assessment that resulted in an additional $169 million in additional funding above the President's FY 2003 request for this program.

The PART also aided in addressing deficiencies in several programs. The Department of Agriculture's Wildland Fire Management program was an example of a program for which current program results could not be rated. The President's FY 2004 Budget request included $173 million to improve accountability for firefighting costs, and to assist the program in allocating resources more effectively.

Finally, the PART process also assisted in making decisions to reduce funding because of poor performance. The Department of Education's Vocational Education State Grants program was reduced by $180 million and the Department of Education was directed to reform the program to make grant funding contingent on a rigorous assessment of student outcomes.

In addition to supporting funding decisions, the use of the PART also informed numerous management actions and legislative proposals described in the President's Budget. For example, the PART review of the Federal Aviation Administration's Airport Improvement Program, supported the view that the program's structure should be reviewed and possibly restructured to direct more funds to small and medium airports. As a result of the PART evaluation, the Department's recently transmitted aviation reauthorization bill "Centennial of Flight Aviation Authorization Act" is seeking to restructure the AIP program along the line of the PART recommendation and strengthen the program's ability to focus Federal resources where they will have the greatest impact. There are similar examples relating to other agencies throughout the budget.

In addition to these achievements, the PART has successfully reinvigorated discussions about performance and accountability. The process of completing the PART, with agencies and OMB staff working together to gather and analyze the data, was probably more valuable than the initial results. Through this process, the Administration critically examined programs and not only identified strengths and weaknesses, but tried to understand why certain programs are performing and others are not. As this effort matures, it will provide a wealth of information on best practices that can be shared throughout the government to improve performance overall.

PART reviews will be conducted earlier this year so that agencies can use the information provided through PART to frame their budget submissions to OMB. To support and enhance the PART analysis, the Administration is working to develop cross-cutting performance measures for programs that work toward shared goals. One area where this has been implemented is job training; cross-cutting performance measures were used to assess the number of program participants who entered

employment, retained employment, and increased their earnings. These measures were used in the PART review of programs in both the Departments of Labor and Education. The resulting data will facilitate comparisons between programs to help understand differences in performance and the root causes with the goal of improving program performance overall.

The PART has its shortcomings, but based on the first year's experience, we believe this process is beginning to work and over time will boost the quality of Federal programs and get the taxpayers more and better results for their tax dollars.

While PART has already made significant contributions towards integrating budget and performance, it is still a work in progress. The Administration is currently identifying the next set of programs that will be rated using the PART for the FY 2005 President's Budget and we welcome your suggestions for programs to review using this tool. The overall goal is to rate an additional 20 percent of Federal programs each year until we are rating all programs by FY 2008.

Conclusion

The Administration has already begun to see the differences motivated by the Budget and Performance Integration Initiative. In addition to including information on PART ratings and explaining how they support proposals throughout the Budget, the FY 2004 President's Budget includes a new volume that provides summaries of all PART program assessments and the detail supporting these summaries is available at OMB's website.

While the Budget and Performance Integration Initiative focuses on improving performance reporting and supporting performance-based budgeting, these are only means to an end. The greater goal is to improve program performance and give the American taxpayers a better value for their tax dollar. Through the PART we have another means to identify effective programs. Central to this effort is establishing a culture of accountability where programs demonstrate their results.

Thank you Mr. Chairman for inviting me to discuss the Administration's effort to improve budget and performance integration and how the PART process is helping us make improvements in the review of Federal programs.

Mr. PLATTS. Thank you, Ms. McLean, and we will come back to the whole panel for questions.

And I would just note, before we get to Mr. Posner, that in our hearing last week on the President's Management Agenda and the traffic light approach, that while the Department of Transportation is still "yellow" or "red" in where you are, that you are "green" in all five governmentwide initiatives as far as making progress, and that is great to see.

Ms. MCLEAN. That is correct. Thank you.

Mr. PLATTS. Mr. Posner.

Mr. POSNER. Thank you, Mr. Chairman.

I want to first talk about the performance of GPRA itself. Based on the 60-year checkered history we have with management reform initiatives, GPRA's survivability and sustainability is truly remarkable; survived two different administrations, a strong interest by some in the Congress; and that is a tribute to everybody here in the Congress and certainly in the executive branch.

The challenge we face at the 10-year anniversary here is that in some ways we are at a crossroad. We built the bridge, and we need now to have people walk across it. And so the challenge for us is how do we use the wealth of information and data, which we still have a long way to go, in decisionmaking and in management. That is where GPRA required a link to the resources. It is not enough just to do plans and measures; you have to figure out a way to link it to the things that really matter to people.

It is always difficult to define strategic goals and strategic plans in a broad-based program or agency, even more difficult to specify outcomes, but particularly difficult as the stakes get large when you apply it to the resources, where there are real winners and real losers that are determined based on how you define your measures.

I want to devote my testimony to talk about what is performance budgeting and what isn't, and how would we know it if we saw it, and how do you sustain this initiative. And the very first thing I want to talk about is that frequently the management reforms we care most about flounder on the grounds of disillusionment because they are premised on the wrong expectations.

One important thing about performance budgeting is it is not an automatic process. We can't put the budget on automatic pilot and say if a program does well, it gets more money; if it does poorly, it gets less money. It doesn't take the judgment out of budgeting; in fact, it makes it harder, because the stakes get larger when you are talking about outcomes and people's lives. That is most important.

So rather than thinking about performance budgeting as a mechanical link, what you have to think about, to me, is what you get out of performance budgeting is raising new questions. You want to raise performance questions for decisionmakers to answer, but there are lots of other things affecting budgeting: priorities, needs, equity considerations, and the like. But you want to have performance be a factor, and an important factor. And when you look at the PART, the administration itself has defined this in important ways. And a lot of the results of the first year PARTs were not just budgeting, they were management reforms in key areas, and that

is important to think about so that we don't set the bar unrealistically high.

The second point to sustain this initiative is as you apply performance frames to the budget, you have to go in armed with credible information, with goals where there is a consensus among the stakeholders about what you are trying to do; otherwise, the temptation to distort measures is too great as you apply it to budgeting. Developing reliable data on outcomes, developing good evaluation studies is a long-term proposition. We are still, in many agencies, not there yet in evaluation. Evaluation is still a field that, compared to other management disciplines, is not as strong, and we need a lot of work to improve resources, improve the focus that agencies place on evaluation of their programs.

The third key element is sustaining demand. Once we build the credible measures, you have to have some use for it, as we have said, and this is where PART comes into play; it really represents a shift from what someone had called a passive strategy of developing plans and hope people use them, to an active strategy of force-feeding them into the budget. And that is an important issue. We are starting a review for you and others on this, and we hope to have some results as we meet with OMB and the other agencies.

The fourth issue is a little less glamorous or less easy to summarize, but it is really how we develop an infrastructure of performance budgeting to sustain this in the agencies and in the budget process itself, and we can talk about this some more. But basically I have given you a handout each of you has that shows that really there are stovepipe management disciplines in each agency that the budget has one set of orientations and accounting structures, performance planning has a second, and the financial statements have a third. And in most agencies these are not connected, these are not harmonized, and what we have been doing with GPRA is to figure out a way to have these different disciplines talk to each other and be cross-walked. And that is a major challenge we face in the agencies; it is one where financial managers, budgeteers, and planners have to learn to talk to each other so that the information across all those disciplines can be shared and inform the different enterprises we are talking about.

The next page illustrates the HUD performance plan and budget—the budget accounts are on the left, the performance plan goals are on the right. It shows that HUD has better in actually showing how many dollars are associated with each of their strategic goals. This was not an easy process, but it is the kind of thing that has to start taking place for performance goals to infuse themselves into the way we make budget decisions; and that is really the goal that we are seeking here.

The final point simply is that performance has to ultimately, hopefully, inform the way we make budget tradeoffs. Once we focus more on outcomes, the goal would be to focus our budget toward how we consider related programs and tools, not just an individual program, but across many stovepipes and many agencies; and, more importantly, how we take programs to their base and re-ex-

amine what they are doing, not just the increments, but the base itself. Those are two important values that performance can lend to making our budget process a more fulsome enterprise.

Thank you.

[The prepared statement of Mr. Posner follows:]

United States General Accounting Office

GAO

Testimony

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PERFORMANCE BUDGETING

Current Developments and Future Prospects

Statement of Paul L. Posner, Managing Director
Federal Budget Analysis, Strategic Issues

GAO-03-595T

GAO
Accountability • Integrity • Reliability
Highlights

Highlights of GAO-03-595T report to the Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform, House of Representatives

Why GAO Did This Study

Since the Government Performance and Results Act (GPRA) was enacted in 1993, federal agencies increasingly have been expected to link strategic plans and budget structures with program results. The current administration has taken several steps to strengthen and further the performance-resource linkage by making budget and performance integration one of its five management initiatives included in the President's Management Agenda.

GAO has reported and testified numerous times on agencies' progress in making clearer connections between resources and results and how this information can inform budget deliberations. The administration's use of the Program Assessment Rating Tool (PART) for the fiscal year 2004 President's budget and further efforts in fiscal year 2005 to make these connections more explicit, have prompted our examination of what can and cannot be expected from performance budgeting.

www.gao.gov/cgi-bin/getrpt?GAO-03-595T.

To view the full testimony, click on the link above. For more information, contact Paul Posner at (202) 512-9573 or posnerp@gao.gov.

April 1, 2003

PERFORMANCE BUDGETING

Current Developments and Future Prospects

What GAO Found

Performance management is critical to delivering program results and ensuring accountability, but it is not without risks. Building on agencies' hard-won achievements in developing plans and measures, the government faces the challenge of promoting the use of that information in budget decision making, program improvement, and agency management. More explicit use of performance information in decision making promises significant rewards, but it will not be easy. Decision makers need a road map that defines what successful performance budgeting would look like, and identifies key elements and potential pitfalls.

Credible performance information and measures are critical for building support for performance budgeting. For performance data to more fully inform resource allocation decisions, decision makers must feel comfortable with the appropriateness and accuracy of the outcome information and measures presented—that is, that they are comprehensive and valid indicators of a program's outcomes. Decision makers likely will not use performance information that they do not perceive to be credible, reliable, and reflective of a consensus about performance goals among a community of interested parties. The quality and credibility of outcome-based performance information and the ability of federal agencies to evaluate and demonstrate their programs' effectiveness are key to the success of performance budgeting.

Successful performance budgeting is predicated on aligning performance goals with key management activities. The closer the linkage between an agency's performance goals, its budget presentation, and its net cost statement, the greater the reinforcement of performance management throughout the agency and the greater the reliability of budgetary and financial data associated with performance plans. Clearer and closer association between expected performance and budgetary requests can more explicitly inform budget discussions and shift the focus from inputs to expected results.

The test of performance budgeting will be its potential to reshape the kinds of questions and trade-offs that are considered throughout the budget process. The real payoff will come in strengthening the budget process itself. The focus on outcomes potentially can broaden the debate and elevate budget trade-offs from individual programs to a discussion of how programs work together to achieve national goals. It is critical to understand how programs fit within a broader portfolio of tools and strategies for program delivery. Shifting perspectives from incremental budgeting to consideration of all resources available to a program, that is, base funding as well as new funds, potentially can lead to a reexamination of existing programs, policies, and activities. Prudent stewardship of our nation's resources is essential not only to meeting today's priorities, but also for delivering on future commitments and needs.

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss efforts to further integrate budget and performance information—what many have referred to as "performance budgeting." Since the Government Performance and Results Act (GPRA) was enacted in 1993, federal agencies have been increasingly expected to focus on achieving results and to demonstrate, in performance plans and reports, how their activities help achieve agency goals. The current administration has taken several steps to strengthen and further performance-resource linkages for which GPRA laid the groundwork. For example, the Office of Management and Budget's (OMB) Program Assessment Rating Tool (PART), has been designed to use performance information more explicitly in the federal budget formulation process by summarizing performance and evaluation information. The administration applied this new tool to about 20 percent of the programs in the fiscal year 2004 President's budget request. Most recently, OMB required agencies to submit a performance-based budget for fiscal year 2005 and later years.

Given this effort to change the presentation of the President's budget request to explicitly connect agencies' budget and planning structures, it is crucial to understand what can and cannot be expected from performance budgeting, and what opportunities and challenges lay ahead.

