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SHOULD WE PART WAYS WITH GPRA: A LOOK AT PERFORMANCE BUDGETING AND PROGRAM REVIEW

HEARING

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT EFFICIENCY AND FINANCIAL MANAGEMENT

OF THE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

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SHOULD WE PART WAYS WITH GPRA: A LOOK AT PERFORMANCE BUDGETING AND PROGRAM REVIEW

WEDNESDAY, FEBRUARY 4, 2004

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 2247, Rayburn House Office Building, Hon. Todd Russell Platts (chairman of the subcommittee) presiding.

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

Staff present: Mike Hettinger, staff director; Dan Daly, counsel; Larry Brady and Tabetha Mueller, professional staff members; Amy Laudeman, legislative assistant; Sarah D'Orsie, clerk; Mark Stephenson and Adam Bordes, minority professional staff members; 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. I appreciate everyone's attendance here today.

Congress enacted the Government Performance and Results Act [GPRA], more than a decade ago to create an effective, efficient government that produced tangible results, results that would form the basis for budgetary decisions. GPRA was intended to serve as a firm foundation on which to build a structure of performance management.

While GPRA was passed in 1993, it did not take effect in practice until the fiscal year 1999. Consequently, we currently have about 4 years of information on which to judge the act's effectiveness. GPRA continues to evolve as senior agency leaders better understand the requirements set forth in the act and are given the tools for its effective implementation.

We are seeing progress, however. Agencies' strategic plans are becoming more useful. Agencies are becoming more comfortable and more competent at managing for outcomes, and agencies are now beginning to scratch the surface of linking performance to budget decisions. Needless to say, however, we still have a long way to go. Efforts to improve government effectiveness beginning with the Hoover Commission failed to achieve the important objective of linking performance to budgeting decisions.

President George Bush's management agenda is the most aggressive attempt by any administration to successfully achieve this

goal, and as I've said before, I certainly commend President Bush and his administration for embracing this challenge and really sticking with it over, now, 3 years.

The administration's Program Assessment Rating Tool [PART], implemented for the first time last year, seeks to tie funding sources to outcomes at the program level. PART is a key tool not only in the President's management agenda, but also as part of the broader performance-based accountability effort encompassed by GPRA.

GPRA and the President's management agenda are mutually dependent efforts which cannot fully succeed in the absence of the other. In other words, the program-by-program reviews demanded under PART and the broader strategic planning approach emphasized under GPRA are both equally important.

With the 5-year phase-in of PART across all Federal Government programs well under way, Congress and the administration need to work together to ensure that the information gleaned from the PART reviews empowers executive and legislative leaders to make timely, well-informed and sometimes difficult programmatic decisions on behalf of the American public.

Today we will hear from a panel of experts in the field of performance budgeting. Mr. Paul Posner, Director of Strategic Issues for the General Accounting Office and the author of the report released last week; Mr. Jonathan Breul, a senior fellow at the IBM Center for the Business of Government; and the Honorable Maurice McTigue, the director of the government accountability project at George Mason University's Mercatus Center.

I certainly want to thank each of you for being with us today and also for your work with the staff of the committee in preparing for this hearing and the wealth of knowledge you've shared with all of us. I look forward to each of your testimonies.

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

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

COMMITTEE ON GOVERNMENT REFORM

SUBCOMMITTEE ON GOVERNMENT EFFICIENCY AND FINANCIAL MANAGEMENT

CONGRESSMAN TODD RUSSELL PLATTS, CHAIRMAN

OVERSIGHT HEARING
STATEMENT BY TODD RUSSELL PLATTS, CHAIRMAN

Hearing topic: ***Should we PART Ways with GPRA?***
A Look at Performance Budgeting and Program Review

Wednesday, February 4, 2004
2:00 p.m.

Congress enacted the Government Performance and Results Act (GPRA) more than a decade ago to create an effective, efficient government that produced tangible results – results that would form the basis for budgetary decisions. GPRA was intended to serve as a firm foundation on which to build a structure of performance management.

While GPRA was passed in 1993, it did not take effect in practice until fiscal year 1999. Consequently, we currently have only four years of information on which to judge the Act's effectiveness. GPRA continues to evolve as senior agency leaders better understand the requirements set forth in the Act and said leaders are given the tools for its effective implementation. We are seeing progress. Agency strategic plans are becoming more useful, agencies are becoming more comfortable and competent at managing for outcomes, and agencies are now beginning to scratch the surface of linking performance to budget decisions. Needless to say, however, there is still a long way to go.

Prior efforts to improve government effectiveness, beginning with the Hoover Commission, failed to achieve the important objective of linking performance to budgeting decisions. President George Bush's Management Agenda is the most aggressive attempt by any administration to successfully achieve this goal.

The Administration's Program Assessment Rating Tool (PART), implemented for the first time last year, seeks to tie funding sources to outcomes at the program level. PART is a key tool, not only in the President's Management Agenda, but also as part of the broader performance-based accountability effort encompassed by GPRA.

GPRA and the President's Management Agenda are mutually dependent efforts, which cannot fully succeed in the absence of the other. In other words, the program-by-program reviews demanded under PART and the broader strategic planning approach emphasized under GPRA are both equally important. With the five-year phase–in of PART across all federal government programs well underway, Congress and the Administration need to work together to ensure that the information gleaned from the PART reviews empowers executive and legislative leaders to make timely, well informed, and sometimes difficult programmatic decisions on behalf of the American public.

Today we will hear from a panel of experts in the field of performance budgeting: Paul Posner, Director of Strategic Issues for the General Accounting Office and the author of the report released last week, Jonathan Breul, Senior Fellow at the IBM Center for the Business of Government, and Maurice McTigue, Director of the Government Accountability Project at George Mason University's Mercatus Center. I would like to thank each of you not only for your time today, but also for your contributions to the base of knowledge in this field.

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Mr. TOWNS. Thank you very much, Mr. Chairman, for holding this hearing.

At its most basic level, performance budgeting requires linking agency performance information with budgetary decisions. When done correctly, performance budgeting allows resources to be allocated according to an agency's stated goals and its results in meeting those goals. Unfortunately, various attempts at performance-based budgeting for the past five decades have produced, at best, mixed results in providing a better blueprint for aligning government spending with results.

As the subcommittee prepares to hear from GAO on their recent assessments of the PART program, I remain skeptical that the administration's efforts to integrate performance information for budgetary decisions will be successful. As in the 2004 budget, the PART was used to review about 20 percent of all Federal programs for the 2005 budget with the goal of reviewing all Federal programs by 2008.

As I've stated over and over again and, of course, also in many hearings, successful management initiatives require a sustained and concerted effort, along with mutual cooperation and understanding, between OMB and the Federal agencies. Furthermore, we must ensure that political ideology does not adversely impact the production of reliable and credible information or jeopardize the confidence of all stakeholders in the results.

While I recognize that PART is a tool for the executive branch to better analyze Federal programs and outcomes, it must be used in concert with other performance-based assessments in order to be useful to others in both the agency and congressional arenas.

As we enter into our second budget cycle and a new round agency reviews, I remain concerned that PART is usurping the statutory goals and objectives, and of course, I think that is to be a concern of all of us.

Furthermore, the subjective nature of PART seems to negatively impact the amount of reliable data it provides due to chronic disagreement between OMB agency officials on long-term performance measures of unreasonable thresholds in satisfying PART standards.

While I am hopeful the 2005 program reviews were most—were more successful, I remain wary that the subjective nature of PART will limit both the quantity and quality of information.

I look forward to hearing from today's witnesses on the results of the GAO's study of PART as the committee seeks out additional methods for improving its usefulness in the budget process.

So, on that note, Mr. Chairman, I yield back.

Mr. PLATTS. Thank you, Mr. Towns.

If I can now ask our witnesses to come forward and remain standing to have the oath administered to you, and also any other individuals who will be advising you as part of your testimony, if they will stand as part of taking the oath.

If you could all raise your right hands.

[Witnesses sworn.]

Mr. PLATTS. Thank you, and the clerk will note that all witnesses affirmed the oath. We certainly do appreciate the substantive written testimonies that you've provided and would ask if you're able

to try and summarize those written testimonies in roughly 5 to 7 minutes before we get into questions and answers.

For everyone's knowledge, we believe we have until about 3 p.m. before the first round of votes on the floor may occur; and so we'll try to get through our opening statements and get into the Q and A as best possible, and we'll see where we are as to how the schedule will proceed once votes start on the floor.

We're going to start, Mr. Posner, with you; and with each witness, I'd just like to share for everyone's knowledge a little bit of each witness' background.

Paul Posner was named in 1996 as Director of Strategic Issues for the General Accounting Office, a position he still holds today. Before this position, he was Assistant Director of the Intergovernmental Relations Group, Associate Director for Tax Policy and Administration and prior to that, Director of the Federal Program Review for the New York City Budget Bureau.

Mr. Posner, thank you again for being here, and if you'd like to proceed with your testimony.

STATEMENT OF PAUL L. POSNER, MANAGING DIRECTOR, FEDERAL BUDGET ISSUES, STRATEGIC ISSUES

Mr. POSNER. Thank you, Mr. Chairman. I'm pleased to be here today to discuss our work that we did for you and Congressman Tiahrt and Senators Voinovich and Brownback that resulted in the issuance of our report on January 30th.

Since the 1950's, the Federal Government, as has been noted, has attempted several governmentwide initiatives to better align spending decisions with performance, what we call performance budgeting. PART is the latest initiative in a longstanding series undertaken to improve the link between performance and information in the budget process.

GPRA, unlike many of its predecessors, has actually been a reform that has been sustained since its passage 10 years ago, and evidence strongly indicates that it's become more relevant than its predecessors.

PART offers the potential to build on the infrastructure of performance plans and information ushered in by GPRA. In a historical sense, GPRA has succeeded in improving the supply of plans and information and measures; and we actually have a study forthcoming assessing the 10-year record of that.

PART in some ways marks a new chapter in performance-based budgeting by focusing more explicitly on the demand side of the equation; that is, promoting the use of the information generated through GPRA's processes and other processes to more directly feed into executive branch budget decisions.

Let me just briefly summarize the findings of our report. First, PART clearly helped structure OMB's use of performance information for its internal budget analysis. It succeeded in making the use of this information more transparent than before and stimulated agencies' interest in budget and performance integration.

Moreover, it illustrated the potential to build on GPRA's foundation to more actively promote the use of performance in budget decisions. OMB should be credited with opening up for scrutiny and potential criticism its review of key areas of Federal program per-

formance and making its assessments available on the Web site and other vehicles.

Much of the potential value of PART lies not just in the funding recommendations but in the related program and management improvements. Although funding recommendations were related to PART recommendations, they were not linked in a mechanical and formulaic manner, nor should they be.