In my testimony today I make several points:

- Performance management is critical to delivering program results and ensuring accountability, but it is not without risks.
- In a sense decision makers need a strategic plan for performance budgeting—a road map to define what performance budgeting would look like.
- The presence of credible performance information and measures is a critical underpinning for building support for performance budgeting.
- Successful performance budgeting is predicated on aligning performance goals with key management activities.
- Ultimately, the test of performance budgeting will be its potential to reshape the kinds of questions and trade-offs that are considered throughout the budget process.

This testimony draws upon our wide-ranging ongoing and completed work on federal budget and performance integration; the President's *Budget of the U.S. Government, Fiscal Year 2004;* and performance management initiatives. We conducted our work in accordance with generally accepted government auditing standards.

Current Performance Budgeting Initiatives Are Grounded in Past Efforts

An Historical Perspective

In the 1990s, Congress and the executive branch laid out a statutory and management framework that provides the foundation for strengthening government performance and accountability, with GPRA as its centerpiece GPRA is a continuation of more than 50 years of efforts to link resources with results. These management reforms of the past—the Budget and Accounting Procedures Act of 1950, Planning-Programming-Budgeting-System, Management by Objectives, and Zero-Base-Budgeting—failed partly because they did not prove to be relevant to budget decision makers in the executive branch or Congress.[1]

GPRA melds the best features, and avoids the worst, of its predecessors. Unlike most of its predecessors, GPRA is grounded in statute, giving Congress an oversight stake in the success of this initiative. Moreover, unlike these other initiatives, GPRA explicitly sought to promote a connection between performance plans and budgets. The expectation was that agency goals and measures would be taken more seriously if they were perceived to be used and useful in the resource allocation process. GPRA has now entered its 10th year, has survived two successive administrations, and has periodically formed the basis for congressional oversight.

[1] U.S. General Accounting Office, *Performance Budgeting: Past Initiatives Offer Insights for GPRA Implementation,* GAO/AIMD-97-46 (Washington, D.C.: Mar. 27, 1997).

Recent Initiatives

The current administration has implemented several efforts to more completely integrate information about cost and performance during its annual budget review process. The President's Management Agenda (PMA), by focusing on 14 targeted areas—5 mutually reinforcing governmentwide goals and 9 program initiatives—seeks to improve the management and performance of the federal government. Budget and performance integration is one of the administration's five priorities in the PMA, while PART is the central element in the performance budgeting piece of the PMA.

To track both agencies' progress towards and current status in achieving each of the five PMA initiatives, OMB implemented an Executive Branch Management scorecard. We have found that the value of the scorecard, with its red, yellow, and green "stoplight" grading system, is not, in fact, the scoring, but the degree to which scores lead to a sustained focus and demonstrable improvements. The Scorecard criteria for the budget and performance integration initiative include elements such as the integration of budget and planning staff, an integrated performance plan and budget grounded in outcome goals and aligned with the staff and resources necessary to achieve program targets, and whether the agency can document program effectiveness. While the scorecard focuses on the capacity of agency management to develop an infrastructure for performance budgeting, OMB's PART is meant to more explicitly infuse performance information into the budget formulation process at a level at which funding decisions are made.

PART was applied during the fiscal year 2004 budget cycle to 234 "programs."[2] OMB rated programs as "effective," "moderately effective," "adequate," or "ineffective" based on program design, strategic planning, management, and results. If OMB deemed a program's performance information and/or performance measures insufficient or inadequate, a fifth rating of "results not demonstrated" was given. According to OMB, the assessments were a factor in funding decisions for the President's fiscal year 2004 budget request. In an unprecedented move, OMB has made the assessment tool, rating results, and supporting materials available on its Web site.

[2] There is no consistent definition for the term program. For purposes of PART, the unit of analysis (program) should have a discrete level of funding clearly associated with it.

OMB has said that it will apply PART to another 20 percent of programs and reassess the fiscal year 2004 programs in developing the President's fiscal year 2005 budget request. Moreover, it has announced its intention to use agencies' updated strategic plans, which were due in March 2003, as templates for future budget requests.

Performance Budgeting Holds Great Promise and Great Challenges

During GPRA's first 10 years, the federal government has managed, for the first time, to generate a systematic, governmentwide effort to develop strategic and performance plans covering the essential functions of government. While clearly a work in progress, the formulation of performance goals and indicators has laid the foundation for a more fundamental transformation in how the government does business.

As we begin this next decade of performance management at the federal level, we may have reached a crossroad. Building on agencies' hard-won achievements in developing plans and measures, the government now faces the challenge of promoting the use of that information in budget decision making, program improvement, and agency management.

Promoting a more explicit use of performance information in decision making promises significant rewards, but it will not be easy, and in fact, is fraught with risks. Decision makers need a road map that defines what successful performance budgeting would look like, and that identifies the key elements and potential pitfalls on the critical path to success. In a sense, what is needed is a strategic plan for performance budgeting.

In the remainder of this testimony I will discuss some of these key elements and risks, including a definition and expectations for performance budgeting itself; the underpinnings of credible performance information and measures; addressing the needs of various potential users; the alignment of performance planning with budget and financial management structures; elevating budget trade-offs; and the continuing role of congressional oversight.

What Is Performance Budgeting, and What Might Be Expected from It?

Performance-based budgeting can help enhance the government's capacity to assess competing claims in the budget by arming budgetary decision makers with better information on the results of both individual programs as well as entire portfolios of tools and programs addressing common performance outcomes. Although not the answer to vexing resource trade

offs involving political choice, performance information could help policymakers address a number of questions, such as whether programs are contributing to their stated goals, well-coordinated with related initiatives at the federal level or elsewhere, and targeted to those most in need of services or benefits. It can also provide information on what outcomes are being achieved, whether resource investments have benefits that exceed their costs, and whether program managers have the requisite capacities to achieve promised results.

Although performance budgeting can reasonably be expected to change the nature of resource debates, it is equally important to understand what it cannot do. Previous management reforms have been doomed by inflated and unrealistic expectations, so it is useful to be clear about current goals.

Performance budgeting cannot replace the budget process as it currently exists, but it can help shift the focus of budgetary debates and oversight activities by changing the agenda of questions asked in these processes. Budgeting is essentially the allocation of resources; it inherently involves setting priorities. In its broadest sense, the budget debate is the place where competing claims and claimants come together to decide how much of the government's scarce resources will be allocated across many compelling national purposes. Performance information can make a valuable contribution to this debate, but it is only one factor and it cannot substitute for difficult political choices. There will always be a debate about the appropriate role for the federal government and the need for various federal programs and policies—and performance information cannot settle that debate. It can, however, help move the debate to a more informed plane, one in which the focus is on competing claims and priorities. In fact, it raises the stakes by shifting the focus to what really matters—lives saved, children fed, successful transitions to self-sufficiency, and individuals lifted out of poverty.

Under performance budgeting, people should not expect that good results will always be rewarded through the budget process while poor results will always have negative funding implications. Viewing performance budgeting as a mechanistic arrangement—a specific level of performance in exchange for a certain amount of funding—or in punitive terms—produce results or risk funding reductions—is not useful. Such mechanistic relationships cannot be sustained. Rather than increase accountability, these approaches might instead devalue the process by favoring managers who meet expectations by aiming low. The determination of priorities is a function of competing values and interests that may be informed by performance

information but also reflects such factors as equity, unmet needs, and the appropriate role of the federal government in addressing these needs.

OMB's PART initiative illustrated that improving program design and management may be a necessary investment in some cases. For example, the Department of Energy's Environmental Management (Cleanup) program was rated "ineffective" under PART. The administration recommended additional funds for the program compared to fiscal year 2002 funding and reported that the Department will continue to work with federal and state regulators to develop revised cleanup plans. The Department of State's Refugee Admissions to the U.S. program was rated "adequate" under PART; in addition to recommending increased funding, the administration will review the relationship between this program and the Office of Refugee Resettlement at the Department of Health and Human Services. For its part, State will continue its ongoing efforts to improve strategic planning to ensure that goals are measurable and mission-related.

Ultimately, performance budgeting seeks to increase decision makers' understanding of the links between requested resources and expected performance outcomes. Such integration is critical to sustain and institutionalize performance management reforms. As the major annual process in the federal government where programs and activities come up for regular review and reexamination, the budget process itself benefits as well if the result of integration is better, more reliable performance information.

Credible Performance Information and Agencies' Capacity to Produce It Is Critical

For performance data to more fully inform resource allocations, decision makers must feel comfortable with the appropriateness and accuracy of the outcome information and measures presented—that is, they are comprehensive and valid indicators of a program's outcomes. Decision makers likely will not use performance information that they do not perceive to be credible, reliable, and reflective of a consensus about performance goals among a community of interested parties. Moreover, decisions might be guided by misleading or incomplete information, which ultimately could further discourage the use of this information in resource allocation decisions.

Accordingly, the quality and credibility of outcome-based performance information and the ability of federal agencies to produce such evaluations of their programs' effectiveness are key to the success of performance-based budgeting. However, in the fiscal year 2004 President's budget request, OMB rated 50 percent of PART programs as "results not demonstrated" because they found that the programs did not have adequate performance goals and/or data to gauge program performance were not available. Likewise, GAO's work has noted limitations in the quality of agency performance and evaluation information and in agency capacity to produce rigorous evaluations of program effectiveness. We have previously reported that agencies have had difficulty assessing many program outcomes that are not quickly achieved or readily observed and contributions to outcomes that are only partly influenced by federal funds.[3] Furthermore, our work has shown that few agencies deployed the rigorous research methods required to attribute changes in underlying outcomes to program activities.[4]

)ata Quality

If budget decisions are to be based in part on performance data, the integrity, credibility, and quality of these data and related analyses become more important. Developing and reporting on credible information on outcomes achieved through federal programs remains a work in progress. For example, we previously reported[5] that only five of the 24 Chief Financial Officers (CFO) Act agencies' fiscal year 2000 performance reports included assessments of the completeness and reliability of their performance data in their transmittal letters. Further, although concerns about the quality of performance data were identified by the inspectors general as either major management challenges or included in the discussion of other challenges for 11 of the 24 agencies, none of the agencies identified any material inadequacies with their performance data in their performance reports.

[3] U.S. General Accounting Office, *Performance Budgeting: Opportunities and Challenges*, GAO-02-1106T (Washington, D.C.: Sept. 19, 2002).

[4] U.S. General Accounting Office, *Program Evaluation: Agencies Challenged by New Demand for Information on Program Results*, GAO/GGD-98-53 (Washington, D.C.: Apr. 24, 1998).

[5] U.S. General Accounting Office, *Performance Reporting: Few Agencies Reported on the Completeness and Reliability of Performance Data*, GAO-02-372 (Washington, D.C.: Apr. 26, 2002).

Moreover, reliable cost information is also important. Unfortunately, as we recently reported,[6] most agencies' financial management systems are not yet able to routinely produce information on the full cost of programs and projects as required by the Federal Financial Management Improvement Act of 1996 (FFMIA).[7]

The ultimate objective of FFMIA is to ensure that agency financial management systems routinely provide reliable, useful, and timely financial information, not just at year-end or for financial statements, so that government leaders will be better positioned to invest resources, reduce costs, oversee programs, and hold agency managers accountable for the way they run programs. To achieve the financial management improvements envisioned by the CFO Act, FFMIA, and more recently, the PMA, agencies need to modernize their financial management systems to generate reliable, useful, and timely financial information throughout the year and at year-end. Meeting the requirements of FFMIA presents long-standing, significant challenges that will be attained only through time, investment, and sustained emphasis on correcting deficiencies in federal financial management systems.

Evaluation Capacity

In the past, we have also noted limitations in agency capacity to produce high-quality evaluations of program effectiveness.[8] Through GPRA reporting, agencies have increased the information available on program results. However, some program outcomes are not quickly achieved or readily observed, so agencies have drawn on systematic evaluation studies to supplement their performance data collection and better understand the reasons behind program performance. However, in survey based on 1995 data covering 23 departments and independent agencies, we found that agencies were devoting variable but relatively small amounts of resources to evaluating program results. Many program evaluation offices were small, had other responsibilities, and produced only a few effectiveness studies annually. Moreover, systematic program evaluations—and units responsible for producing them—had been concentrated in only a few agencies. Although many federal programs attempt to influence complex systems or events outside the immediate control of government, we have

[6] U.S. General Accounting Office, *Financial Management: FFMIA Implementation Necessary to Achieve Accountability*, GAO-03-51 (Washington, D.C.: Oct. 1, 2002).