Now it will be important for OMB to get on with the job of the agencies of following through on the daunting series of program analyses, recommendations and improvements that they've surfaced. As is to be expected in the first year of any reform, the first several years for that matter, PART is a work in progress, and we noted in our report areas where OMB can make improvements. Any tool that is sophisticated enough to take into account the complexity of the U.S. Government ultimately requires the exercise of judgment by users. Therefore, it's not surprising that we found some inconsistencies by OMB's staff in interpreting and applying this tool.

The rating tool is a useful diagnostic instrument to address strengths and weaknesses, but it can be difficult to capture the effectiveness of complex programs in dichotomous yes-no answers or in a single rating number.

Unlike a private business, government does not have a single bottom line nor do many of it programs. This doesn't mean that we shouldn't try to more systematically judge performance, but that we must recognize the multiple goals and dimensions when we do.

PART provides an opportunity to more efficiently focus scarce analytic resources, to focus decisionmakers' attention on the most pressing policy issues and to consider comparisons and tradeoffs among related programs. At this point, we think that opportunity largely has not been addressed, that OMB remains committed to increasing the coverage up to 100 percent of all programs over the next several years. We think there are opportunities to more strategically use PART to focus on related groups of programs achieving common objectives.

The first year of PART's assessment also underscored longstanding gaps in performance evaluation efforts through the Federal Government. One hope is that PART could possibly prompt greater attention to those gaps.

The relationship between PART and the broader GPRA planning process is still evolving. Although PART can stimulate discussion on program-specific measurement issues, it is not a substitute for GPRA's strategic, longer-term focus on thematic goals.

Although PART and GPRA serve different needs, a strategy for integrating the two could help strengthen both. The two should not be viewed as supplanting one another, but as complementing one another.

PART really illustrates the new challenges and tensions prompted by the integration of performance in budgeting. It raises fundamental questions like whose interest should drive the integration and what frameworks and perspectives should drive it; ultimately, a combination of the best of both planning and budgeting, married in a synergistic way to promote better outcomes all around.

While PART clearly serves the needs of OMB and the President in budget formulation, questions still remain about whether it serves the needs of other key stakeholders. If the President or OMB wants the PART to be considered in the congressional debate, it will be important for OMB to involve congressional stakeholders early in providing input on selecting programs, clarifying any significant limitations in the assessments; open up more about the kinds of issues addressed in those assessments; and initiate discussions with congressional committees about how they can best take advantage and leverage PART in authorization appropriations and oversight.

Moreover, Congress needs to consider ways it can articulate its oversight priorities and agenda in a more systematic way.

We made a number of recommendations in our report for OMB. I'll just briefly outline them.

We've suggested enhanced guidance to improve definitions, better monitoring of recommendations and followup, and targeting the OMB reviews in a more strategic way. We've actually suggested reconsidering the goal of 100 percent and, instead, talked about a more strategic approach to target assessments on cirtical program and review related groups of programs on the tax expenditure side, as well as the spending side in the same year, there are things that need to be considered.

As I've indicated, there is also a need to clarify the relationship between PART and GPRA. Improving the integration of these separate processes can help promote a more strategic focus for the PART assessments, and the GPRA planning goals could be used to anchor the selection and review of programs, both working toward common objectives.

And finally, we suggested early on involvement of Congress and buy-in by the Congress itself and the various committees, because the impact of PART is not just on the President's decision, but ultimately Congress is going to need to be a partner in this if we want decisionmaking in the budget process to really be framed by this new initiative. We have recommended that OMB seek an early and meaningful dialog in that respect.

Ultimately, PART raises the stakes for performance management. It holds much promise, but many risks. Budgeting is properly a political process where there are competing values and priorities. So, too, and equally contentious, are the decisions about how to frame the questions, which units to review, how to choose the focus of your budget decisions, how to choose your measures and goals. These are all issues where reasonable people can and should disagree, and as the stakes grow, potentially greater conflict can be expected. So much is at stake in the development of this process, our system of government with separation of powers, PART inevitably needs to become a more collaborative process among the branches to become sustained.

This really is an opportune time for the executive and the Congress to carefully consider how both the agencies and committees can best take advantage and leverage the new perspectives coming from this reform agenda. In particular, PART could become a very useful tool for reexamining the base, which will become apparent as we go forward and address our fiscal problems in the Nation.

The norm should be to reconsider the relevance or fit of any program in today's world for the future. The idea is, we need to start putting things on the table that heretofore have been accepted as part of the budget process without being examined.

What's important is not the specific approach but rather the intended result of helping Congress better promote improved performance through broad and comprehensive oversight and deliberation.

That concludes my statement.

Mr. PLATTS. Thank you, Mr. Posner.

[The prepared statement of Mr. Posner follows:]

United States General Accounting Office

GAO

Testimony

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

For Release on Delivery
Expected at 2:00 p.m. EST
Wednesday February 4, 2004

PERFORMANCE BUDGETING

OMB's Program Assessment Rating Tool Presents Opportunities and Challenges For Budget and Performance Integration

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

GAO-04-439T

GAO
Accountability · Integrity · Reliability
Highlights

Highlights of GAO-04-439T, a testimony before the Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform, House of Representatives.

Why GAO Did This Study

The Office of Management and Budget's (OMB) Program Assessment Rating Tool (PART) is meant to provide a consistent approach to evaluating federal programs during budget formulation. The subcommittee asked GAO to discuss our recent report, *Performance Budgeting: Observations on the Use of OMB's Program Assessment Rating Tool for the Fiscal 2004 Budget (GAO-04-174)* and strategies for improving PART and furthering the goals envisioned by the Government Performance and Results Act of 1993 (GPRA).

What GAO Recommends

In our recent report on PART we recommended that the Director of OMB (1) address the capacity demands of PART, (2) strengthen PART guidance, (3) address evaluation information scope and availability issues, (4) focus program selection on critical operations and crosscutting comparisons, (5) expand the dialogue with Congress, and (6) articulate and implement a complementary relationship between PART and GPRA.

OMB generally agreed with our findings, conclusions, and recommendations and said it is already taking actions to address many of our recommendations.

We also suggested that Congress consider the need for a structured approach to articulating its perspective and oversight agenda on performance goals and priorities for key programs.

www.gao.gov/cgi-bin/getrpt?GAO-04-439T

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

February 2004

PERFORMANCE BUDGETING

OMB's Program Assessment Rating Tool Presents Opportunities and Challenges For Budget and Performance Integration

What GAO Found

PART helped structure OMB's use of performance information for internal program and budget analysis and stimulated agency interest in budget and performance integration. Moreover, it illustrated the potential to build on GPRA's foundation to more actively promote the use of performance information in budget decisions. OMB deserves credit for inviting scrutiny of its federal program performance reviews and sharing them on its Web site.

Much of PART's potential value lies in its program recommendations but follow through will require sustained commitment by agencies and OMB. OMB devoted considerable effort to developing PART, but diagnosing problems and rating programs are only the beginning of PART's ambitious agenda. Implementing change and providing oversight takes time; OMB needs to be mindful of this as it considers capacity and workload issues in the PART.

As is to be expected in the first year of any reform, PART is a work in progress and we noted in our report where OMB might make improvements. Any tool that is sophisticated enough to take into account the complexity of the U.S. government will require exercising some judgment. Therefore it is not surprising that we found inconsistencies in OMB staff interpreting and applying PART.

PART provides an opportunity to more efficiently use scarce analytic resources, to focus decision makers' attention on the most pressing policy issues, and to consider comparisons and trade-offs among related programs by more strategically targeting PART assessments based on such factors as the relative priorities, costs, and risks associated with related clusters of programs and activities. PART assessments underscored long-standing gaps in performance and evaluation information throughout the federal government. By reaching agreement on areas in which evaluations are most essential, decision makers can help ensure that limited resources are applied wisely.

The relationship between PART and the broader GPRA strategic planning process is still evolving. Although PART can stimulate discussion on program-specific performance measurement issues, it is not a substitute for GPRA's strategic, longer-term focus on thematic goals, and department- and governmentwide crosscutting comparisons. Although PART and GPRA serve different needs, a strategy for integrating the two could help strengthen both.

Federal programs are designed and implemented in dynamic environments where competing program priorities and stakeholders' needs must be balanced continually and new needs addressed. PART clearly serves OMB's needs but questions remain about whether it serves the various needs of other key stakeholders. If PART results are to be considered in the congressional debate it will be important for OMB to (1) involve congressional stakeholders early in providing input on the focus of the assessments; (2) clarify any significant limitations in the assessments and underlying performance information; and (3) initiate discussions with key congressional committees about how they can best leverage PART information in congressional authorization, appropriations, and oversight processes.

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss performance budgeting and the Office of Management and Budget's (OMB) Program Assessment Rating Tool (PART). Since the 1950s, the federal government has attempted several governmentwide initiatives designed to better align spending decisions with expected performance—what is commonly referred to as "performance budgeting." The consensus is that prior efforts—including the Hoover Commission, the Planning-Programming-Budgeting-System (PPBS), Management by Objectives, and Zero-Based Budgeting (ZBB)—did not succeed in significantly shifting the focus of the federal budget process from its long-standing concentration on the items of government spending to the results of its programs. However, the persistent attempts reflect a long-standing interest in linking resources to results.

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 the Government Performance and Results Act of 1993[1] (GPRA) as its centerpiece. GPRA is designed to inform congressional and executive decision making by providing objective information on the relative effectiveness and efficiency of federal programs and spending. A key purpose of the act is to create closer and clearer links between the process of allocating scarce resources and the expected results to be achieved with those resources. We have learned that this type of integration is critical from prior initiatives that failed in part because they did not prove to be relevant to budget decision makers in the executive branch or Congress.[2] GPRA requires both a connection to the structures used in congressional budget presentations and consultation between the executive and legislative branches on agency strategic plans; this gives Congress an oversight stake in GPRA's success.[3]

[1] Pub. L. No. 103-62 (1993).

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

[3] See Pub. L. No. 103-62 § 2 (1993), 5 U.S.C. § 306 (2003), and 31 U.S.C. §§ 1115-1116 (2003).

This administration has made the integration of performance and budget information one of five governmentwide management priorities under the President's Management Agenda (PMA).[4] Central to this initiative is the PART. OMB developed PART as a diagnostic tool meant to provide a consistent approach to evaluating federal programs and applied it in formulating the President's fiscal year 2004 budget request. PART covers four broad topics for all "programs"[5] selected for review: (1) program purpose and design, (2) strategic planning, (3) program management, and (4) program results (i.e., whether a program is meeting its long-term and annual goals) as well as additional questions that are specific to one of seven mechanisms or approaches used to deliver the program.[6]

GPRA expanded the supply of performance information generated by federal agencies, although as the PART assessments demonstrate, more must be done to develop credible performance information. However, 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. PART may mark a new chapter in performance-based budgeting by more successfully stimulating demand for this information—that is, using the performance information generated through GPRA's planning and reporting processes to more directly feed into executive branch budgetary decisions.