[7] P. L. 104-208, Div. A, Title I, sec. 101(f) [Title VIII], 110 Stat. 3009-389 (1996).

[8] GAO/GGD-98-53.

expressed continued concern that many agencies lack the capacity to undertake the program evaluations that are often needed to assess a federal program's contributions to results where other influences may be at work. In addition to information on the outcomes, impact evaluations using scientific research methods are needed to isolate a particular program's contribution to those outcomes. Yet in our survey, we found that the most commonly reported study design was judgmental assessment of program effects. These judgmental assessments, one-time surveys, and simple before-and-after studies accounted for 40 percent of the research methods used in agencies' evaluation studies conducted during the period we studied.

There are inherent challenges affecting agencies' capacity to conduct evaluations of program effectiveness. For example, many agency programs are designed to be one part of a broader effort, working alongside other federal, state, local, nonprofit, and private initiatives to promote particular outcomes. Although information on the outcomes associated with a particular program may be collected, it is often difficult to isolate a particular program's contribution to those outcomes. Additionally, where federal program responsibility has devolved to the states, federal agencies' ability to influence program outcomes diminishes, while at the same time, their dependence on states and others for data with which to evaluate programs grows.

In past reports, we have identified several promising ways agencies can potentially maximize their evaluation capacity. For example, careful targeting of federal evaluation resources on key policy or performance questions and leveraging federal and nonfederal resources show promise for addressing key questions about program results. Other ways agencies might leverage their current evaluation resources include adapting existing information systems to yield data on program results, drawing on the findings of a wide array of evaluations and audits, making multiple use of an evaluation's findings, mining existing databases, and collaborating with state and local program partners to develop mutually useful performance data.

Our work has also shown that advance coordination of evaluation activities conducted by program partners is necessary to help ensure that the results of diverse evaluation activities can be synthesized at the national level.[9]

Improvements in the quality of performance data and the capacity of federal agencies to perform program evaluations will require sustained commitment and investment of resources, but over the longer term, failing to discover and correct performance problems can be much more costly. More importantly budgetary investments need to be viewed as part of a broader initiative to improve the accountability and management capacity of federal agencies and programs.

Credible Performance Information Must Be Available to and Used by Actors with Different Needs

Improving the supply of performance information is in and of itself insufficient to sustain performance management and achieve real improvements in management and program results. Rather, it needs to be accompanied by a demand for that information by decision makers and managers alike. The history of performance budgeting has shown that the supply of information will wither if it is perceived to have failed to affect decision making. Accordingly, PART may complement GPRA's focus on increasing the supply of credible performance information by promoting the demand for this information in the budget decision making process.

[9] In a report to be issued in May 2003, we discuss the experiences of five diverse agencies that have demonstrated evaluation capacity. The report also identifies useful capacity-building strategies that other agencies might adopt.

Successful use of performance information in budgeting should not be defined only by the impact on funding levels in presidential budget requests and the congressional budget process. Rather, resource allocation decisions are made at various other stages in the budget process, such as agency internal budget formulation and execution and in the congressional oversight and reauthorization process.[10] If agency program managers perceive that program performance and evaluation data will be used to make resource decisions throughout the resource allocation process and can help them make better use of these resources, agencies may make greater investments in improving their capacity to produce and procure quality information. For example, in our work at the Administration on Children and Families, we describe three general ways in which resource allocation decisions at the programmatic level are influenced by performance: (1) training and technical assistance money is often allocated based on needs and grantee performance, (2) partnerships and collaboration help the agency work with grantees towards common goals and further the administration's agenda, and (3) organizing and allocating staff around agency goals allow employees to link their day-to-day activities to longer-term results and outcomes.[11] It is important to note that these and other examples from our work at the Veterans Health Administration and the Nuclear Regulatory Commission affect postappropriations resource decisions, that is, the stage where programs are being implemented during what is generally referred to as budget execution.[12]

[10] Philip G. Joyce and Susan Seig, *Using Performance Information for Budgeting: Clarifying the Framework and Investigating Recent State Experience* (Washington, D.C.: American Society for Public Administration, 2000).

[11] U.S. General Accounting Office, *Managing for Results: Efforts to Strengthen the Link Between Resources and Results at the Administration for Children and Families*, GAO-03-09 (Washington, D.C.: Dec. 10, 2002).

[12] U.S. General Accounting Office, *Managing for Results: Efforts to Strengthen the Link Between Resources and Results at the Veterans Health Administration*, GAO-03-10 (Washington, D.C.: Dec. 10, 2002), and *Managing for Results: Efforts to Strengthen the Link Between Resources and Results at the Nuclear Regulator Commission*, GAO-03-258 (Washington, D.C.: Dec. 10, 2002).

Structural Alignment

Sustaining a focus on performance budgeting in the federal government is predicated upon aligning performance goals with all key management activities—budgeting, financial management, human capital management, capital acquisition, and information technology management. The closer the linkage between an agency's performance goals, its budget presentation, and its net cost statement, the greater the reinforcement of performance management throughout the agency and the greater the reliability of budgetary and financial data associated with performance plans. Clearer and closer association between expected performance and budgetary requests can more explicitly inform budget discussions and focus them—both in Congress and in agencies—on expected results, rather than on inputs or transactions solely.[13]

Throughout government, as figure 1 shows, there exists a general lack of integration among budget, performance, and financial reporting structures.[14] Moreover, these structures can vary considerably across the departments and agencies of the federal government. For example, the current budget account structure was not created as a single integrated framework, but developed over time to reflect the many roles it has been asked to play and to address the diverse needs of its many users. It reflects a variety of different orientations which for the most part do not reflect agency performance goals or objectives. Agency budget accounts, for instance, can be organized by items of expense, organizational unit, program, or a combination of these categories.

[13] For further information see U.S. General Accounting Office, *Managing for Results: Results-Oriented Budget Practices in Federal Agencies*, GAO-01-1084SP (Washington, D.C.: August 2001).

[14] U.S. General Accounting Office, *Managing for Results: Agency Progress in Linking Performance Plans with Budgets and Financial Statements*, GAO-02-236 (Washington, D.C.: Jan. 4, 2002).

Figure 1: GPRA Performance Planning, Budget, and Net Cost Model

Budget	Performance Planning	Statement of Net Cost
Agency	General Goal	Agency
Budget Account	Strategic Objective	Responsibility Segment
Program Activity	Performance Goal	Segment Output
Budget	Performance Planning	Statement of Net Cost

Source: GAO.

The general lack of integration between these structures can hamper the ability of agencies to establish and demonstrate the linkage between budget decisions and performance goals. While special analyses can help illustrate these linkages, such efforts are often burdensome and awkward. A systematic capacity to crosswalk among these disparate structures can help encourage a more seamless integration of resources with results. Better matching of full costs associated with performance goals helps increase decision makers' understanding of the links between requested resources and expected performance outcomes. This will eventually require linkages between performance planning and budget structures (to highlight how requested resources would contribute to agency goals) as well as linkages between performance plans and financial reporting structures (to highlight the costs of achieving agency goals). Ultimately, over the longer term, this integration may require changing the structures themselves to harmonize their orientations.

Our work indicates that progress has been made. Agencies are developing approaches to better link performance plans with budget presentations and financial reporting. They have made progress in both in establishing linkages between performance plans and budget requests and in translating those linkages into budgetary terms by clearly allocating funding from the budget's program activities to performance goals.[15]

For example, table 1 and figure 2 show the approaches used by the Department of Housing and Urban Development (HUD) in its last three performance plans. In table 1, for fiscal years 2000 and 2001, HUD used summary charts to array its requested resources by general goal but progressed from portraying this linkage with an "x" in fiscal year 2000 to using funding estimates derived from its budget request in fiscal year 2001. Figure 2 shows the fiscal year 2002 plan in which HUD removed the summary charts and instead directly portrayed the linkages in the body of the plan.

[15] GAO-02-236.

Table 1: Change in HUD's Presentation of Performance Plan-Budget Linkages, Fiscal Years 2000 and 2001

Fiscal Year 2000 performance plan

		General goals				
Selected examples of accounts or program activities	Budget request	Increase availability of decent, safe, and affordable housing in American communities	Ensure equal opportunity in housing for all Americans	Promote self-sufficiency and asset development of families and individuals	Improve community quality of life and economic vitality	Restore the public trust in HUD
Public Housing Capital Fund	$2,555	X		X	X	
Community Development Block Grants	$4,775	X	X	X	X	
FHA: GI/SRI	$208	X	X		X	

Fiscal Year 2001 performance plan

		General goals				
Selected examples of accounts or program activities	Budget request	Increase availability of decent, safe, and affordable housing in American communities	Ensure equal opportunity in housing for all Americans	Promote self-sufficiency and asset development of families and individuals	Improve community quality of life and economic vitality	Ensure the public trust in HUD
Public Housing Capital Fund	$2,955	$2,069	$443	$148	$295	--
Community Development Block Grants	$4,900	$1,470	$490	$980	$1,960	--
FHA: GI/SRI	$456	$456	--	--	--	--

Source: HUD.

Note: Dollars in millions. GAO analysis of HUD data.

Figure 2: HUD's Presentation of Performance Plan-Budget Linkages, Fiscal Year 2002

HUD's FY 2002 Annual Performance Plan

Resources supporting Strategic Goal 1: Increase the availability of decent, safe and affordable housing in American communities.

Budget Authority (BA) and Staffing Levels (BA in $ in millions)	FY 2000		FY 2001		FY 2002	
Program	BA	Staff	BA	Staff	BA	Staff
Community Planning & Development						
Community Development Block Grants Fund	1,587	136	1,687	133	1,585	133
HOME Investment Partnership Program [a]	1,636	220	1,796	216	1,796	216
HOPWA	232	32	257	31	277	31
Rural Housing	25	18	25	18	0	18
Public and Indian Housing						
Housing Certificate Fund [b]	7,095	168	8,667	167	8,383	167
Public Housing Operating Fund	1,484	149	1,530	148	1,601	148
Public Housing Capital Fund	2,884	86	2,993	86	2,293	86
HOPE VI	316	61	316	61	316	71
Indian Housing Block Grant	472	116	486	115	486	115
Indian Housing Loan Guarantee	5	4	5	4	5	4
Housing						
Sections 202/811 (elderly and disabled)	910	276	894	274	901	274
FHA MMI/CMHI	430	886	430	878	434	878
FHA GI/SRI [c]	262	531	456	555	375	644
Manufactured Housing	11	12	11	12	17	12
Other Housing programs [d]	0	21	0	21	0	21
Ginnie Mae	9	61	9	66	9	66
Healthy Homes & Lead Hazard Control	80	25	100	23	110	23
Other HUD Staff [e]	-	228	-	163	-	64
TOTAL	17,438	3,030	19,662	2,971	18,588	2,971

Source: HUD's fiscal year 2002 performance plan.

[a] HOME includes housing counseling staff in the Office of Housing.

[b] Housing Certificate Fund BA numbers represent program levels instead of net budget authority (BA figures for this account are significantly affected by rescissions and advanced appropriations). Staff includes Office of Housing staff working with project-based Section 8.

[c] Fiscal year 2001 BA total does not include supplemental appropriations.

[d] Includes programs that do not receive a discretionary appropriation.

[e] Other staff includes the Real Estate Assessment Center and the Office of Multifamily Housing Assistance Restructuring.

We have also seen progress in agencies' initial efforts to link annual performance reporting with annual audited financial statements.[16] For example, for fiscal year 2000, 13 of the 24 agencies covered by the CFO Act, compared to 10 in fiscal year 1999, reported net costs in their audited annual financial statements using a structure that was based on their performance planning structure.

Better understanding the full costs associated with program outcomes is another important but underdeveloped element of performance budgeting. This entails a broader effort to more fully measure the indirect and accrued costs of federal programs. The administration has proposed that agencies be charged for the government's full share of the accruing costs of all pension and retiree health benefits for their employees as those benefits are earned. Such a proposal could help better reflect the full costs accrued in a given year by federal programs.

Recognizing long-term costs is also important to understanding the future sustainability and flexibility of the government's fiscal position. For activities such as environmental cleanup costs, the government's commitment occurs years before the cash consequences are reflected in the budget. These costs should be considered at the time resource commitments are made. Building on past work,[17] we are currently exploring these issues in greater detail.