My statement today focuses on six points:

- PART helped structure OMB's use of performance information for its internal program and budget analysis, made the use of this information

[4] In addition to budget and performance integration, the other four priorities under the PMA are strategic management of human capital, expanded electronic government, improved financial performance, and competitive sourcing.

[5] There is no standard definition for the term "program." For purposes of PART, OMB described the unit of analysis (program) as (1) an activity or set of activities clearly recognized as a program by the public, OMB, or Congress; (2) having a discrete level of funding clearly associated with it; and (3) corresponding to the level at which budget decisions are made.

[6] The seven major categories are competitive grants, block/formula grants, capital assets and service acquisition programs, credit programs, regulatory-based programs, direct federal programs, and research and development programs. Tax programs were not addressed for the fiscal year 2004 PART process.

more transparent, and stimulated agency interest in budget and performance integration. Moreover, it illustrated the potential to build on GPRA's foundation to more actively promote the use of performance information in budget decisions.

- Much of the potential value of PART lies in the related program recommendations and associated improvements, but follow through will require sustained commitment by agencies and OMB. OMB's efforts in developing PART have been considerable, but diagnosing problems and applying ratings are the beginning not the end of PART's ambitious agenda. Identifying solutions, implementing changes, and providing oversight takes time, and OMB needs to be mindful of this as it considers the capacity and workload issues in the PART.

- As is to be expected in the first year of any reform, PART is a work in progress and we noted in our report where OMB might make improvements. Any tool that is sophisticated enough to take into account the complexity of the U.S. government will require some exercise of judgment. Therefore it is not surprising that we found some inconsistencies in OMB staff interpreting and applying PART.

- PART provides an opportunity to more efficiently use scarce analytic resources, to focus decision makers' attention on the most pressing policy issues, and to consider comparisons and trade-offs among related programs by more strategically targeting PART assessments based on such factors as the relative priorities, costs, and risks associated with related clusters of programs and activities. The first year PART assessments underscored the long-standing gaps in performance and evaluation information throughout the federal government. By reaching agreement on areas in which evaluations are most essential, decision makers can help ensure that limited resources are applied wisely.

- The relationship between PART and its process and the broader GPRA strategic planning process is still evolving. Although PART can stimulate discussion on program-specific performance measurement issues, it is not a substitute for GPRA's strategic, longer-term focus on thematic goals and department- and governmentwide crosscutting comparisons. Although PART and GPRA serve different needs, a strategy for integrating the two could help strengthen both.

- Federal programs are designed and implemented in dynamic environments where competing program priorities and stakeholders'

needs must be balanced continually and new needs must be addressed. While PART clearly serves the needs of OMB in budget formulation, questions remain about whether it serves the various needs of other key stakeholders. If the President or OMB wants the PART and its results to be considered in the congressional debate, it will be important for OMB to (1) involve congressional stakeholders early in providing input on the focus of the assessments; (2) clarify any significant limitations in the assessments as well as the underlying performance information; and (3) initiate discussions with key congressional committees about how they can best take advantage of and leverage PART information in congressional authorization, appropriations, and oversight processes. Moreover, Congress needs to consider ways it can articulate its oversight priorities and performance agenda.

My statement is based on our recently published report on OMB's PART.[7] This subcommittee along with several other requesters asked GAO to review the application of PART in its first year, its relationship to GPRA planning and reporting requirements, and its strengths and weaknesses as an evaluation tool. We conducted our work in accordance with generally accepted government auditing standards.

Strengths and Weaknesses of PART in Its First Year of Implementation

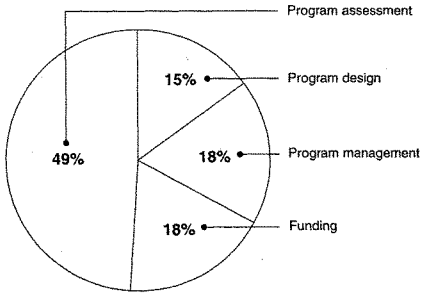
Through its development and use of PART, OMB has more explicitly infused performance information into the budget formulation process; increased the attention paid to evaluation and to performance information; and ultimately, we hope, increased the value of this information to decision makers and other stakeholders. By linking performance information to the budget process, OMB has provided agencies with a powerful incentive for improving both the quality and availability of performance information. The level of effort and involvement by senior OMB officials and staff clearly signals the importance of this strategy in meeting the priorities outlined in the PMA. OMB should be credited with opening up for scrutiny—and potential criticism—its review of key areas of federal program performance and then making its assessments available to a potentially wider audience through its Web site.

[7] U.S. General Accounting Office, *Performance Budgeting: Observations on the Use of OMB's Program Assessment Rating Tool for the Fiscal Year 2004 Budget*, GAO-04-174 (Washington, D.C.: Jan. 30, 2004).

As OMB and others recognize, performance is not the only factor in funding decisions. Determining priorities—including funding priorities—is a function of competing values and interests. Accordingly, we found that while PART scores were generally positively related to proposed funding changes in discretionary programs, the scores did not automatically determine funding changes. That is, for some programs rated "effective" or "moderately effective" OMB recommended funding decreases, while for several programs judged to be "ineffective" OMB recommended additional funding in the President's budget request with which to implement changes. In fact, the more important role of PART was not its use in making resource decisions, but in its support for recommendations to improve program design, assessment, and management.

As shown in figure 1, we found that 82 percent of PART's recommendations addressed program assessment, design, and management issues; only 18 percent of the recommendations had a direct link to funding matters.[8]

Figure 1: Fiscal Year 2004 PART Recommendations



Source: GAO analysis of OMB data.

[8] The 234 programs assessed for fiscal year 2004 contained a total of 612 recommendations.

OMB's ability to use PART to identify and address future program improvements and measure progress—a major purpose of PART—depends on its ability to oversee the implementation of PART recommendations. As OMB has recognized, following through on these recommendations is essential for improving program performance and ensuring accountability. Currently, OMB plans to assess an additional 20 percent of all federal programs annually. As the number of recommendations from previous years' evaluations grows, a system for monitoring their implementation will become more critical. However, OMB does not have a centralized system to oversee the implementation of such recommendations or evaluate their effectiveness.

The goal of PART is to evaluate programs systematically, consistently, and transparently. OMB went to great lengths to encourage consistent application of PART in the evaluation of government programs, including pilot testing the instrument, issuing detailed guidance, and conducting consistency reviews. Although there is undoubtedly room for continued improvement, any tool is inherently limited in providing a single performance answer or judgment on complex federal programs with multiple goals.

Performance measurement challenges in evaluating complex federal programs make it difficult to meaningfully interpret a bottom-line rating. OMB published both a single, bottom-line rating for PART results and individual section scores. It is these latter scores that are potentially more useful for identifying information gaps and program weaknesses. For example, one program that was rated "adequate" overall got high scores for purpose (80 percent) and planning (100 percent), but poor scores in being able to show results (39 percent) and in program management (46 percent). In a case like this, the individual section ratings provided a better understanding of areas needing improvement than the overall rating alone. In addition, bottom-line ratings may force raters to choose among several important, but disparate goals and encourage a determination of program effectiveness even when performance data are unavailable, the quality of those data is uneven, or they convey a mixed message on performance.

Any tool that is sophisticated enough to take into account the complexity of the U.S. government will always require some interpretation and judgment. Therefore it is not surprising that OMB staff were not fully consistent in interpreting complex questions about agency goals and results. In addition, the limited availability of credible evidence on program

results also constrained OMB's ability to use PART to rate programs' effectiveness.

Many PART questions contain subjective terms that are open to interpretation. Examples include terminology such as "ambitious" in describing sought-after performance measures. Because the appropriateness of a performance measure depends on the program's purpose, and because program purposes can vary immensely, an ambitious goal for one program might be unrealistic for a similar but more narrowly defined program. Without further guidance, it is unclear how OMB staff can be expected to be consistent.

We found inconsistencies in how the definition of acceptable performance measures was applied. Our review surfaced several instances in which OMB staff inconsistently defined appropriate measures—outcome versus output—for programs. Agency officials also told us that OMB staff used different standards to define measures as outcome-oriented. Outputs are the products and services delivered by the program whereas outcomes refer to the results of outputs. For example, in the employment and training area, OMB accepted short-term outcomes, such as obtaining high school diplomas or employment, as a proxy for long-term goals for the Department of Health and Human Services' Refugee Assistance program, which aims to help refugees attain economic self-sufficiency as soon as possible. However, OMB did not accept the same employment rate measure as a proxy for long-term goals for the Department of Education's Vocational Rehabilitation program because it had not set long-term targets beyond a couple of years. In other words, although neither program contained long-term outcomes, such as participants gaining economic self-sufficiency, OMB accepted short-term outcomes in one instance but not the other.

The yes/no format employed throughout most of the PART questionnaire resulted in oversimplified answers to some questions. Although OMB believes it helped standardization, the yes/no format was particularly troublesome for questions containing multiple criteria for a "yes" answer. Agency officials have commented that the yes/no format is a crude reflection of reality, in which progress in planning, management, or results is more likely to resemble a continuum than an on/off switch. We found several instances in which some OMB staff gave a "yes" answer for successfully achieving some but not all of the multiple criteria, while others gave a "no" answer when presented with a similar situation. For example, OMB judged the Department of the Interior's (DOI) Water Reuse and Recycling program "no" on whether a program has a limited number of

ambitious, long-term performance goals, noting that although DOI set a long-term goal of 500,000 acre-feet per year of reclaimed water, it failed to establish a time frame for when it would reach the target. However, OMB judged the Department of Agriculture's and DOI's Wildland Fire programs "yes" on this question even though the programs' long-term goals of improved conditions in high-priority forest acres are not accompanied by specific time frames.

The lack of program performance information also creates challenges in effectively measuring program performance. According to OMB, about half of the programs assessed for fiscal year 2004 lacked "specific, ambitious long-term performance goals that focus on outcomes" and nearly 40 percent lacked sufficient "independent, quality evaluations." Nearly 50 percent of programs assessed for fiscal year 2004 received ratings of "results not demonstrated" because OMB decided that program performance information, performance goals, or both were insufficient or inadequate. While the validity of these assessments may be subject to interpretation and debate, our previous work[9] has raised concerns about the capacity of federal agencies to produce evaluations of program effectiveness as well as credible data.

The Relationship between GPRA and PART

PART was designed for and is used in the executive branch budget preparation and review process. As a result, the goals and measures used in PART must meet OMB's needs. By comparison, GPRA—the current statutory framework for strategic planning and reporting—is a broader process involving the development of strategic and performance goals and objectives to be reported in strategic and annual plans and reports. OMB said that GPRA plans were organized at too high a level to be meaningful for program-level budget analysis and management review. OMB acknowledges that GPRA was the starting point for PART, but as I will explain, it appears that OMB's emphasis is shifting such that over time the performance measures developed for PART and used in the budget process may also come to drive agencies' strategic planning processes.