More broadly, timely, accurate, and useful financial information is essential for managing the government's operations more efficiently, effectively, and economically; meeting the goals of financial reform legislation (such as the CFO Act); supporting results-oriented management approaches; and ensuring ongoing accountability. We have continued to point out that the federal government is a long way from successfully implementing the statutory reforms of the 1990s. Widespread financial management system weaknesses, poor recordkeeping and documentation, weak internal controls, and a lack of information have prevented the government from having the cost information needed to effectively and efficiently manage operations or accurately report a large portion of its assets, liabilities, and costs.

[16] GAO-02-236.

[17] U.S. General Accounting Office, *Fiscal Exposures: Improving the Budgetary Focus on Long-Term Costs and Uncertainties*, GAO-03-213 (Washington, D.C.: Jan. 24, 2003).

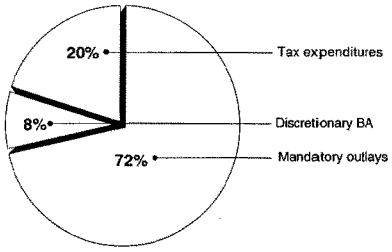
Performance Budgeting Can Broaden the Debate on Budget Trade-offs

Looking forward, it is appropriate to ask why all of this effort is worthwhile. Certainly making clear connections between resources, costs, and performance for programs is valuable. Improving evaluation capacity has the potential to create the demand to support further improvements. However, the real payoff will come in strengthening the budget process itself.

Expanding and Elevating Budget Deliberations beyond Individual Programs

The integration of budgeting and performance can strengthen budgeting in several ways. First, the focus on outcomes can broaden the debate and elevate budget trade-offs from individual programs to a discussion of how programs work together to achieve national goals. Although the evaluation of programs in isolation may be revealing, it is often critical to understand how each program fits with a broader portfolio of tools and strategies—such as regulations, direct loans, and tax expenditures—to accomplish federal goals. For example, in fiscal year 2000, the federal health care and Medicare budget functions included $319 billion in entitlement outlays, $91 billion in tax expenditures, $37 billion in discretionary budget authority, and $5 million in loan guarantees. (See fig. 3.)

Figure 3: Relative Reliance on Policy Tools in the Health Care Budget Functions, Fiscal Year 2000 ($447 Billion In Total Spending)



Source: Budget of the United States Government, FY 2001, Office of Management and Budget.

Note: Includes both the health and medicare budget functions. Loan guarantees account for about $5 million, or about 0.001 percent of the approximately $447 billion in total federal health care resources.

Achieving federal/national policy goals often depends on the federal government's partners—including other levels of government, private

employers, nonprofits, and other nongovernmental actors. The choice and design of these tools are critical in determining whether and how these actors will address federal objectives. GPRA required the President to prepare and submit to Congress a governmentwide performance plan to highlight broader, crosscutting missions, such as those discussed above. Unfortunately, this was not done in fiscal years 2003 and 2004; we hope that the President's fiscal year 2005 budget does include such a plan.

Examining the Base in Budget Deliberations

Second, a focus on performance can help us shift our view from incremental changes to an evaluation of the base itself. Making government adapt to meet the challenges of the future is broader than strengthening performance-informed resource decisions. Fiscal pressures created by the retirement of the baby boom generation and rising health care costs threaten to overwhelm the nation's fiscal future. Difficult as it may seem to deal with the long-term challenges presented by known demographic trends, policymakers must not only address the major entitlement programs but also reexamine other budgetary priorities in light of the changing needs of this nation in the 21st century. Reclaiming our fiscal flexibility will require the reexamination of existing programs, policies, and activities. It is all too easy to accept "the base" as given and to subject only new proposals to scrutiny and analysis.

As we have discussed previously,[18] many federal programs, policies, and activities—their goals, their structures, and their processes—were designed decades ago to respond to earlier challenges. In previous testimony,[19] we noted that the norm should be to reconsider the relevance or "fit" of any federal program, policy, or activity in today's world and for the future. Such a review might ferret out programs that have proven to be outdated or persistently ineffective, or alternatively could prompt appropriate updating and modernizing activities through such actions as improving program targeting and efficiency, consolidation, or reengineering of processes and operations. This includes looking at a program's relationship to other programs.

[18] U.S. General Accounting Office, *Budget Issues: Effective Oversight and Budget Discipline Are Essential—Even in a Time of Surplus*, GAO/T-AIMD-00-73 (Washington, D.C.: Feb. 1, 2000), and *Budget Issues: Long-Term Fiscal Challenges*, GAO-02-467T (Washington, D.C.: Feb. 27, 2002).

[19] U.S. General Accounting Office, *Homeland Security: Challenges and Strategies in Addressing Short- and Long-Term National Needs*, GAO-02-160T (Washington, D.C.: Nov. 7, 2001), GAO/T-AIMD-00-73, and GAO-02-467T.

The Role of Congressional Oversight

Finally, and most critically, Congress must be involved in this debate and the resulting decisions and follow-up oversight activities. Congressional buy-in is critical to sustain any major management initiative, but 50 years of past efforts to link resources with results have shown that any successful effort must involve Congress as a partner given Congress' central role in setting national priorities and allocating the resources to achieve them. In fact, the administration acknowledged that performance and accountability are shared responsibilities that must involve Congress. It will only be through the continued attention of Congress, the administration, and federal agencies that progress can be sustained and, more important, accelerated. Congress has, in effect, served as the institutional champion for many previous performance management initiatives, such as GPRA and the CFO Act, by providing a consistent focus for oversight and reinforcement of important policies.

More generally, effective congressional oversight can help improve federal performance by examining the program structures agencies use to deliver products and services to ensure that the best, most cost-effective mix of strategies is in place to meet agency and national goals. As part of this oversight, Congress should consider the associated management and policy implications of crosscutting programs.

Given this environment, Congress should also consider the need for processes that allow it to more systematically focus its oversight on programs with the most serious and systemic weaknesses and risks. At present, Congress has no direct vehicle to provide its perspective on governmentwide performance issues. Congress has no established mechanism to articulate performance goals for the broad missions of government, to assess alternative strategies that offer the most promise for achieving these goals, or to define an oversight agenda targeted at the most pressing crosscutting performance and management issues. Congress might consider whether a more structured oversight approach is needed to permit a coordinated congressional perspective on governmentwide performance matters. Such a process might also facilitate congressional input into the OMB PART initiative. For example, although the selection of programs and areas for review is ultimately the President's decision, such choices might be informed and shaped by congressional views and perspectives on performance issues.

Concluding Observations

How would "success" in performance budgeting be defined? Simply increasing the supply of performance information is not enough. If the information is not used—that is, if there is insufficient demand—the quality of the information will deteriorate and the process either will become rote or will wither away. However, for the reasons noted, the success of performance budgeting cannot be measured merely by the number of programs "killed" or a measurement of funding changes against performance "grades." Rather, success must be measured in terms of the quality of the discussion, the transparency of the information, the meaningfulness of that information to key stakeholders, and how it is used in the decision-making process. If members of Congress and the executive branch have better information about the link between resources and results, they can make the trade-offs and choices cognizant of the many and often competing claims at the federal level.

A comprehensive understanding of the needs of all participants in the budget process, including what measures and performance information are required at different stages of the budget cycle, is critical. Making performance budgeting a reality throughout the federal government will be facilitated by efforts to improve the structural alignment of performance planning goals with budget and cost accounting structures and presentations. However, developing credible performance measures and data on program results will be absolutely critical in determining whether the performance perspective becomes a compelling framework that decision makers will use in allocating resources.

Performance budgeting is difficult work. It requires taking a hard look at existing programs and carefully reconsidering the goals those programs were intended to address—and whether those goals are still valid. It involves analyzing the effectiveness of programs and seeking out the reasons for success or failure. It involves navigating through the maze of federal programs and activities, in which multiple agencies may operate many different programs, to address often common or complementary objectives. However, the task of revising and reforming current programs and activities that may no longer be needed or that do not perform well is fraught with difficulties and leads to real "winners" and "losers." Notwithstanding demonstrated weaknesses in program design and shortfalls in program results, there often seems to be little "low hanging fruit" in the federal budget. In fact, some argue that because some programs are already "in the base" in budgetary terms, they have a significant advantage over new initiatives and new demands.

This is an opportune time for the executive branch and Congress to carefully consider how agencies and committees can best take advantage of and leverage the new information and perspectives coming from the reform agenda under way in the executive branch. Prudent stewardship of our nation's resources—whether in time of deficit or surplus—is essential not only to meet today's needs but also for us to deliver our promises and address future needs.

This concludes my prepared statement. I would be pleased to answer any questions you or the other members of the subcommittee may have at this time.

Contacts and Acknowledgement

For further contacts regarding this testimony, please contact Paul Posner at (202) 512-9573 or at posnerp@gao.gov or Denise Fantone, Assistant Director, at (202) 512-4997 or at fantoned@gao.gov. Individuals making key contributions to this testimony included Jacqueline M. Nowicki, Kristeen G. McLain, and Elizabeth McClarin.

Mr. PLATTS. Thank you, Mr. Posner. Some excellent points, and we do appreciate GAO and your efforts in working with this committee as we look to how to take GPRA and PART and kind of go forward in a positive way.

Mr. McTigue.

Mr. MCTIGUE. Thank you, Mr. Chairman. And thank you for the invitation to be here. It is an honor for me, as a visitor to your Country, to be able to come and give testimony in front of your Congress.

First, I want to congratulate Congress on the vision that it had in 1993 in actually passing into law a statute that requires agencies to become accountable for what benefit they produce for the public rather than just how they spend money.

The Congress of the United States exists to bring benefit to the American people. That doesn't really need to be said. But until recently you pursued that agenda by allocating money to certain activities designed to produce a given benefit. Accountability for agencies was based on confirming to you that the money was indeed spent on the activities you directed. The presumption was that the benefit automatically flowed because the activities were funded and they occurred.

The Government Performance and Results Act changed all that. Now agencies are required to inform you and the American people not only that they spent taxpayers' money as directed, but also how much public benefit flowed from the expenditure of that money. That is what I would call the first wave of change, the establishment by agencies of strategic plans that detailed exactly what it was that they were setting out to do and then accounting in real terms for the public benefit that they were meant to have achieved.

But the second wave of change is what do you do with that information, and the second wave of change, in my view, is just starting to occur now; and that came with the introduction of the President's Management Agenda, which through its initiatives really looks at how do you create successful high-performance organizations. But there is one particular element of that initiative that actually looks at how you prepare budgets and requires that they be prepared on a performance basis, and that goes to the heart of your inquiry.

A performance budget requires that the Government know what public benefit it wants to produce, and in what quantity. It must then purchase the appropriate quantity of activities that will produce these benefits. To do this, the Government needs to know how successful each program is at achieving its goals, and at what cost per unit of success.

In carrying out this work, OMB has created a new tool, the Program Assessment Rating Tool [PART], to assist it in establishing the success or lack thereof of each program. It is important to remember that PART is only a tool; it is not an end in its own right. It will and should change and adapt as circumstances demand. Its usefulness should be measured in terms of the following factors: does it establish the efficacy of the programs; does it identify the cost per unit of success; does it compare the utility of programs addressing the same goal; and does it identify the consequences of transferring funds from ineffective programs to effective programs.

At its best, a tool like PART will create the effect of a number of programs seeking resources from a common pool, with the best getting funding and the worst losing their funding. A truly effective tool will produce all of the relevant information that will allow elected representatives to make decisions on the allocation of resources in full knowledge of the consequences of their decisions.

Mr. Chairman, if you wanted to make PART really effective, the initiative now lies with Congress, because for it to have real effect across the whole of Government organization, Congress needs to de-fund programs that are shown to have no beneficial effect. And until such time as Congress does de-fund programs that are shown to have no beneficial effect, then agencies will not pay great attention to anything else that happens.

What recommendations would I make? First, how the programs are selected for review is important. Currently, it appears that OMB is taking a broad selection of programs across many agencies and outcomes. In my view, it would be much better to select specific programs and review all of the programs that address that particular outcome. For example, all of the programs that address literacy should be looked at at the same time. All the programs that address poverty should be looked at at the same time. All of the programs that address homeland security should be looked at at the same time. And then you can make a judgment about which of these would produce for you the greatest possible benefit for the public at the least possible cost. When you are doing that, then I think that you will get the greatest impact from both GPRA and from PART and the President's Management Initiative.

Thank you, Mr. Chairman.

[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 and Financial Management

Committee on Government Reform
United States House of Representatives

April 1, 2003

On

"Budget and Performance Integration and Its Application to the President's Budget for fiscal year 2004"

Mr. Chairman, I am honored to have been invited to testify before you on the tenth anniversary of passage of The Government Performance and Results Act of 1993 (GPRA).

The passing of the Government Performance and Results Act in 1993 was a farsighted undertaking by Congress to dramatically improve the honesty and integrity of accountability in the Federal Government. For the first time government organizations were going to be required by statute to

produce evidence of their performance in terms of the quantity of benefit their programs had brought to the American people. In fact this may have been a first in the world, as I know of no other government at that time that used statute to require such accountability.

However it is also important to recognize the enormity of this change for government organizations. They had never regularly gathered information on the impact of their programs on the American public, except for sporadic evaluations that, at best, captured a single snapshot at a given point in time. Now questions of what to measure and how to measure it had to be addressed. Counting how many people you feed is relatively simple, but measuring by how much you had diminished hunger was an entirely different undertaking. Or in the case of the State Department measuring the success of democratization or diplomacy are real challenges.

First, let me point out that when Congress passed GPRA in 1993, it required that the Act not apply to government agencies until *six years later*; the first year of compliance throughout the government being Fiscal Year 1999. Consequently, as of today, we (Congress and the public) have received results information on only four fiscal years. So it would be quite wrong to look at this anniversary as ten years of experience with the Government Performance and Results Act when the truth is we have only four years to analyze in terms of its success or failure.

With four years of information and experience it is possible to draw some conclusions but it would still be premature to pass judgment on the Act's efficacy or lack thereof.

- First, the agencies' familiarity with the requirements of the Act has improved enormously, as has the attention paid to GPRA by senior agency executives.
- Second, the first round of strategic plans prepared in 1997 were woefully inadequate in nearly all respects. However the newest strategic plans appearing recently are a vast improvement on their predecessors.
- Third, agencies are becoming much more competent at the concept of managing to outcomes.
- Fourth, measures in original plans were very much a process of capturing the quantity of activity carried out but gave little indication of the public benefits produced.

- Fifth, in some organizations current measures of performance against outcomes are improving but still have a long way to go. Linking costs to outcomes was virtually non-existent in the early years, but now we are seeing some agencies making progress on activity based costing and linking costs to units of success.

I deliberately make an issue of the lag time between the passing of GPRA and its application to the management of agencies 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 ten years. Analysis 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.

Drawing on my experience as an elected Member of Parliament and as a Cabinet Minister for my native country of New Zealand, plus my experience over the last six years working closely with U.S. government agencies, I would say GPRA is potentially the most powerful tool for bringing about productive change and meaningful accountability that has been introduced in the U.S. during 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?

The Evolution of GPRA

There are multiple distinct stages to the evolution 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". In fact these initial plans were little more than a reiteration of all the activity currently undertaken by the agency without any setting of strategic priorities. Although goals and measures were identified and included in the plans, they related almost exclusively to activities and said little or nothing about the public benefit that would flow from these activities.

The latest iterations of those plans in most cases are a vast improvement over their predecessors. Now we are starting to see a focus on the mission of the organization reflected in the goals of the organization and their programs as tools used to achieve these goals. Unfortunately there is still little evidence of real strategic thinking or of priority setting. Nonetheless, progress is being made.

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 were required to measure the results of their efforts in terms of *outcomes*. Initially this process was clearly posing major problems both in the technical difficulty of measuring things that are difficult to measure, but also in getting senior management to recognize that this process was important to the future of their organization. Gradually meaningful results information is beginning to appear.

The turning point for the widespread acceptance among agencies that this process was important and that non-compliance would have consequences was the introduction of the President's Management Agenda (PMA). The commitment to performance budgeting in the PMA finally started to get managers' attention. Now that budget requests to the Office of Management and Budget (OMB) must be accompanied by evidence of the previous year's performance, the realization that poor performance could jeopardize budget allocations saw that ownership of performance and appropriate performance information spread up and down through organizations. 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 four years reported to date. We decided to compare agencies' performance reports to each other based upon the quality and the fullness of disclosure. By highlighting the best and worst practices we hoped to bring attention to the importance of this process, and to encourage improvements to reporting standards. We did this 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 four years examined, there has been an appreciable improvement in both the quality and the fullness of disclosure.

The fourth stage is the utilization of the information produced by GPRA. Unless the results information agencies produce is used to make future management and resource allocation decisions, then GPRA becomes only a paper exercise. Progress here had been disappointing until the President introduced his Management Agenda. This initiative has totally changed the landscape and major progress is now being made.

OMB's development and utilization of their Program Assessment and Rating Tool (PART) has certainly captured the attention of agencies across the federal government. This is a major step forward and should be applauded. However it is also important to remember that it is one tool, that it can probably be improved significantly over time, and that its purpose is to give better information to decision-makers so that precious dollars are only invested in those programs that are likely to achieve the desired outcome. OMB also deserves to be congratulated for making the PART process and its findings open and transparent to all so the efficacy and appropriateness of the application of the PART can be analyzed.

I would describe the PMA as the second wave of change. The first wave of change was the requirement to capture and disclose information on performance achievements. The second wave of change is the PMA because it now produces consequences for good and poor performance. Good performance or success in achieving public benefit goals is rewarded with either the retention of budget allocations or an increase. Poor performance or failure to achieve goals is punished by loss of part or all of the budget allocation. This is a marked change from historic practices where poor performance was often rewarded with more money in the mistaken belief that more money would cure the problem. On the other hand achieving or exceeding goals was often punished by the loss of funds. Clearly this historic practice set all the wrong incentives while at the same time denied the public a benefit it sorely needed.

Clearly from the comment above it can be seen that GPRA and the PMA are not independent stand alone initiatives, but are mutually dependant interacting initiatives which would each fail in the absence of the other.

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 is sending 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 OMB Director Mitch Daniels are linking performance to funding in the 2004 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, and seemingly reinforced by the findings of the OPM federal workforce survey data released last week, 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 information gaps 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 by using common measures 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 OMB was able to make comparisons between operators based on cost per acre of wetland provided. This type of information allows legislators to make value judgments about quantity of activity versus quality.

Accountability Processes

Traditionally Congress and the Administration have 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 that have an impact on that outcome.

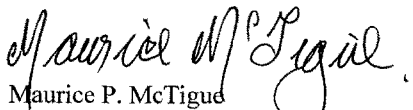
The purpose of this approach is that decision-making would then be advantaged by having results information on all activities affecting an outcome available to the decision maker – regardless of which agency delivered the program. The process of comparing programs across outcomes creates competition for what would effectively be a common pool of money, where the best providers 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.

At the 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 examiner. I would welcome the opportunity to further discuss this process with the Committee at the appropriate time and venue.

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.

Respectfully prepared and submitted by:



Maurice P. McTigue
Distinguished Visiting Scholar
Mercatus Center at George Mason University
Arlington, Virginia

Mr. PLATTS. Thank you, Mr. McTigue, for your testimony and also the experiences that you bring as a former public official yourself to this discussion.

I want to thank each of you for your testimonies, and we will now proceed to questions. And for the most part we will kind of stick by the 5-minute rule, with each Member having 5 minutes for questions, and then once we have completed one round, for those who would like, we will gladly continue with additional questions.

I will begin, I guess.

Ms. McLean, first, you well highlight some of the important things that can come from performance-based budgeting and reviews, such as examples of where some of the focus has allowed us to reorganize a program where we can still perform that mission effectively without needing more money, and so maybe we didn't save money, but we didn't need to spend more; and the focus is on the program, that you have to justify your existence, as opposed to just automatically. And, again, I think those are important aspects of this review.

In closing, though, you touched on while there is some great progress going forward, you said there are some shortcomings to PART, and I was wondering if you would be willing to expand on what you think are the most significant shortcomings that we can look at for improvement with PART itself.

Ms. MCLEAN. Sure. I think from the Department of Transportation's standpoint, one of the biggest problems with the PART evaluation was the timing. This year, the first year it occurred, it happened right in the last sort of throws of our budget review. From a Department, we are already looking at what we are going to fund for 2005, and we submit our budget request to OMB in September this year for our 2005 request. So for the PART process to be effective at the department level, it really has to be completed in the summer; and OMB is pushing that to be the process, so that we are doing the PART summaries earlier so that, again, our decisions on our budget funding and our budget restructuring, and if we need to, in this case, the Department of Transportation has two large reauthorizations pending in 2004. Had we had the PART assessment earlier in the summer, we could have used that information better in our reauthorization for the Federal Aviation Administration and for the surface reauthorization programs.

That is more of a timing issue than more on a substantive issue. I think that it is clear, the more time you understand what the requirements of the PART, the more as a department you can prepare and be better situated for a favorable PART evaluation.

Obviously, the more we know about the PART, the more we can prepare not only for 2005, but 2006. So if the PART changes significantly from a department standpoint, I am not able to predict what I need to do to be able to have a favorable rating in the PART assessment. So while I am looking for improvements in some areas, I want to say from a department standpoint predictability is very helpful as well.

Mr. PLATTS. In using the information and going through the PART process with, I want to say Penn. DOT, my State House days, with DOT, and you make the reviews, you are going to find some good and some bad. What if it is a high priority program of

the administration with a terrible score, how are you going to mesh that, because you say in your testimony it is not an automatic?

Ms. MCLEAN. That is right.

Mr. PLATTS. Low score means de-funding.

Ms. MCLEAN. That is right.

Mr. PLATTS. But how do you balance that if the processes have credibility that something gets a very low score but doesn't see a reduction in funding?

Ms. MCLEAN. In funding, right. Well, you probably know, but the PART has four categories in its grading: program purpose and design, strategic planning, program management, and program results. And the program results piece is weighted as 50 percent. So if a program had a poor score, it is probably because your actual results are either not measurable or we didn't choose reasonable goals, or that the data isn't available in a timely fashion or available at all.

One of our largest programs was reviewed last year, the Highway's Federal aid program. We did receive a reasonable score, but one of the concerns we had, and I could see other programs could have similar problems, which would not be timely information.

In Highways, one of our biggest goals is, of course, reducing fatality rates. The information that the Department of Transportation gets on fatality rates comes from the States, and if the States don't provide us data in a timely fashion, then we are downgraded for our PART score because of that data.

So I would say if we received a very low score on a core program, it is probably because of the collection of data or the timeliness of that type of results data. So I think I would go back and immediately start planning and changing the way we collect data. And in this case, in Highways, we may have to either encourage the States to provide us data on a more timely basis or, in fact, change the way we collect data altogether and make it more of a Federal responsibility. That is not what I am proposing, I am just saying that could be the thought process that happens as a result of a low PART score.

Mr. PLATTS. In the initial round of reviews, as agencies are going through PART for the first time, that data collection may be a problem, but in subsequent years, once it is more in place, that should not continue to be a problem.

Ms. MCLEAN. That is right. You would hope that departments would be able to predict. The Department of Transportation is working with our OMB counterparts on transportation, saying, OK, this is what we are going to review in 2005, and the remaining pieces are what we are probably going to review in 2006. So we should, we, the Department, should be strategically looking at that and making sure that our data sources are up to date, and if they are not, making those changes now.

Mr. PLATTS. Thank you.

I will now yield to Mr. Towns for the purpose of questioning.

Mr. TOWNS. Thank you very much, Mr. Chairman.

Let me start with you, Mr. Posner. You testified that we shouldn't expect good scores always to generate more funding and low scores to cause less, and, indeed, a review of this year's results shows that just over a quarter of the programs rated "ineffective"

receive increased funding over last year, while over 10 percent of those rated "effective" were cut. Why? It seems to me to be an attitude out there that if we perform poorly, we will get more money next time around.

Mr. POSNER. Well, this is what I was talking about, about our expectations, that it is not a mechanical process. It is quite possible and often likely that priorities enter into this, as well as performance, so that even though, and the administration acknowledges this, programs that got a poor rating will still get sustained funding partly because the priorities are strong for that particular area.

That doesn't mean that you simply do nothing. If a program gets a poor rating on this, it means you have to take actions to improve it. In some cases, as the administration notes in the PART, they actually have to put investments to bring programs up to snuff, to make them less vulnerable to risk and abuse, and things like that; in other cases it is management reforms.