[9] 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).

The fiscal year 2004 PART process came to be a parallel competing structure to the GPRA framework as a result of OMB's desire to collect performance data that better align with budget decision units. OMB's most recent Circular A-11 guidance clearly requires both that each agency submit a performance budget for fiscal year 2005 and that this should replace the annual GPRA performance plan.[10] These performance budgets are to include information from the PART assessments, where available, including all performance goals used in the assessment of program performance done under the PART process. Until all programs have been assessed using PART, the performance budget will also include performance goals for agency programs that have not yet been assessed. OMB's movement from GPRA to PART is further evident in the fiscal year 2005 PART guidance stating that while existing GPRA performance goals may be a starting point during the development of PART performance goals, the GPRA goals in agency GPRA documents are to be revised, as needed, to reflect OMB's instructions for developing the PART performance goals. Lastly, this same guidance states that GPRA plans should be revised to include any new performance measures used in PART and that unnecessary measures should be deleted from GPRA plans.

Although there is potential for complementary approaches to GPRA and PART, the following examples clearly illustrate the importance of carefully considering the implications of selecting a unit of analysis, including its impact on the availability of performance data. They also reveal some of the unresolved tensions between the President's budget and performance initiative—a detailed budget perspective—and GPRA—a more strategic planning view. Experience with the PART highlighted the fact that defining a "unit of analysis" useful for both program-level budget analysis and agency planning purposes can be difficult. For example, disaggregating programs for PART purposes could ignore the interdependence of programs recognized by GPRA by artificially isolating programs from the larger contexts in which they operate. Agency officials described one program assessed with the PART—Projects for Assistance in Transition from Homelessness—that was aimed at a specific aspect of homelessness, that is, referring persons with emergency needs to other agencies for housing and needed services. OMB staff wanted the agency to produce long-term outcome measures for this program to support the PART review process. Agency officials argued that chronically homeless people require many services, and that this federal program often supports only some of

[10] OMB Circular A-11, *Preparation, Submission, and Execution of the Budget.*

the services needed at the initial stages of intervention. GPRA—with its focus on assessing the relative contributions of related programs to broader goals—is better designed to consider crosscutting strategies to achieve common goals. Federal programs cannot be assessed in isolation. Performance needs also to be examined from an integrated, strategic perspective.

One way of improving the links between PART and GPRA would be to develop a more strategic approach to selecting and prioritizing areas for assessment under the PART process. Targeting PART assessments based on such factors as the relative priorities, costs, and risks associated with related clusters of programs and activities addressing common strategic and performance goals not only could help ration scarce analytic resources but also could focus decision makers' attention on the most pressing policy and program issues. Moreover, such an approach could facilitate the use of PART assessments to review the relative contributions of similar programs to common or crosscutting goals and outcomes established through the GPRA process.

The Importance of Congressional and Other Stakeholder Involvement

We have previously reported[11] that stakeholder involvement appears critical for getting consensus on goals and measures. In fact, GPRA requires agencies to consult with Congress and solicit the views of other stakeholders as they develop their strategic plans.[12] Stakeholder involvement can be particularly important for federal agencies because they operate in a complex political environment in which legislative mandates are often broadly stated and some stakeholders may strongly disagree about the agency's mission and goals.

The relationship between PART and its process and the broader GPRA strategic planning process is still evolving. As part of the executive branch budget formulation process, PART must clearly serve the President's interests. Some tension about the amount of stakeholder involvement in the internal deliberations surrounding the development of PART measures and the broader consultations more common to the GPRA strategic

[11] U.S. General Accounting Office, *Agencies' Strategic Plans Under GPRA: Key Questions to Facilitate Congressional Review (Version 1)*, GAO/GGD-10.1.16 (Washington, D.C.: May 1997).

[12] 5 U.S.C. § 306(d) (2003).

planning process is inevitable. Compared to the relatively open-ended GPRA process, any budget formulation process is likely to seem closed.

Yet, we must ask whether the broad range of congressional officials with a stake in how programs perform will use PART assessments unless they believe the reviews reflect a consensus about performance goals among a community of interests, target performance issues that are important to them as well as the administration, and are based on an evaluation process that they have confidence in. Similarly, the measures used to demonstrate progress toward a goal, no matter how worthwhile, cannot serve the interests of a single stakeholder or purpose without potentially discouraging use of this information by others. Accordingly, if PART is to be accepted as other than one element in the development of the President's budget proposal, congressional understanding and acceptance of the tool and analysis will be important.

Congress has a number of opportunities to provide its perspective on performance issues and performance goals, such as when it establishes or reauthorizes a new program, during the annual appropriations process, and in its oversight of federal operations. In fact, these processes already reflect GPRA's influence. Reviews of language in public laws and committee reports show an increasing number of references to GPRA-related provisions. What is missing is a mechanism to systematically coordinate a congressional perspective.

In our report, we have suggested steps for both OMB and the Congress to take to strengthen the dialogue between executive officials and congressional stakeholders. We have recommended that OMB reach out to key congressional committees early in the PART selection process to gain insight about which program areas and performance issues congressional officials consider warrant PART review. Engaging Congress early in the process may help target reviews with an eye toward those areas most likely to be on the agenda of the Congress, thereby better ensuring the use of performance assessments in resource allocation processes throughout government. We have also suggested that Congress consider the need to develop a more systematic vehicle for communicating its top performance concerns and priorities; develop a more structured oversight agenda to prompt a more coordinated congressional perspective on crosscutting performance issues; and use this agenda to inform its authorization, appropriations, and oversight processes.

Concluding Observations

The PART process is the latest initiative in a long-standing series of reforms undertaken to improve the link between performance information and budget decisions. Although each of the initiatives of the past appears to have met with an early demise, in fact, subsequent reforms were strengthened by building on the legacy left by their predecessors. Prior reforms often failed because they were not relevant to resource allocation and other decision making processes, thereby eroding the incentives for federal agencies to improve their planning, data, and evaluations.

Unlike many of those past initiatives, GPRA has been sustained since its passage 10 years ago, and evidence exists that it has become more relevant than its predecessors. PART offers the potential to build on the infrastructure of performance plans and information ushered in by GPRA and the law's intent to promote the use of these plans in resource allocation decision making. GPRA improved the supply of plans and information, while PART can prompt greater demand for this information by decision makers. Potentially, enhancing interest and use may bring about greater incentives by agencies to devote scarce resources to improving their information and evaluations of federal programs as well.

Increasing the use and usefulness of performance data is not only important to sustain performance management reforms, but to improve the processes of decision making and governance. Many in the U.S. believe there is a need to establish a comprehensive portfolio of key national performance indicators. This will raise complex issues ranging from agreement on performance areas and indicators to getting and sharing reliable information for public planning, decision making, and accountability. In this regard, the entire agenda of management reform at the federal level has been focused on shifting decision making and agency management from process to results. Although the PART is based on changing the orientation of budgeting, other initiatives championed by Congress and embodied in the PMA are also devoted to improving the accountability for performance goals in agency human capital management, financial management, competitive sourcing, and other key management areas.

In particular, we have reported that human capital—or people—is at the center of any serious change management initiative. Thus, strategic human capital management is at the heart of government transformation. High-performing organizations strengthen the alignment of their GPRA strategic and performance goals with their daily operations. In that regard,

performance management systems can be a vital—but currently largely unused tool—to align an organization's operations with individual day-to-day activities. As we move forward to strengthen government performance and accountability, effective performance management systems can be a strategic tool to drive internal change and achieve desired results.

The question now is how to enhance the credibility and use of the PART process as a tool to focus decisions on performance. In our report, we make seven recommendations to OMB and a suggestion to Congress to better support the kind of collaborative approach to performance budgeting that very well may be essential in a separation of powers system like ours. Our suggestions cover several key issues that need to be addressed to strengthen and help sustain the PART process. We recommend that the OMB Director take the following actions:

- Centrally monitor agency implementation and progress on PART recommendations and report such progress in OMB's budget submission to Congress. Governmentwide councils may be effective vehicles for assisting OMB in these efforts.
- Continue to improve the PART guidance by (1) expanding the discussion of how the unit of analysis is to be determined to include trade-offs made when defining a unit of analysis, implications of how the unit of analysis is defined, or both; (2) clarifying when output versus outcome measures are acceptable; and (3) better defining an "independent, quality evaluation."
- Clarify OMB's expectations to agencies regarding the allocation of scarce evaluation resources among programs, the timing of such evaluations, as well as the evaluation strategies it wants for the PART, and consider using internal agency evaluations as evidence on a case-by-case basis—whether conducted by agencies, contractors, or other parties.
- Reconsider plans for 100 percent coverage of federal programs and, instead, target for review a significant percentage of major and meaningful government programs based on such factors as the relative priorities, costs, and risks associated with related clusters of programs and activities.
- Maximize the opportunity to review similar programs or activities in the same year to facilitate comparisons and trade-offs.

- Attempt to generate, early in the PART process, an ongoing, meaningful dialogue with congressional appropriations, authorization, and oversight committees about what they consider to be the most important performance issues and program areas that warrant review.

- Seek to achieve the greatest benefit from both GPRA and PART by articulating and implementing an integrated, complementary relationship between the two.

In its comments on our report, OMB outlined actions it is taking to address several of these recommendations, including refining the process for monitoring agencies' progress in implementing the PART recommendations, seeking opportunities for dialogue with Congress on agencies' performance, and continuing to improve executive branch implementation of GPRA plans and reports.

Our recommendations to OMB are partly directed at fortifying and enhancing the credibility of the PART itself and the underlying data used to make the judgments. Decision makers across government are more likely to rely on PART data and assessments if the underlying information and the rating process are perceived as being credible, systematic, and consistent. Enhanced OMB guidance and improved strategies for obtaining and evaluating program performance data are vital elements.

The PART process can be made more sustainable if the use of analytic resources at OMB and the agencies is rationalized by reconsidering the goal of 100 percent coverage of all federal programs. Instead, we suggest a more strategic approach to target assessments on related clusters of programs and activities. A more targeted approach stands a better chance of capturing the interest of decision makers throughout the process by focusing their attention on the most pressing policy and program issues on how related programs and tools affect broader crosscutting outcomes and goals. Unfortunately, the governmentwide performance plan required by GPRA has never been engaged to drive budgeting in this way.

Improving the integration of inherently separate but interrelated strategic planning and performance budgeting processes can help support a more strategic focus for PART assessments. GPRA's strategic planning goals could be used to anchor the selection and review of programs by providing a foundation to assess the relative contribution of related programs and tools to broader performance goals and outcomes.

Finally, refining the PART questionnaire and review process, and improving the quality of data are important, but the question of whose interests drive the process is perhaps paramount in our system. Ultimately, the impact of PART on decision making will be a function not only of the President's decisions, but of congressional decisions as well.

Much is at stake in the development of a collaborative performance budgeting process. Not only might the PART reviews come to be disregarded absent congressional involvement, but more important, Congress will lose an opportunity to use the PART process to improve its own decision making and oversight processes.

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. Ultimately, the specific approach or process is not important. We face a long-term fiscal imbalance, which will require us to reexamine our existing policies and programs. It is all too easy to accept "the base" as given and to subject only new proposals to scrutiny and analysis. 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.

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

For future contacts regarding this testimony, please call Paul L. Posner, Managing Director, Federal Budget Issues, at (202) 512-9573. Individuals making key contributions to this testimony included Denise M. Fantone and Jacqueline Nowicki.

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Mr. PLATTS. Next up is Mr. Jonathan Breul, who is a senior fellow and associate partner at IBM Consulting Services. Mr. Breul was formally a Senior Adviser to the Deputy Director for Management in the Office of Management and Budget. Mr. Breul also helped develop the President's management agenda, led the development in governmentwide implementation of GPRA and helped Senator John Glenn launch the Chief Financial Officers [CFO] Act.

Mr. Breul, we again thank you for being here, and the floor is yours.

STATEMENT OF JONATHAN D. BREUL, SENIOR FELLOW, IBM CENTER FOR THE BUSINESS OF GOVERNMENT

Mr. BREUL. Thank you and good afternoon, Mr. Chairman and members of the subcommittee. Thank you for inviting me to testify on the topic of performance budgeting and the Office of Management and Budget's Program Assessment Rating Tool [PART].

Over the past decade, the Congress and several administrations have put in place a statutory framework for increasing the use of performance information. The attention of the Federal Government to strategic planning and the supply of performance information has increased substantially in the last 10 years since the passage of GPRA.

GPRA is doing exactly what was expected. It has laid the foundation for use of performance information, and as a consequence, the Federal Government has never been in a better position to make its budget decisions more informed by consideration of performance.

As you indicated, good government advocates have called for performance budgeting for decades. First championed by the Hoover Commission in 1949, a Federal performance budget was intended to shift the focus away from inputs of government to its functions, activities, costs, and accomplishments.

According to an October 2003 report of the IBM Center for the Business of Government, there's ample opportunity to use performance information at each stage of the budget process: not only in the Office of Management and Budget, but with the Congress, in the agencies, and with the audit community.

Budget reviews have always involved some discussion of program performance. In the past, however, such discussions have not always been conducted in a rigorous, systematic, or transparent fashion. The Bush administration, however, has made linking resources to results one of the top five priorities of the President's management agenda, and OMB is using the PART to explicitly fuse performance information to the budget at a funding decision level.

Importantly, the PART analysis enriches budget analysis but does not replace it. The relationship between a PART rating and the budget is not a rigid calculation. Lower ratings do not automatically translate into less funding for a program, just as higher ratings do not automatically translate into higher funding.

The GAO report has documented two important actions that move the departments and agencies into performance budgeting. First, the PART renders a judgment whether programs are effective by systematically and transparently assessing program management and the actual results—in other words, what's happened.

Second, the PART enables decisionmakers to attach budgetary and management consequence to those judgments, particularly to programs that cannot demonstrate that they are effective.

This linking of management and budgetary decisions to program performance was exactly a purpose of GPRA. Past initiatives such as President Johnson's Planning, Programming and Budgeting System [PPBS], tended to devise unique structures to capture performance information. These unique structures ultimately proved difficult to link to congressional decisionmaking and congressional budget justifications and caused their efforts to fail. GPRA, on the other hand, requires agencies to plan and measure performance using the same structures which form the basis for the agency's budget requests, namely program activities.

The PART instrument and the entire endeavor of budgeting results are still very much a work in progress. It is far from perfect, but the PART remains an important step in changing the way Federal managers think about their responsibilities. It places the burden of proving effectiveness squarely on their shoulders.

With further improvement in use, it will provide incentives for Federal agencies to make their programs more effective. It can provide meaningful evidence to the Congress and other decisionmakers to help them inform funding decisions and to identify flaws in underlying statutes that undermine effectiveness.

To make further progress, agencies must prepare the way for performance budgets with their appropriators and other congressional contacts. A number of steps are recommended. One is that they need to better understand both their use and the congressional use of performance information; second, agencies should consult their appropriators about the outline and sample justifications; and third, agencies should assure their appropriators that all of the information and all of the tables that the appropriators will be using will be included in the budget justifications and show them where that information can be found.

The use of performance information should not be instead of the other information; it should be in addition to enrich that debate.

Finally, and in conclusion, performance budgeting is the next logical step in the implementation of results-oriented government. It will not be the answer to the vexing resource tradeoffs involving political choice. It does, however, promise to modify and inform policy decisions and resource allocation by shifting the focus of debates from inputs to outcomes and results. Technology-enabled performance budgeting tools also now available to support agency decisionmakers and make the development and presentation of the budget all the more easy.

Pursuing a systematic use of strategic and performance planning, budgeting and financial information is essential to achieving a more results-oriented and accountable Federal Government. Thank you.

Mr. PLATTS. Thank you, Mr. Breul.

[The prepared statement of Mr. Breul follows:]

Testimony of
Jonathan D. Breul
Senior Fellow
IBM Center for The Business of Government

before

The Subcommittee on Government Efficiency
and Financial Management
Committee on Government Reform
U.S. House of Representatives

February 4, 2004

Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to discuss the topic of performance budgeting and the use of the Office of Management and Budget's Program Assessment Rating Tool (PART).

I am a Senior Fellow with the IBM Center for The Business of Government. The IBM Center for The Business of Government is dedicated to stimulating research and facilitating discussion of new approaches to improving the effectiveness of government at all levels in the United States and across the world.

Government Performance and Results Act

The United States federal government is one of the largest, most complex and diverse organizations in the world. It faces a wide range of challenges in responding to a number of key trends, such as globalization, changing security threats, and demographic changes. Especially in light of the terrorist attacks on September 11, 2001, federal agencies need to work more effectively. Accountable, results-oriented management can help the federal government deliver economical, efficient, and effective programs and services to the American people.

Over the past decade the Congress and several administrations have put in place a structure for increasing the use of performance information. Federal agencies have been working to carry out the Government Performance and Results Act of 1993 (GPRA), which requires the development of strategic plan and annual performance plans and reports. GPRA requires a closer and clearer linkage between resources and results, recognizing that one of the ways in which performance management becomes useful and used is if this information becomes relevant for the allocation of resources.

The attention of the federal government to strategic planning and the supply of performance information has increased substantially in the 10 years since passage of Act. GPRA is doing exactly what was expected – it has laid the foundation for use of performance information. As a consequence, the federal government has never been in a better position to make its budget decisions more informed by considerations of performance.

Performance Budgeting

Good government advocates have called for performance budgeting for decades. First championed in 1949 by the Hoover Commission, a federal "performance budget" was intended to shift the focus away from the inputs of government to its function, activities, costs and accomplishments.

According to an October 2003 report from the IBM Center for The Business of Government, there is ample opportunity to use performance information at each stage of the budget process – that is, not only in the Office of Management and Budget (OMB) and the Congress, but in the agencies and by the audit community as well. The report, *Performance Budgeting: Opportunities in the Federal Budget Process,* by Philip G. Joyce, associate professor of public administration at The George Washington University, presents a comprehensive view of how performance information can be used at various stages and provides a number of specific recommendations designed to sustain progress to date and to further the use of performance information in the federal budget.

Program Assessment Rating Tool

The current Administration has made linking resources to results one of the top five priorities in the President's Management Agenda, using the PART to explicitly fuse performance information into the budget formulation process at a funding decision level. PART takes the form of a diagnostic questionnaire used to rate selected programs. It contains general questions about each of four broad topics to which all programs will be subjected:

- Program purpose and design,
- Strategic planning,
- Program management, and
- Program results (i.e. whether a program is achieving its long-term and annual goals).

While budget reviews have always involved discussions of program performance, such discussions have not always been conducted in such a rigorous, systematic or transparent fashion. Beginning with the FY 2004 budget cycle, OMB applied this tool to 234 programs. This review gathered information and assessed a program's purpose, performance measures, alignment with budget and results, and planning and management to determine its overall effectiveness.

OMB evaluated an additional 20 percent of agency programs in preparing the FY 2005 Budget. This year, most departments and agencies will be submitting a performance budget justification to Congress. The department overviews will be structured by strategic goals. Each bureau within a department will explain its contribution with reference to the goals. The justification for each program contributing to a strategic goal will include information on performance, budgetary resources, effectiveness, and any recommendations from the PART.

Draft General Accounting Office report

The draft report by the General Accounting Office (GAO), *Performance Budgeting, Observations on the Use of OMB's Program Assessment Rating Tool for the Fiscal Year 2004 Budget,* acknowledges that OMB's FY 2004 PART review was an unprecedented effort to assess the effectiveness of specific federal programs.

The draft GAO report documents two important actions that move departments and agencies toward performance budgeting by building upon the performance goals and measures developed under GPRA. First, the PART renders a *judgement* whether programs are effective, by systematically and transparently assessing program management and actual results (what happened). Second, the PART enables decision makers to attach budgetary and management *consequences* to those programs that cannot demonstrate their effectiveness.

Reviewing government operations at the program level

Linking funding decisions to program performance was a key purpose of GPRA. Past initiatives (such as President Johnson's Planning-Programming-Budgeting-System, or PPBS) devised unique structures to capture performance information. These unique structures ultimately proved difficult to link to congressional budget presentations. GPRA, on the other hand, requires agencies to plan and measure performance using the same structures which form the basis for the agency's budget request: program activities. This critical design feature of GPRA aims at assuring a simple, straightforward link among plans, budgets and performance information and the related congressional oversight and resource allocation process.

GPRA's required use of program activities appearing in the President's Budget as the basis for performance planning and measurement is intended to establish the direct budgetary link absent in earlier initiatives. But this goal is dependent on the capacity of the current program activity structures to meet GPRA's needs. Subject to clearance by OMB, and generally resulting from negotiations between agencies and their appropriations subcommittees, program activity structures differ from agency to agency and, within an agency, from budget account to budget account. Program activities, like budget accounts, may represent

programmatic, process, organizational, or other orientations. Consequently, their suitability for GPRA planning and measurement purposes also varies.

Strategies for improving the PART

The PART instrument, and the entire endeavor of budgeting for results, is still very much a work in progress. It is far from perfect. Yet the PART remains an important step in changing the way federal managers think about their responsibilities. It places the burden of proving effectiveness squarely on their shoulders. With further improvement and use, it can provide incentives for federal managers to make their programs more effective. It can also provide meaningful evidence to the Congress and other decision-makers to help inform funding decisions, and identify flaws in underlying statutes that undermine effectiveness.