But I think we make a mistake if we just look for funding changes as the only measure of how PART does. In fact, if I am an advocate for a program, this could actually strengthen my program, if I can take those management reforms and make a stronger case for next year.

Mr. TOWNS. How could PART be strengthened? How could we strengthen it?

Mr. POSNER. Well, again, we are just beginning our review, but in some other forums several people have talked about one important question here, which is how are we selecting the programs to be reviewed in the first place.

Mr. TOWNS. That was my next question.

Mr. POSNER. And that is an important question to examine. For example, there are opportunities to think about going forward, selecting programs that relate to one another, as was said earlier—say the programs dealing with first responders or the programs dealing with highways, to ensure that we select suites of programs and tools, including, I would add, tax expenditures; not just spending programs, but all the different tools we use. For example, the most important way we influence low income housing these days is through the tax credit, as well as through HUD's programs.

And so the opportunity would be to select the whole suite of programs and tools we have, concentrating on that area.

Another potential option is to select programs in concert with the Congress and with the reauthorization schedule of the Congress, so that for the next cycle we gain some better integration across Congress and the President in terms of agreement on what are the oversight priorities we want to focus on for the coming year.

So those are some of the things.

I want to commend OMB, I would add. It is very unusual in a budget document to have the agency indicate the areas of weakness it wants to look into, and OMB in fact has done that, and that is commendable.

Mr. TOWNS. Thank you very much.

Let me ask, I guess, OMB. How can we assure the credibility of PART initiative for Congress, the agencies and the public; and what steps are OMB taking to promote transparency about the review process and the budgetary results?

Ms. MCLEAN. Well, the PART process was developed in a very open manner, in my opinion. The PART tool was issued in, I believe it was, March of last year for review both for the executive branch as well as for interest public groups. The OMB developed a performance measurement advisory council, which was chaired by Mort Downey, who is a former Government official, the Deputy of the Department of Transportation under the last administration, and OMB was very open to criticisms, corrections, changes at that time.

Working at the Department of Transportation, we offered many comments, and most of them were accepted and integrated into the PART process. I suspect they will go through that process again; it is on the OMB Web site.

As far as when we specifically chose programs to review the PART process, it was transparent from the standpoint of the Department of Transportation and OMB worked very well together on choosing what would be the best programs. And as Mr. Posner suggested, we did choose two programs, the highway program and the aviation grant programs, that were going to be reauthorized this year, so we did take those kind of concerns into consideration when we were choosing our programs. And then OMB, this year, added a new book to their large stack of documents that they publish at the release of the President's budget, and it is an entire book on exactly what was considered for these PART reviews.

So I think it is very open, and OMB has encouraged us to go out and talk to our interest groups. I think the Department of Agriculture is working with some of the wildlife conservation groups to, in fact, identify what are reasonable performance measures. So it is not just the Federal Government saying this is our goal, but as an industry or as a group we are deciding this is what we want and, in the case of agriculture, what they are working on.

Mr. TOWNS. I have just a little piece on the back of that, Mr. Chairman.

I guess what I really want to get to, how do you report legislative constraints in terms of the kinds of things that maybe are roles of third parties? I mean, do you look at all of this? Because a lot of times we mess up. And are you prepared to point the finger at us if we do mess up? I think that is my real question.

Ms. MCLEAN. Well, I think some of the decisions that were made in the President's budget are because perhaps some programs that were funded are not being effective. I mean, I will give an example of Department of Education's vocational education State grant program, where the States are giving grants for vocational education programs. Basically, OMB found through the PART process, with the Department of Education, that there was no proof of an increase of academic performance under these programs, job skills were not improved, post-secondary degrees weren't achieved as a result of this funding. In fact, less than 40 percent of the students involved in these programs received any additional certification or degrees as a result of being part of these grant programs.

So OMB and the Department of Education did say this is ineffective and it received that rating. Now, it received slightly less funding, not significantly less; it went from about $1.18 billion to a request of $1 billion for 2004 from the President's budget. But we are

sort of pointing the finger, I guess, all around, saying that this program isn't working and it needs to be restructured. So the President's budget is suggesting that these grant programs be given to the States. The States are then given the flexibility to develop the kind of vocational training that is effective, and the States are required to provide performance data, and if it is not an effective program, then it will not receive additional funding.

So I think that is where we are headed. If we are not 100 percent there this year, I think in the next couple years you will see more and more examples like that.

Mr. PLATTS. Thank you, Mr. Towns.

Now I would like to recognize the subcommittee's vice chairperson, Ms. Blackburn, who has led the charge in Tennessee at the State level regarding accountability.

Ms. Blackburn.

Ms. BLACKBURN. Thank you, Mr. Chairman.

Mr. McTigue, I agree with you that we need to begin to de-fund programs that are not producing any beneficial effect. I agree completely, and I congratulate you on having the courage to sit in this room and make that statement. I do hope that we, as Members of Congress, have the courage to take the pencil out and start drawing through line items as we look at the budgeting process.

One question I have quickly for you is you are studying GPRA and PART, are you looking at both the actual hard cost of a program and the opportunity cost that may or may not be there in providing that Government service?

Mr. MCTIGUE. The answer to your question is yes. We have done a number of studies where we have looked at an outcome, say, for example, vocational training, and look at all of the programs that are called vocational training in one form or another. You actually have 45 of them, and for that you actually get about 2.8 billion people into work each year. But if you looked at those programs and you said which are the most successful at getting people into work, and what would happen if we actually put the money into the three most successful programs, the 2.8 billion people into work becomes something like 14 million, by just funding the most successful programs.

The complaint that I have about PART at this moment, and I don't want to be too harsh on it because it is only year one and, understandably, OMB has been cautious in the decisions that it has drawn from its examination this year, and I think that is appropriate, but the thing that I have that I am concerned about is that it is not comparing program with program; it is actually looking at each program on a standalone basis.

Now, what we really need to know at the end of the day is that out of these 75 programs that we fund in this area, there are 5 of them that are highly successful, there are 25 of them that are moderately successful, and the others have very limited success. What would happen if we put the money into the five programs that are highly successful? Those are the kind of questions that I would want to have answers to if I was a politician, because then I could make very rational decisions based not upon spending money, but based upon what is going to maximize the public benefit; what will help most people learn to read, what will help most people get into

work, what will help most people deal with the problems of hunger. And then if I were sitting in your chairs, I would be able to say this mix of programs will give us the greatest possible benefit.

Incidentally, having been a politician, if you have that evidence in front of you, it does become possible to cut programs that don't work. Without that evidence, it is very difficult indeed. But if you can show that public benefit would be maximized by taking resources from programs that are unsuccessful and putting it into successful programs, then you have a politically sustainable debate and you can make progress.

Ms. BLACKBURN. Thank you, sir. I liked your idea, also your comments about grouping all like programs as you go through that review.

And that leads me, Mr. Posner, to a question for you, looking at tradeoffs on national goals and reviewing programs and reviewing goals. How do you see approaching that and how would you go about organizing?

Mr. POSNER. That is a good question. That is related to what Mr. McTigue just said, that we fund many groups of related initiatives, and oftentimes it is revealing to just simply inventory what they are; and to realize it is not just discretionary programs, it is mandatory programs, it is loans at loan guarantees, it is tax expenditures, increasingly. We just did a report on student assistance, where we looked at higher education loans, loan guarantees, grants, Hope tax credits, learning tax credits. There is this proliferation of tools and we never look at them together, and that cuts across committees here, that is a challenge for the Congress, and it is a challenge for the Government.

Now, what GPRA provided us is a possible vehicle, it is called the Government-wide Performance Plan. We have not successfully used that. The past several years we have not even published one, and several years before we published a report of sorts, where we grouped the 18 missions of Government, they are called budget functions. We grouped related programs under that, including regulations, tax expenditures; and we at least there had an opportunity for the most important related programs to talk about what they were achieving, how much it is costing, and bump them up against one another. And that is the vehicle at the very least that OMB could be pulling together once again, and ultimately having to come to the Congress to engage you up here in that debate.

And that is why getting the Congress ultimately involved is important, because I think as Mr. Towns acknowledged earlier, Congress is fundamentally the author of most of these programs. You create them, you design them, and agencies administer them, but you are the key players, and somehow getting you into the process of identifying where the problems are and helping to resolve them is the thing we have to start working toward.

Ms. BLACKBURN. Well, and my hope would be is we have enough evaluated data coming through this process that we would be able to look at that and develop a way to lower the cost of administering those collectively.

Just one quick comment. On page 2 of your report, in your historical perspective, I note that you mention failed methods of budgeting, and zero-based budgeting as being one of those. I am one of

those individuals that happens to like that zero-based budgeting concept. If you will just very quickly comment how you would see a performance-based concept working in concert with the zero-based concept.

Mr. POSNER. All right. I think, in concept, zero-based budgeting is important to do periodically. I think where we failed in the mid-1970's is we did it all at once, and we imposed a tremendous burden on the process. In fact, that is one of the caution lights for PART. One of the things about PART that is commendable in this regard is that it targets 20 percent of those programs. Thinking about how we can target zero-based reviews is important, but we have to do this kind of base examination; it is a matter of how we target it so we don't burden the budget process unnecessarily and doom the effort.

Ms. BLACKBURN. So what you are saying is that you would use as your blanket, your overall performance-based, and then come in and, with your troublesome areas, target a zero-based.

Mr. POSNER. A variety of criteria could be used to define how you do that. PART applies it to those 230 programs. You could group those programs and target it more based on areas like job training, homeland security, areas for reauthorization, a variety of other ways to think about that.

Ms. BLACKBURN. OK, thank you.

Do I have time for one more question, Mr. Chairman? Thank you.

Ms. McLean, you mention in your testimony that PART has impacted your budget decisions, but then you get over in the back over here, in your conclusion, and you don't have a lot to say about budgeting and lowering cost. Now, two questions for you. One, as you look at this being results-oriented, are you all looking at penalties that would have an impact in that regard? Do you feel like PART may bolster unpopular programs that are performing well and do away with unpopular ones that are not performing well? And in light of that, looking at results and penalties, and your comment was your lack of success was a issue of timing. Have you all taken steps to look at both a long-range and a short-term program of work and subsequent goals that you would expect to meet over, say, an 18-month or 2-year, 36-month period of time?

Ms. MCLEAN. At the Department of Transportation we did not see significant reductions in our budget as a result of the PART process. My understanding is elsewhere in the budget process that did happen. The vocational training example I had provided before did result in a reduction and a restructuring in that budget.

I think Mr. Posner has said it well, that, there is no formula on whether or not, if you get a good grade, do you get more money or less money; if you get a bad grade, do you get more money or less money. It is a mixture, as well as the program ends up being restructured, if possible.

In the Department of Transportation we did restructure our airport improvement program to focus a little more on small and medium size airports. That was our proposal and our reauthorization for FAA. I think that OMB has been very clear about making sure that the PART process is not, while we are not calling it penalties because you want to be as positive as possible; however, if you are

not performing and you do have the information that you are not performing in this program, then, I don't think OMB has shied away from reducing or asking for less money for those programs.

In preparation, when you are talking about how do we prepare for the future in looking at these PART reviews, we are looking at our programs that are going to come up here this summer and then the following summer, and asking, in our case, the Federal Transit Administration, the FAA, etc., if you don't have solid data on these programs, we need to go now and start getting solid data, collecting it and making sure, verifying that our performance measures are accurate.

The other requirement of PART is that you have independent reviews. So if GAO has done a review on your program, or your IG has done a review on your program, that is helpful because it helps identify whether or not the program is successful. Many programs in the Department haven't had any of those kind of reviews. So we need to either divert money that we have right now to independent reviews of those programs or, explore with GAO or the IG if they are going to go through that process, because our scores will be downgraded if we don't have independent reviews. So that is the type of thing we are doing in preparation for the next 2 years in the PART.

Ms. BLACKBURN. Would one of your goals be to lower the cost of delivering those services?

Ms. MCLEAN. Absolutely.

Ms. BLACKBURN. Thank you.

Mr. PLATTS. Thank you, Ms. Blackburn.

We will begin a new round with those of us here.

And I am going to come back, a followup, Mr. Posner, a question already asked where you touched on was about the Government-wide performance plans that were submitted in previous years but not in the current budget. And although we do have more information, as you acknowledged OMB and kind of identifying things they need to work on, I want to make sure I understood that you contend or believe that it would be helpful having that Government-wide performance plan in place and specifically grouping within that plan those like programs so we can get to the type of cross-agency comparison?

Mr. POSNER. Oh, absolutely. I think when you are talking about outcomes, outcomes are shared by many programs; and to have each program defining their piece of it, without looking at the whole, is sub-optimal, to say the least, and I think you could get a lot of advantage and perspective by doing a plan that was actually used. That is one of the things, we have to not only prepare the plan, but have it inform the way we make decisions, and that is a key issue.

Mr. PLATTS. Did GAO have any conversations with OMB about how that would continue to have that Government-wide plan? Would it be helpful to you and through you for Congress?

Mr. POSNER. Well, we have had in the past, not recently. But we have certainly raised it every chance we get in forums like this, yes.

Mr. PLATTS. Thank you.

Mr. McTigue, you touched on the importance of this making a difference, that it be kind of a longstanding commitment and that everybody involved in the process knows it is not just going to be this or next year and this administration. Given that we have an administration that serves for 4 years and, as a strong supporter of President Bush, I hope that means 8 years, do you think that we should look to legislate PART or something similar to PART into GPRA to make it statutory so everyone knows this is not going to change with a new administration, whenever that may be, but is something that, as with GPRA, is going to be permanent in nature, that every program is going to have to start to be accountable and bear that burden of proof?

Mr. MCTIGUE. No, Mr. Chairman, I wouldn't recommend legislating something like PART. PART is a tool, and a tool, to be useful, has to be changed as circumstances change from time to time.

The concept behind PART, though, I think is important, and that is actually looking at each activity and requiring that it identify exactly what public benefit that it produces. So being able to measure activities against outcomes I think is very important. And there is a risk that as the mechanisms start to become more sophisticated, people get married to the mechanism and forget that what you were really trying to do was find out are we making progress on eliminating discrimination, are we making progress on eliminating hunger, are we making progress on making America a safer place to live.

So being able to ensure that you are getting scrutiny of Government based on outcomes, then that is something that is worth looking at. How you write that into law is not something that I have been able to discover yet, but writing a tool into law I think makes it too cumbersome and not flexible enough to be able to adapt to circumstances from time to time.

Mr. PLATTS. Isn't there the substantial risk, though, that when you have that change in administration, that tool is not carried forward and all the legwork that has occurred leading up to that change is lost?

Mr. MCTIGUE. I think that, interestingly, if you look at the two administrations in the United States that have been involved with GPRA, both have adopted very much the same policy. If you look at administrations around the world, nobody who started on accountability based upon outcomes has gone backward, even though a number of governments would be into their third or fourth government, with changes of parties, and nobody has actually gone backward.

The reason for that, in my view, is that the public, once they have started to get information that tells you how successful or how little success there is in different fields of endeavor, will not settle for anything less. In this day and age, it is not possible to say we are going to govern more in secret than we did before; it has to be the current level of transparency or more. So I don't think there is a great risk of it going backward.

The last point I would make is that it seems to have been a very bipartisan issue in the U.S. Congress. There hasn't been divisions along party lines; there has been divisions about which programs are working, which programs aren't working. But the process itself

has not been something that has come under particular criticism from either party; it has been a matter of have we got better ideas to take this forward, rather than we want to go backward.

Mr. PLATTS. The premise being kind of that you don't have to make it law; changing the mentality of all involved will remain whether the administration changes if we change the whole thought process and how we are reviewing.

Mr. POSNER. Mr. Platts, if I could just followup on that. GPRA is based on law, but it doesn't address PART, and I think it is the flexibility that it gave different administrations to tailor it for their use that was important.

I would note as a matter of history, President Reagan initiated the regulatory review process within OMB, and that was not based in statute, that particular part of it, and yet it was carried on by succeeding administrations. So some of these things become institutionalized because they add value to a variety of presidents for a variety of different reasons. This could very well be one of them.

I do think it is important, though, your point at the beginning that sustainability is important to carry this forward. The last thing we want is to have people view this as a one-time flash in the pan, because the kind of evaluation investment you have to make to get a good score is a sustained long-term effort, and if agencies perceive they are not going to be held repeatedly to this kind of scrutiny, then there is a chance that you are not going to have that kind of investment.

Mr. PLATTS. Well, recognizing that ideology is part of Members of Congress and the President administration, as we go forward in the sense of changing the mental thought process, but also ensure the credibility of it so that we are all embracing and really buying into this approach, how do we guard against the concern that it is not used, as Mr. Towns kind of referenced in his opening statement, simply for a means of doing away with programs that maybe are effective but aren't in line with the current administration, or whatever administration, or Congress, their priorities, and that it remains credible that we are really going to use the information for merit-based decisions, not politically motivated decisions?

Any suggestions from any of the three witnesses on how to guard against that occurring?

Ms. MCLEAN. Well, I think the fact that it has been a very open process and a questionnaire is available, and that there have been open comments received and taken, I think helps the process a lot. The fact that it is as open as possible I think keeps it clean, let us say, from those kind of influences.

Mr. PLATTS. Even though it is an open process, as I think Mr. Posner said in his statement, there is a subjective that it is not going to be arbitrary; this score means X dollars less or whatever, or X dollars more. With the administration doing the reviews, even in an open way, what the scores are is still subjective. Do you think the transparency of it itself is what is going to guarantee more merit-based?

Ms. MCLEAN. You are right, there is some subjectivity to it, and I think it is going to be very hard to get it out. But on the other hand, the PART process does collect reviews that have already occurred by GAO, by the IGs, by other independent sources. That is

part of the process, is what have other people said about this program. So as long as that is part of the PART tool, then I think it will keep it, again, as objective as possible.

Mr. PLATTS. Mr. McTigue.

Mr. MCTIGUE. Can I just echo what Ms. McLean said? And that is that as long as there is a high level of transparency, it is very difficult to cancel something that is successful. PART is one of the processes of review, but we have to remember also that each agency writes an annual report based upon the year's performance as well, where it looks somewhat differently at each of its activities. So somebody who wanted to cancel a program that was highly successful and brought high benefit to the public has to fight two wars: the war inside Congress, where people will want to defend a successful program, but also the war with the constituency that is going to lose a major public benefit that is now open and apparent.

So I think that those are good defense mechanisms and probably better defense mechanisms than successful activities you have had in the past.

Mr. POSNER. If I could just add, that congressional oversight is important here, and that the study we are doing for you, these hearings are important. The more I think that Congress can get in the process of selecting and reviewing what programs are doing, as well as the various groups that have an interest, I think the better off we are going to be.

Mr. PLATTS. Thank you.

Ms. Blackburn.

Ms. BLACKBURN. Thank you, Mr. Chairman.

Actually, Mr. Posner just answered the question that I wanted to ask regarding congressional oversight and participation, so I will just say I appreciate very much the fact that you all have taken your time to go through this with us, it is fascinating and I thank you.

Mr. PLATTS. Thank you, Ms. Blackburn.

A few more questions I will try to squeeze in here before we have some votes on the floor.

The GPRA requires, Ms. McLean, that the consultation between administration and the House and Senate committees, appropriations committees for the appropriate jurisdiction, and I was wondering if you could share with us with the Department of Transportation what interactions have occurred in the House side, the Subcommittee on Transportation, Treasury, and Independent Agencies regarding GPRA and specifically the PART review that has been done on the four programs in the Transportation Department thus far.

Ms. MCLEAN. Well, the budget and performance integration that was required by the President as one of his five President's Management Agendas, as I said in my testimony, encouraged DOT to sort of restructure our budget request, so the appropriation committees this year saw a completely different approach to justifying our budget, and that came directly from our performance goals set out in our GPRA performance report.

I think that if you look at our budget request from last year versus this year on any of the Department's modes, you will see a sig-

nificant difference. We are asking for this amount of money for safety, this amount of money for system efficiency, this amount of money for security. It is much clearer in our request this year than it has been in the past. Is it perfect? Absolutely not. I am sure we are going to get a lot of back and forth in comments from the appropriations committees on ways we can improve.

Regarding the PART, we had some questions from the appropriations committees right as soon as the budget was submitted, but since most of our scores in the Department were relatively positive, I think that we probably didn't get as much questions from both our authorizing committees or our appropriations committees. I think that the PART scores that have been more criticizing the programs that Congress has been supporting, I think that is probably initiative maybe a little more animated dialog than here at the Department.

Mr. PLATTS. And, Mr. McTigue, a question for you that I think I know the answer to, but most of what we are focusing on now is evaluating existing programs through GPRA and PART specifically to the program. I assume that you would agree that having something in place for any new proposal that comes from the Congress or from administration should go through something very similar, although you don't have outcomes to assess yet, but to as best possible determine what the projected outcomes are, kind of that cost benefit analysis that the private sector does every time they are going to make an expenditure that maybe is not as commonly done here as this sounds good, so let us run with it.

I would be interested in your comments.

Mr. MCTIGUE. Mr. Chairman, I used to chair the cabinet expenditure control committee in the government in New Zealand, so all new proposals had to come before that committee, and this is a process that we used to great effect. Any new proposal would have to be able to answer these questions, and the first one was what proof is there that the problem actually exists and that nobody is currently addressing that problem; the second question was what proof have you that your suggested remedy will actually solve this problem; and the third one was what evidence is there to show that the value produced by funding this particular activity would be greater than if those resources were used on other high priorities for the government; and the last one, but the one that, in my view, was most important of the lot was what firm commitment can you give us on when this problem will be solved and we won't need to fund it any longer.

And I say that is important, Mr. Chairman, because there is a very strong tendency in government to fund the consequences of problems without ever looking at the cause. So if you look at how do I feed hungry people without looking at how the hunger was caused in the first instance, you are going to feed hungry people forever. What you should really be looking at was what is causing the hunger, and deal with that while you are feeding the hungry people so that 1 day you don't have to feed them anymore. So asking that question about when is it going to be solved is very important.

Now, when you have done those things, you really do a good analysis of the benefit that you are going to get, and the cost will be known.

Mr. PLATTS. I don't remember seeing those questions as part of your written testimony, but they well encapsulate the approach we do need to take. And if they weren't in the written testimony, which I don't remember seeing, if you could share a copy of those with us.

Mr. MCTIGUE. No, they are not in my written testimony, Mr. Chairman, but I have them here, and I will give them to your committee.

Mr. PLATTS. And your concluding one certainly I think the analogy to how to feed the hungry, just giving them food or teaching them good agricultural skills or other tools to feed themselves, is a great analogy. But your first question really goes to that cross-agency comparison, yes, this is a need, but is there a program already out there that should be addressing this rather than reinventing the wheel.

Mr. MCTIGUE. Well, sometimes, Mr. Chairman, it is not just inside government; there may well be people in the voluntary sector of society or in the private sector that are already dealing with that problem, and you don't want to duplicate it if it is already being dealt with effectively.

Mr. PLATTS. Thank you.

I have a couple more, but I want to make sure, Ms. Blackburn, you didn't have any other questions.

Ms. BLACKBURN. No.

Mr. PLATTS. OK, great.

Mr. Posner, you recommended that Congress should consider adopting an annual congressional performance resolution similar to our budget resolution. I was wondering if you could expand somewhat.

Mr. POSNER. This is a way for Congress to become more focused on a performance from a Government-wide standpoint. Basically, what we see is Congress has various committees and subcommittees. The administration defines a performance agenda, essentially, as they have done through PART, as they do through the performance plans of the agencies. What we would like to see ultimately is for Congress to have a vehicle to come together and prioritize what programs are really needing oversight in a given year, and to work in concert with the administration, as I suggested earlier, for example, in selecting PART programs at the outset that satisfy the needs of both sides; and ultimately directing congressional oversight and possibly GAO studies, among other things, to those areas that are of the most concern from a performance perspective.

We have seen something like this happening in Arizona, for example, as part of a new biannual budget process that they have introduced, where every year or every other year the legislature gets together and focused on some priority areas for attention.

And so the idea is to have Congress be able to address kind of broader, cross-cutting performance issues. The budget resolution is the one annual time the Congress considers everything together, and so the idea was whether there was a possibility of integrating

that. It needs some more thinking and discussion, but it is that notion.

Mr. PLATTS. Are you suggesting maybe, though, not a kind of shotgun approach, but more of a targeted approach, that we look at similar to what has been done in the step kind of the phased-in PART process, that each year I know GAO does the at-risk agencies, and within those each year select a certain number to have as part of a performance-driven resolution?