Departments and agencies are making important progress with their underlying data and management systems. The integration or "matching" of costs and performance information is fast becoming the standard to achieve in federal budgeting and accounting. Documents that that show cost or performance are giving way to documents that show cost and performance. Databases that show cost in budgetary or accounting measures are giving way to databases that match cost with program outputs and outcomes, and aggregate to strategic outcomes.

To make further progress, agencies must prepare the way for performance budgets with their appropriators, other Congressional contacts and stakeholders. They need to fully understand the advantages for themselves and external users. Agencies must consult their appropriators about the outline and sample justifications. They should reassure their appropriators that all of the information and tables they use will still be included and show them where it can easily be found. Any proposed changes in accounts or sub-accounts must be discussed in advance, with technical support to show that the intent of appropriations language will be fully carried out and tracked in Treasury accounts.

No need for legislative changes.

You have asked about possible changes to GPRA. I see no need at the moment to amend the statute. Indeed, GPRA will be proven successful only when it disappears as a separate activity and separate set of documents – becoming fully integrated day-to-day management and decision making.

Conclusion

Performance budgeting is the next logical step in the implementation of results-oriented government. It will not be the answer to the vexing resource trade-offs involving political choice. It does, however, have the promise to modify and

inform policy decisions and resource allocation by shifting the focus of debates from inputs to outcomes and results. Technology-enabled performance budgeting tools are also now available to support agency decision-makers and the development, presentation and execution of the budget. Pursing a systematic use of strategic and performance planning, budgeting, and financial information is essential to achieving a more result-oriented and accountable federal government.

Mr. PLATTS. And before we go to our next witness, I'd like to recognize our vice chair, the gentlelady from Tennessee, Mrs. Blackburn, has joined us, as well as the gentlelady from New York, Mrs. Maloney. Thank you both for being with us.

Our next witness, the Honorable Maurice McTigue joined the Mercatus Center in 1997 as a distinguished visiting scholar after a career as a member of the New Zealand Parliament, Cabinet Minister and Ambassador. Prior to Mr. McTigue's arrival in the United States, he led a successful effort to reconstruct New Zealand's public sector and its stagnant economy. Today, he is the director of the government accountability project at the Mercatus Center.

We appreciate your being with us this year, as you were last year, and for your continuing work in the area of government accountability.

STATEMENT OF MAURICE P. McTIGUE, Q.S.O., DISTINGUISHED VISITING SCHOLAR, MERCATUS CENTER AT GEORGE MASON UNIVERSITY

Mr. MCTIGUE. Thank you very much, Mr. Chairman, and thank you for the opportunity of being here to present in front of your committee once again. And I thank the other members of the committee, as well, for their interest in this subject, because at a time of huge government budgets and huge deficits, then I think the work that you are instigating here will have incredible momentum for the Congress and for the American Governments of the future.

I want to start by taking a slightly holistic view of what is in progress here. What is in progress is a very fundamental change in the process of accountability in, say, the American Government, and that fundamental change is moving from a measurement of money spent and how money is spent to an additional component. And that additional component is what public benefit flowed from the expenditure of those moneys.

For the political process, identification of the public benefit that flowed from the expenditure of moneys is indeed the most important part of being in politics, because then it's possible for elected representatives to be able to see clearly how they can affect the change that they believe is desirable for their constituencies.

The foundation of that change in the American Government was the passage of the Government Performance and Results Act, and while that required government agencies to produce strategic plans and identify where they intended to go in the future, I think the most important part of that act was that it required them to produce evidence of what benefit flowed from those particular activities.

In considering issues like this, in my view, it's important to separate process from principle. The principle at stake here is being able to identify for the American people what public benefits are arising from governmental activity. When you look at the different agencies of government, there are, in government, always some control agencies and there are delivery agencies. In the U.S. Government I would identify the control agencies as the Office of Management and Budget, which controls resources; the White House,

which controls policy; and the Office of Personnel Management, which controls the capability of organizations.

When you look at the PART process, the performance assessment rating tool, I think the most important part of that scrutiny is to remember that it is a tool. A tool serves a purpose for you; it is meant to produce a particular result. There is nothing important about the tool in its own right. It's what it produces for you that is important.

When you look at what was generated by GPRA, information on the public benefit that arose from programmatic activity, then the next question and what I call the next wave of change in government is, "What do you do with that information?" Clearly you need to use that to influence decisions about how you'll allocate resources and how you'll maximize the public benefit.

To be able to do that, it's essential for a control agency like OMB to question whether or not the information produced by delivery organizations is indeed accurate and clearly portrays what benefit is flowing from that activity. They have chosen to design this tool called PART to aid them in that particular process. It is not an end in its own right. What it does is help confirm whether or not these activities are effective in what they do and what quantity or public benefit they produce.

I would like to see that tool or the development of another tool that would allow the comparison of different activities that are focused on the same goal, for example, all of those activities focused on improving literacy, so that you could then compare which of these tools is going to give us the maximum return and improve literacy among people, rather than continuing to fund programs that produce little or no benefit. That is indeed a benefit forgone by American society if you don't indeed do that. So taking it wider, in my view, is an important part of the process as well.

I have heard considerable discussion over the last 18 months about whether or not there need to be amendments to the legislation that sets this process up. I would very strongly advise that it is counterproductive to try and codify tools. It makes a presumption that the tool is already perfect, and that is not true. There is always the opportunity for improvement. But what can be codified are the results expected from the application of a tool. In other words, what are the principles or the values that you are trying to preserve and expand?

So in looking at whether or not there is an opportunity for giving guidance by legislation, it might be possible to look at these things. For example, OMB shall examine the performance history of programs; it might use different tools from time to time in that process, but there should be a requirement that it examines that performance history.

That examination will confirm and quantify the public benefit resulting from programmatic activity. I think that's important. If the tool doesn't do that, then I don't think there's any point in doing it.

It should be required that OMB, when building the budget will compare the results of programs addressing the same outcome/public benefit so that you know whether or not you are getting the

maximum in improvements in literacy rather than funding programs that are currently not achieving what you expect of them.

Then that you might codify that OMB will release this information to the public in a timely manner, because I think that information that comes from an examination like this, if it's done in private, loses most of its effectiveness. The fact that it becomes public allows people like yourselves to pick that information up and question as to why funding is still being directed to this program where there are clearly programs that produce superior results.

So in looking at the codification of any of these processes, I think that my advice would be, move carefully, but move in the direction of preserving the principles and the intent of what I see as an evolutionary process and making certain that the center point in that progress is always what is happening to the public benefit.

Thank you for the opportunity of being here, Mr. Chairman.

Mr. PLATTS. Thank you, Mr. McTigue.

[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

Before the

Subcommittee on Government Efficiency and Financial Management

Committee on Government Reform
United States House of Representatives

February 2, 2004

On

"Performance Budgeting and the Use of the Office of Management and Budget's Program Assessment Rating Tool"

Mr. Chairman, I am honored to have been invited to testify before you on the General Accounting Office's (GAO) consideration of the Office of Management and Budget's (OMB) use of the Performance Assessment Rating Tool (PART.)

Mr. Chairman, in my testimony today I will repeat some of the comments I made before this committee at your hearing on the Government Performance and Results Act (GPRA) on April 1, 2003. My reason for doing this is to emphasize my concern that there

is a tendency to presume that the role of GPRA is finished. In my view, this is a very wrong presumption because all of the accountability and managerial reforms being undertaken in the American government today are built on the foundation created by GPRA; any weakening of that foundation would have disastrous consequences for all of the subsequent reforms.

It is my strongly held view that any consideration of this accountability reform process should always review the process in the context of the total reform. Failure to do this creates a very real risk, in that consideration of procedures in isolation will distort the reform and have it driven by processes rather than principles.

For the same reasons I strongly believe that it is wrong to try and codify processes. Codifying it presumes that the process has now reached a level of excellence that will never be improved upon. However, it is acceptable to codify into law that which the process seeks to achieve. For example: require an assessment of activities' impact on outcomes and require comparison of activities addressing the same outcome, then use this information to inform budget decisions.

The passing of the Government Performance and Results Act in 1993 was a farsighted undertaking by Congress, designed to dramatically improve the honesty and integrity of accountability in the federal government. For the first time, government organizations were 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 that at that time required such accountability by statute.

However it is also important to recognize the magnitude of this change for government organizations. Previously, they had never regularly gathered information on the impact their programs had on the American public except for sporadic evaluations, which at best captured only a single snapshot at a given point in time. Now questions of what to measure and how to measure it must be addressed. Counting how many people

you feed is relatively simple but measuring by how much you diminished hunger is an entirely different undertaking. In the case of the State Department, for example, measuring the success of democratization or diplomacy are both 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*, as the first year of compliance throughout the government was Fiscal Year 1999. Consequently, as of today, we (Congress and the public) have received results information on only four fiscal years.

With four years 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, 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 now are a vast improvement on their predecessors.
- Third, agencies are much more competent at managing to outcomes.
- Fourth, measures in original plans were developed in many cases by capturing the quantity of activity carried out but gave little indication of the public benefits produced.
- Fifth, currently measures of performance against outcomes are improving but still have a long way to go in some organizations. Linking costs to outcomes was virtually non-existent in the early years, yet now we are seeing some agencies making progress on activity-based costing and linking costs to units of success.

Now enter the Office of Management and Budget with its Performance Assessment Rating Tool (PART.) At this stage of the process this is a very appropriate reform because unless the results information required and produced by GPRA is used to influence budget decision-making, GPRA has been just a paper exercise.

However it is also important that some basic principles surrounding the PART process be understood, accepted and used as a basis for the development and implementation of PART.

- First, the Performance Assessment Rating process is aptly titled a "tool." That title captures the recognition that this is a mechanism designed to produce a result. It is the result or the consequence of using the tool that is important, not the tool itself. The tool will and should mature in its design and application over time and through experience. Nothing should be done to hamper this process of evolution.
- Second, the creation of the PART process is purposely designed to identify the efficacy of programs. Properly applied, PART will more accurately define and quantify the public benefit that flows from a particular program. However PART only addresses the historic performance of that particular program, and perhaps can help define future expectations from that activity.
- Third, the PART process has only limited value unless it is fully integrated into a greater plan of improving efficacy and efficiency across government as a whole. This requires that the results of the assessment of individual programs should not be considered in isolation, but should now be used to compare the results of both similar and dissimilar programs focusing on the same outcome.
- Fourth, the information from the third point above now becomes an integral part of the construction of "performance budgets". A performance budget is one where decisions are driven by incentives to maximize progress on specific outcomes by electing to fund those activities that have demonstrated superior performance histories.
- Fifth, PART is an evaluation or assessment tool; it should not be used to replace other important procedures in the reform. If weaknesses in the goals or strategies of programs are detected through the use of PART, it should require amendments to strategic plans and annual plans but PART should not become a replacement for these essential activities.

Drawing on my experience as an elected Member of Parliament and a Cabinet Minister involved in the introduction of similar procedures in the government of my native country of New Zealand, combined with my experience of the last six years here working with agencies of the United States government, 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. in the last 50 years.

What should be the next steps, and how can the federal government – Congress and the Executive branch together – maximize the incentives for results-based accountability this reform is capable of producing?

5

The Evolution of Accountability Reform in the United States

There are multiple distinct stages to the evolution of this Reform:

The first is the planning stage, carried out in 1997, which required preparation 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 on 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. However 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 widespread acceptance in 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 OMB

must be accompanied by evidence of last year's performance, the realization that poor performance could jeopardize budget allocations led to greater ownership of performance. Appropriate performance information spread up and down through organizations. I estimate that it would likely be fiscal year 2006 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 of the quality of the Annual Performance Reports of the Chief Financial Officer's Act Agencies, in each of the four fiscal years reported to date, and we are currently analyzing year five. We do this because we believe the quality of the reporting and the completeness of disclosure is crucial to the success of changing government accountability from accounting for money spent to accounting for public benefits produced.

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 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 a 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 with a budget 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 denying the public a benefit it sorely needed.

It is my opinion that GPRA and the PMA are not independent stand-alone initiatives but are mutually dependent interacting initiatives, each of 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.

Mr. Chairman, I applaud the interest and insight this committee brings to these important reform initiatives. I also applaud your recognition that this process of reform is still a work in progress and your commitment to play a leadership role in ensuring that progress continues to be made.

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, (clean air, increased literacy rates, or reduced juvenile crime, for example) and then examine all activities designed to impact that outcome.

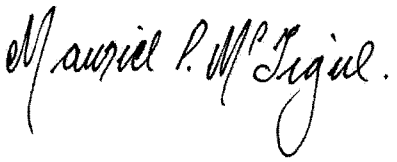
The benefit of this approach is that decisions are informed by results information related to *all* government activities that contribute to a particular outcome. Information is not restricted to what one agency knows; rather decision-makers may take into account information from any agency that addresses the outcome.

The process of comparing programs across outcomes creates competition for what would effectively be a common pool of money. The best providers would, and should, 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. Once decision-makers have 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, or in other terms, the opportunity cost, of the status quo allocation is.

I trust this testimony, Mr. Chairman, will be helpful to the Committee in its deliberations on the progress and potential of the accountability reform currently being implemented across the federal government.

Testimony respectfully submitted by:



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

Mr. PLATTS. I appreciate again all of your testimonies, and we'll proceed now to questions. For the most part, we'll try to stick to each of us having about 5 minutes for the initial round, and then we'll come back for a second round as time allows with votes and Members' questions.

I'm going to maybe kick it off with kind of a broad discussion. All three of you touched on the interaction of GPRA and PART, and there seems to be some confusion within the agencies that are implementing PART as to how GPRA and PART interact with each other.

And the second—I guess whether they are to complement each other. Has PART kind of just taken over what was GPRA's statutory requirement.

And then what role OMB is playing in trying to convey the right message, that these are not in place of the other, but to complement each other.

So I'd appreciate if each of you could expand on your assessment of how the agencies are actually embracing both the GPRA strategic plan approach hand in hand with PART, and if there's any one agency or department that seems most problematic with that concept.

Mr. Posner.

Mr. POSNER. I think not only are they complementary. It's fair to say that if GPRA didn't exist to support PART, it would have had to be invented. In other words, PART really rests on the GPRA foundation and earlier reform efforts.

Each of these efforts brings some value added to those that follow. GPRA has a broader planning focus, and as a result, it focuses on broader program goals and policies. What GPRA has been challenged to do is to root itself into the day-to-day decisionmaking process. PART clearly offers the potential to link that up. The question is, how do you do that while preserving the kind of unique perspectives that GPRA provides, that breadth of perspective, the potential cross-cutting focus.

And another important value that GPRA serves, which is the mandate in the law to involve all stakeholders, including the Congress in particular. This is very important as we go forward and think about managing—merging performance in budgeting, to really focus on whose interest is served. I think in our system if the result is not perceived to be the result of a consensus among stakeholders, then I think you threaten to undermine the sustainability of the information.

The President clearly finds utility from PART, and it's clearly been useful in providing a lot of good public information. The question going forward is, can it be sustained, and that's very much a question of how credible and supported will it be in the community as well as, of course, most importantly, here in the Congress.

Mr. PLATTS. Is GAO—are you seeing, though, that there's a problem in that theory being embraced by the actual departments or agencies that are implementing PART hand in hand with GPRA, or not implementing it hand in hand?

Mr. POSNER. What we've seen is the potential for a problem at this point. We've seen guidance from OMB that encourages agencies to adopt following PART review, PART measures and incor-

porate them in the GPRA plans, which is appropriate potentially. But what we're hearing from agencies is the guidance suggests replacing the GPRA measures with the PART measures. And, remember, we're dealing with really two complementary units of analysis that don't have to replace one another.

The concern is that seems to be—at least the message that is coming across and that's prompted a lot of concern fueled in part by the A–11 guidance—is that the annual performance plans are going to be subsumed in a performance budget. This could potentially be useful as long as the substance of the annual plans are preserved, which goes back to the measures and goals that are settled on in the planning process.

Again, it raises the concern that there's a narrowing of the process to focus more on the decision frames and measures that are useful to OMB and not necessarily those that are useful to other stakeholders in the process.

So at this point there is a potential. We've set a marker out that we can all watch. We have not seen the 1995—fiscal 1995 plans or the performance budgets yet, and so it remains to be seen how that is actually played out.

Mr. PLATTS. Mr. Breul and Mr. McTigue, if you would like to comment.

Mr. BREUL. I have a bit more optimism than Mr. Posner. The PART and even GPRA at this point are still on a shakedown cruise. These are still new, the PART in particular. Agencies are having—a challenge with the burden of proof shifted to them to prove the program's worth. In the past there had always been a presumption that if there wasn't a challenge from outside or the OMB, that programs did work. The PART has shifted the burden of proof to the agencies to provide some proof points that in fact their programs do produce results. That's been a heavy lift for some of them and a bit of a challenge.

The use of the PART has also been done in a very clear, systematic, and rigorous fashion; and the fact that the administration has been relentless in its pursuit of it, going 20 percent and another 20 percent and intending to push on, I think has surprised and perhaps disappointed some of the agencies. They may have thought they could escape.

Finally, the fact that this is having a consequence attached to it, has made it a serious game and one in which, again, the agencies are finding out that this matters.

My optimism, though, stems from the fact that—this year remarkably, it seems to me—almost every agency is going to be submitting a performance-based budget to the Congress in its congressional justifications. They aren't just doing so with OMB in the material they sent last September, but with the documents that are coming up to the Hill right now are in a performance-based format.

I went through the Web this morning and I looked at four agencies in particular—NASA, Transportation, Labor, and Energy—and remarkably, those congressional justifications are structured on the strategic goals of GPRA. They lay out the objectives that are being set to meet them. They describe the organizations that are going to be deployed to fulfill those objectives, they describe the programs that have been enacted by the Congress, and they request re-

sources for those programs. And they discuss the PART scores that relate to those programs.

Now, that's just four, and I took a quick look this morning, and I haven't had a chance to read them because they're heavy documents, but I find that very encouraging. And to answer some of the concerns, that takes the matter to the Congress where, of course, there's going to be a dialog. And there are, of course, going to be differing views, and adjustments will be made going forward, as they should.

So I'm rather encouraged at this point, and I've got my fingers crossed that we're going to see more progress.

Mr. MCTIGUE. And the comments that I would make, Mr. Chairman, are these: That you must always expect that the process of accountability will be a contest. By definition, accountability is that process by which we have to expose or disclose to our peers, those who are entitled to know our performance. And frankly, when people question that performance, we're going to react. So the fact that there is rigor in this process is not something that should be discouraged. I think that is healthy.

In the final resolution, the agency itself, the delivery organization, by law, has the power to decide what will go in a strategic plan; and the activities that are going to achieve the goals are often laid down by Congress or by policy. And OMB in its own right can't change those things, but OMB's role is to decide that we are purchasing from you, Mr. Program Manager, literacy programs that will lift the level of literacy in this community or among these people, and we expect to get exactly that from them: improved literacy. If you cannot demonstrate that to us, then we're going to say we won't fund you until you can show us some measures that will indeed justify our allocating this money.

I think that those are suitable subjects for debate, and that they should be debated rigorously.

So on one hand, OMB has to be satisfied that it's going to get what it is purchasing. On the other hand, the organization has control over its own destiny through both its laws and the policy under which it works.

Mr. PLATTS. I want to yield to the ranking member, Mr. Towns, and my hope—I try to be optimistic and hope that your reference to the two departments—four agencies that you mentioned, that's exactly what we'll see happen between GPRA and PART; because I see them as a wonderful one-two approach of strategic planning—here are the programs that are meant to fulfill that plan, and then here's an assessment of how they are doing. And if they are not successfully fulfilling the broader plan, we need to look at changes.

As I think we all agree, we are early in the process, and hopefully, as we go forward, I think the very encouraging aspect is this administration's steadfast approach to this issue and its being a priority of the President and his senior advisers that this is going to be something they're going to stick with.

So, Mr. Towns.

Mr. TOWNS. Thank you very much, Mr. Chairman. Let me just ask either one—if I could get a response from all of you, really.

Do you care to offer some specifics on the information OMB can provide to Congress that might be beneficial to both the author-

izers and the appropriators when it comes to the annual budget process? What can OMB offer?

Mr. POSNER. Well, I think, arguably because of PART, the kind of information that is being offered is substantially more transparent than before. We have last year—in 2004, a volume with each—for each program review, 234 programs reviewed last year. There was a page or two that not only provided the response, but the rationale for the response for each of the major question areas in the PART and the kind of recommendations and followup areas that OMB and the agencies are going to pursue.

That's a level of information about the results of the OMB process that we have not seen before. Now it's on CD-ROM, attached to the budget. So I think we have a lot more information on the decisions that OMB have made.

The question remains, what's the unit of decisions that we're being presented? How is the OMB framing the decisions? And what we are getting are agency-by-agency, kind of very specific program-by-program evaluations. I think the question for the Congress is, is OMB or the Congress positioning themselves to look at related programs together? For example, low-income housing outcomes cut across the programs, the agencies, even the tools of government where you have tax expenditures and other programs. Are we getting reviews that are organized along those lines to help us see how related groups of programs are achieving common goals? And so far the answer to that is "no." And that's not specific just to this year; that's a chronic problem.