Mr. POSNER. To really drill down and recognize that addressing, say, Medicare or other issues requires the work of many committees up here; and that is the notion that addressing these things or addressing some of the cross-cutting programs, say in job training, and making sure when you do that you are grouping those programs together that address the same target populations, such as the job training for the hard-core and the job training for veterans. The key is making sure that you think about this in a more comprehensive way than we are normally accustomed to doing, and including all of the tools, we talked about tax expenditures, loans, that are typically authorized by different committees, and thinking about a way to cut across that.

Mr. PLATTS. Kind of a followup to that, in going to the credibility of the PART process, do you envision or think that GAO or perhaps the inspector generals of the various agencies should play some sort of auditing role in the PART? I mean, because the PART is going to give us a lot of that information on the programs, but it is being given by the executive branch that is making decisions of what they want to propose in the budget. So should the inspector generals themselves, or GAO on behalf of Congress, play a kind of an auditing role to maintain that credibility?

Mr. POSNER. Yes, I think possibly in two respects. And I think of audit in the broader, not the narrower, sense. First of all, kind of validating the performance information and the judgments that were made in that tool and, second, providing you with information on the other performance issues and problems that are out there that may not have been captured by a given PART exercise.

Mr. PLATTS. I would be interested, actually, Mr. McTigue, and it may be difficult for Ms. McLean, on that question about the auditing of PART by GAO or the inspector generals officers, if either one of you have thoughts you want to share.

Ms. MCLEAN. If I could add. I think one of the good things about the PART process is we are trying to look at all programs, be it good or bad. We are not targeting problem projects, we are basically going to be targeting all projects just through a phased-in process. I think that maybe this is an incorrect view of GAO and the IG, but they typically get asked to do audits on problems, areas where we have concerns, and so they don't necessarily do the audits on programs that are being successful.

And if you want to do what Mr. McTigue was saying, which was basically, let us look at the programs that are successful, and if we have overlapping programs, let us put the money in those successful programs. Having GAO and the IG as part of the PART process, informally or formally, I think would encourage, perhaps, some of these more positive programs to also have audits.

I know that is a generalization of what GAO and the IGs do, but I would say if we probably stack the reports positive versus negative, we might have a little bit less of an equal balance.

Mr. PLATTS. Mr. McTigue.

Mr. MCTIGUE. Thank you. I agree with Ms. McLean, that we do something rather strange in government, and that is that we spend nearly all of our time looking at the things that went wrong; whereas, if you were in private industry, what you would look at were the things that were successful and see how you could expand that success. So you spend sort of three-quarters of the time looking at 5 percent of the activity; whereas, if you spent some of that time looking at the 75 to 80 percent that performs well, you may be able to significantly expand that performance.

About PART and the auditing of PART, I think that this is highly commendable, the fact that it is so transparent. If there was any loss of that transparency, I would start to become concerned. The fact that OMB is prepared to put all the information out at the moment is something that makes it defendable.

What I think, though, is that the utility of PART is only just beginning. I think that it is probably a crude tool at the moment, and it can be significantly more sophisticated and more appropriate. But if you are going to start to use it to look at outcomes, I think you would design it differently, because you wouldn't be looking at each program on its own merits, you would be looking at a particular outcome and seeking which of those programs, even though they were dissimilar in nature, were having the greatest impact on diminishing or eliminating hunger, whatever the outcome was. And so the tool might look different if you were going to do it that way.

I think we are in the experimental stage at the moment, and cementing anything in during the experimental stage I think would be dangerous, except there are some principles at stake that I think that are very important to pursue. One of those principles is the openness and transparency that we currently have; the second is that move toward looking at the results or the outcomes, instead of looking at the activity. And what we are trying to do is identify the most successful activities and seeing that they are not minimized by lack of resources when there is something else chewing up resources that is really currently ineffectual.

Mr. PLATTS. I am going to maybe do two more questions, because I think we are going to have votes here in about 10 minutes.

And I appreciate your time as well, being very valuable.

As we go forward and try to fine-tune, and I think your comment, Mr. McTigue, that we are kind of in that experimental, developmental stage, and so we are somewhat cautious, I want to make sure as we move forward to this coming fiscal year, and one of the things you talked about, Ms. McLean, was having more time to have it really mean something for your Department as we try to address those shortcomings, as we do the next 20 percent for the next fiscal year, the 20 percent that were done this year, how are those going to continue to be evaluated? Are we going to build on the initial 20 percent and as we go to 100, that we have everybody kind of on a regular process annually? Is that initial 20 percent now every year going to have the same amount of scrutiny, or less until we get through everybody?

Ms. MCLEAN. Yes and no. I think OMB, again, is still trying to set that up, and as we understand it, what is going to happen is if there has been any changes in your last year's PART scores, you can present suggested adjustments to your score. So, in other words, if part of your problem was you didn't have data or acceptable goals, you have this year to improve that and come back and basically sort of appeal your grading and try to improve the program. But if you have nothing to say, no improvements, or it was moderately effective or effective and you choose not to adjust it, then the PART score stands, unless there was some independent review that would significantly adjust that score.

So I think it is a little bit of both. We are not ignoring last year's scores, but I think we are given an opportunity, if we want to, to improve them.

Mr. PLATTS. And the challenge for many of those having been the lack of information for the original 20 percent, is it fair that every program out there should be on notice that if they don't have the information to make their case, that they better be working on it?

Ms. MCLEAN. That is right. The results "not demonstrated" grade is not one I would strive for. So I think it is pretty clear this year that if you have programs out there that you are not collecting data on, and you were successful in not having them part of last year's review, either get the data or try to push it to next year, because you need time to collect that information and get it on record.

The Department had sort of an interesting experience last year. Unfortunately, after the events of September 11th, the Department was responsible for establishing the Transportation Security Administration [TSA], and so we were facing what Mr. McTigue was talking about regarding how do you evaluate a program that is new that we have no goals for. And what we chose to do was to first put out our output goals and then deal with our outcome goals later. So, in other words, TSA, the Congress required that we have all Federal agencies in place a year after for screening of passengers at airports, have them all in place in 1 year. So that was more of an output goal, and that is what we said that is what we are going to measure ourselves with. And then as we collect data we would then have more specific outcome measures. But obviously that has now been transferred to the Department of Homeland Security, so I am sure they will be coming to you with outcome goals shortly.

Mr. PLATTS. The decision of what the next 20 percent are, and kind of everyone being on notice, you don't want to have that, hey, we don't know, what is the timeframe? We heard you say it should be earlier, but my understanding is it has not yet been identified what 20 percent.

Ms. MCLEAN. Right.

Mr. PLATTS. Is that going to be the case kind of each year purposeful, so that agencies don't think, hey, I am in the fifth round, so I don't have to worry about it for another several years, or I need to get on board now?

Ms. MCLEAN. Well, I think the goal is to have all of your programs reviewed, if not in the 2005 budget, in the 2006 budget. So by the 2006 budget you should have all your programs reviewed. That is at least our message from OMB on the Department of

Transportation. So next year we are working with OMB, and we almost have settled internally what we are going to be reviewing for 2005, but I am not sure what OMB's plans are as far as announcing what those are. I am sure there are other departments that are having a much harder time than we are with their OMB counterparts and identifying those programs, so I am not sure what schedule other departments are on.

Mr. PLATTS. And hopefully it goes kind of back to that change in thought process that we are all looking ahead, whether this year, next year, that we are all starting to be prepared to be more definitive in what our mission is and how we are achieving it.

Ms. MCLEAN. That is right. I know for our Secretary, for Secretary Mineta, having an even "moderately effective" is something he doesn't want to see in his budget, to have something ineffective or have "results not demonstrated." These are things, really, the President mentions to the Secretaries, and so it is something that the Secretaries are focused on because, when you get a grade, C is not acceptable; you want to have As. So the departments are really focused on it.

Mr. POSNER. Mr. Chairman, if I could just add to that. I think that is a good illustration of what our theories of change need to take into account, that frequently we think if you don't get rewarded or you do get rewarded with budget changes, that is the main hammer, when in fact I think we often overlook the power of, for want of a better word, shame to motivate change.

The CFO Act was passed in 1990. We now have 21 agencies with a clean opinion, albeit they have a long way to go with their financial systems; and you will hear more about that, as I understand, later. But I think the point is there hasn't been a budget hammer that has been hanging over agencies' head. What has been hanging over them is a fear of embarrassment, and I think public transparency is an important way we achieve change on these issues.

Ms. MCLEAN. And just the "red," "yellow," "green." The fact that you complimented the Department of Transportation at the beginning of this hearing, the President said the same thing to Secretary Mineta in one of the cabinet meetings. So, if you are not getting that sort of positive feedback from your boss, it makes a difference.

Mr. PLATTS. You are not going to want to go to those cabinet meetings anymore.

Ms. MCLEAN. That is right.

Mr. PLATTS. And I think that is something we heard last week from our testifiers in the broad sense of the President's Management Agenda, is having an administration that is willing to kind of grab the bull by the horns, saying, listen, we have GPRA, we have an ox, put it in use and make it happen. And we certainly have an administration that is seeking to do that, and that took a comment that the President is taking note of who has green lights and advancing, and who is not, goes to a little bit of that shame in the sense of you are the President's appointee; you don't want to be showing up with red lights all the time.

Ms. MCLEAN. That is right.

Mr. PLATTS. Mr. McTigue.

Mr. MCTIGUE. Mr. Chairman, I think it is important, if you are going to go through sort of 20 percent of programmatic activity

each year, that those programs that have been through the review process this year should not be allowed to slip back in subsequent years. And part of that process should set standards for those programs of accounting and tasks that have to be completed, and they must be kept up to those standards, otherwise you are just going to have a 5-year cycle when people are going to have to perform one year and then drop back.

So I think a strategy that sees that everybody is maintaining the standards that they have been brought up to so that it is a continual improvement, rather than 1 year of accountability and then 4 years of forgiveness, it is possible.

Mr. PLATTS. And it sounds like OMB is trying to figure out the manpower of doing the next 20 percent, but without losing ground on the ones you have already done.

Ms. MCLEAN. That is right, how to incorporate that.

Mr. PLATTS. Because otherwise what you did up front has less benefit long-term.

Mr. MCTIGUE. Exactly.

Mr. PLATTS. Before I make a brief closing statement and comments, would any of you like to summarize anything that we specifically, Members of Congress and this committee, should look at, whether it be from an oversight role or specific legislative changes to GPRA or anything else that you would encourage us to take on?

Ms. MCLEAN. No, sir.

Mr. PLATTS. All right, I want to thank each of you for the time you have invested in preparing for today's hearing and the comments you have shared. I know the staff back here are taking notes and will probably followup with you as we continue to move through the process of trying to focus more on accountability as the oversight responsibility of this subcommittee, and wish you well with your efforts really within the agencies, Transportation, GAO, working with us to help us make more informed decisions.

And certainly, Mr. McTigue, your efforts at the Center, and providing an outside perspective on what we are doing right or doing wrong, especially given your own personal experience and what that brings to the table.

I would also like to recognize our staff, both on the majority and minority side, for their efforts. We have Mike Hettinger, our staff director; Dan Daly, counsel; our professional staff, Larry Brady and Kara Galles, and Amy Laudeman, the majority clerk; and on the minority side our professional staff member, Mark Stephenson; chief clerk Earley Green; deputy clerk Jean Gosa; and also our court reporters for their efforts.

Although there is much work to be done and we acknowledge and I appreciate the frankness in our testimony, including, Ms. McLean, your support for PART but acknowledging there are some shortcomings that we need to fine-tune, as you said, for your own timeframe, and then also as we talked about the continuation, the annual process that we will now go through, we certainly are heading in the right direction, and that is largely due to, I think, GPRA kind of coming into its own now. And Mr. McTigue and I have talked about how it is 10 years, but really 4 or 5 years into the substance of what it is requiring. But now with the President's Management Agenda, those working together are going to allow us

to make good progress. Certainly this committee continues to look forward to working with all parties in making that accountability happen for the good of our taxpayers and for the good of the recipients of those services being provided by each of the programs we fund.

We will hold the record open for 2 weeks from this date for those who may want to forward submissions for possible inclusion, and this meeting stands adjourned.

[Whereupon, at 3:28 p.m., the subcommittee was adjourned, to reconvene at the call of the Chair.]

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