Mr. BREUL. I would agree on the question of information. What you're seeing now is a dramatic revealing of the framework that is being used to question the agencies, the information provided and the judgments and analyses that have been rendered by the OMB officials. It's, in fact, been a traumatic exercise for most examiners. Those who have been there longer than 2 years are not familiar with having the format of their questions and the answers that have been arrived at shared with the public and shared in congressional justifications. They've never done that in the past.

This has been unprecedented, and as Mr. Posner suggested, if you look at the budget this year, there's a little envelope in the back page of the budget document with a CD-ROM that's got more material than you can look through in an afternoon. It's complete detail on every program that has been subject to the PART review, and full of the data, the justifications, and the rationale for the decisions on how they're ranked. So it's an impressive body of information that, again, gives everybody a fair start at arriving at some understanding of what's going on.

Mr. MCTIGUE. My answer to you would really be an answer that I would have looked for as a politician myself.

The first thing that I think you can expect to get from this process is that it will tell you those programs that are succeeding and at what level they are succeeding. It will tell you another group of programs where the results are unknown. They may be succeeding or they may not be succeeding, but at the moment they're unknown.

One of the encouraging facts is that the number of unknowns this year has dropped significantly from the previous year. So the

process is having some telling effect on agencies, in that they are moving out of the unknown category.

The third thing it will tell you is that this program does not provide any measurable public benefit. That's very valuable information for the politicians and the political process, to either say, let's defund that, if it doesn't work; or let's give them a grace period, at which time they can show they will perform at the level of the other programs we're currently funding.

Mr. TOWNS. Thank you very much. I'm skeptical because previous attempts at performance-based budgeting have failed when it came time to either implement programmatic reforms or budgetary decisions.

Can anyone offer me some perspective as to why PART will be more effective if it remains specifically as an administration tool and not incorporated into the budget process?

Mr. POSNER. That's an excellent question. I think some of the previous initiatives, like ZBB and PPB, were kind of "build a bridge and expect they'll come"; and in fact, the budget process went along its own historic way, and there was no effort to reach out and link up to it.

I think what PART—what GPRA started really, was to recognize that this would not be sustainable if this was not linked to the process by which we make our annual resource allocation decisions, and GPRA at least required the plans to cover all the programs in the budget.

What PART is doing now is taking the base of GPRA and force-feeding that more into the budget decisionmaking process.

Now, the question you raised I think is the most important one, which is the budget decisionmaking process is not just the President's process; it's a congressional process. And the question is, can a process that's oriented to one actor be viewed as credible by all the other actors in the system? And that's absolutely where we are right now. That's the challenge facing OMB and the Congress.

In our report we suggested that Congress needs to think more systematically about structuring, planning for oversight and its priorities to be a more active participant, to join up, than it has been before.

Mr. TOWNS. And my time has expired, Mr. Chairman, but I'm just wondering how the appropriators would react to this. Anyway, that's another issue.

Mr. PLATTS. It's on my list to come back to.

The gentlelady from Tennessee, Mrs. Blackburn.

Mrs. BLACKBURN. Thank you so much. I think we all were wondering how those appropriators would react. Let me just follow along with that.

You know, I'm always amazed with these discussions that we have, that it has taken this long for accountability to be an issue, and I am always reminded, when we're talking about PART and GPRA, of a response that was made shortly after I came to this committee. We had a hearing and someone from an agency, when I inquired about a time line, said, oh, we don't have a time line for the project; we have a continuing appropriation. And how offended I was on behalf of my constituents that they felt that way, because

I do think that effectiveness and efficiency and accountability are very important.

And I thank each of you for the information pertaining to that you bring to us.

One question that has come—that I was sitting here thinking on and kind of following my colleagues' remarks here, when you're looking at PART and GPRA and you're looking at the performance-based initiatives and performance-based budgeting, how beneficial would it be to incorporate a zero-based budgeting exercise with the agencies as they go through building this budget if they're going to use PART and access that data as a ratings tool?

And, Mr. McTigue, as you're talking about their outcomes and the delivery that they have, the benefits if they went back to zero; and as we talk about moving the budget process to something that is an equitable, deliverable for the taxpayers, if we go back and move away from baseline into more of a zero-based format.

Mr. Posner? We'll just go straight down the line.

Mr. POSNER. I think that conceptually the PART in fact is very much in line with the zero-based concept, because it departs from budgeting on the margins. We're not talking about increments of five or up or down. The PART addresses the whole program by its roots, and we're saying, how well is it doing, what kind of administration and cost structure does it have, and what are we getting for results.

So the conceptual basis of PART supports a more, whether you call it zero-based or reexamination of the base kind of process. That's got to be a fundamental part budget process going forward when we look at the long-term fiscal challenges we face.

Now, having said that, what we learn—one of the things we learned from the last zero-based budgeting exercise is, if you try to do everything, you're going to completely exhaust the system and it will fall on its own weight. And that's one of the reasons that we're concerned about the goal for 100 percent coverage of the PART, and reporting programs on part of new programs. I think not only does it burden analytic resources at OMB and the agencies, but frankly, it doesn't focus decisionmakers as much as they need to be focused.

In other words, if you can think of related groups of programs like the authorization cycle up here that we are going to do a sunset review of them and have PART geared to supporting a congressional reauthorization process, that is the kinds of thing that might be more targeted and get more attention.

Mrs. BLACKBURN. Thank you, sir.

Mr. BREUL. The two points that you bring up about looking at the base have the virtue of ensuring that no program is going to escape this analysis and that you look at the entire set of resources being allocated. Both the PART and GPRA are an invitation to do. They are useful tools to do that. The scores, for example, were not, a score of just the marginal dollars put into a program but relate to an entire program's administration and the set of results that are being achieved.

The workload problem is a serious one and that's indeed why the administration chose to do 20 percent of the programs a year. To put every program all at once through such a review would have

just overwhelmed everyone. And that is why I think there is quite a bit of virtue of moving through on a 20 percent basis to cover all, to make sure that no program escapes this kind of review, but that you do so in increments that are manageable.

But the analysis that is coming up now, and the ratings, are not, as I said, focused on the margin of delta of the additional budget resources, but look at entire programs. So it is an invitation for the appropriators to take that analysis and make their own judgments. Whether they choose to do is what we will be seeing this season.

Mr. MCTIGUE. In my view, speaking both from a theoretic point of view and also from practical experience, I think there is a slightly different way of approaching your problem which I think is likely to be more successful. If Congress and the administration were to say to agencies, "we're going to fund 5 million people moving from illiteracy to literacy this year," and then you had a variety of different programs that were contesting for the pool of money to do that, I think you would get exactly what you are talking about now, a review on the basis of which are the most effective mechanisms that we have to move people from an illiterate state to a literate state.

If you did exactly the same with long-term unemployed people, "we are going to fund 5 million long-term unemployed people back into employable skills and work," then you would look at a range of programs that would be likely to be effective in doing that and have a contest for the dollars. In those circumstances, you don't have to have the same rigor because what you are really doing is you are moving to a purchase of things of value and away from an allocation of money. Governments have traditionally allocated moneys to activities without too much of a focus what we get in return.

To answer one of Mr. Towns' questions from before, the difference in this process in my view is this: That it focuses on an outcome that is determined as a public benefit. The previous procedures have tended to focus on results that might be you served this number of people; whether you cured their problems or not was not a factor in the equation. In this process you are talking about curing the problem at the same time. If it is about hunger, it is moving people off the lists of being hungry, it is not just feeding them every day.

I think outcomes are one of the important ingredients and that outcome is clearly defined as a public benefit, and then you are able to say to different programs we could not afford to give away the public benefit of funding you, when somebody else is getting twice as many people into literate States.

Mrs. BLACKBURN. Thank you.

Mr. PLATTS. Thank you, Mrs. Blackburn. Mr. McTigue, in reading your written testimony, that one sentence that you reiterated captures the essence of where we are going to hold recipients of tax dollars accountable for their public benefits produced, not simply that they can account for where the money went. I think that is exactly what it is about, and the benefit that will come from PART being well embraced and implemented.

I recognize the gentlewoman from New York Mrs. Maloney for the purposes of a question.

Mrs. MALONEY. Mr. Chairman, I would like to put my opening statement in the record.

[The prepared statement of Hon. Carolyn B. Maloney follows:]

CAROLYN B. MALONEY
14TH DISTRICT, NEW YORK

2331 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515–3214
(202) 225–7944

COMMITTEES
FINANCIAL SERVICES

GOVERNMENT REFORM

JOINT ECONOMIC COMMITTEE

Congress of the United States
House of Representatives
Washington, DC 20515–3214

DISTRICT OFFICES:

☐ 1651 THIRD AVENUE
SUITE 311
NEW YORK, NY 10128
(212) 860–0606

☐ 28–11 ASTORIA BOULEVARD
ASTORIA, NY 11102
(718) 932–1804

WEBSITE: www.house.gov/maloney

Statement of Representative Carolyn B. Maloney

The Subcommittee on Government Efficiency and Financial Management
Committee on Government Reform

Hearing: "Should we PART Ways with GPRA"

Mr. Chairman, thank you for holding this hearing.

I am very familiar with the Government Performance and Results Act (GPRA). I was a cosponsor of GPRA, H.R. 826, in the 103rd Congress, and this Act was the first bill that I managed on the floor of the House of Representatives, after I was elected in 1992.

GPRA was intended to shift the focus to performance, to improve government management by requiring the executive agencies to set measurable goals for themselves and then report annually on whether or not those goals were met. Though we enacted the bill 10 years ago, the Act did not require government agencies to comply until six years later. As a result, we have results information for only four fiscal years.

I strongly believe that GPRA is an important effort that will improve our government agencies by making them more efficient, more accountable, and more transparent. PART, the Program Assessment Rating Tool is a new initiative under the Bush Administration which makes it difficult to fully evaluate at this time. However, at some point, I hope we will learn if PART has made an impact on funding cuts. As many of you know, 13 of the programs that were eliminated in the President's FY05 budget had low PART scores.

I thank the witnesses for being here today and look forward to your testimony. I hope we will gain a better understanding about the value of PART (Program Assessment Rating Tool) and the relationship between GPRA and PART in the effort to improve government performance.

Thank you.

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Mrs. MALONEY. Just not that I was a cosponsor of the original legislation in the 103d Congress and it was the first bill that I managed on the floor of Congress, the former Majority Leader Armey, this was one of his areas, that building accountability into government was a main focus of his.

I would like to ask the Honorable Maurice McTigue, I am very, very concerned about not having accountability in the intelligence of the country. We are talking about programmatic and we are building in accountability and I support that. But now we are having all types of secret reviews on what went wrong with the American intelligence. And I was wondering if we could have the same type of GPRA goals and framework built into the intelligence gathering of the country.

And also building in dissent. Say there are five intelligence communities—I am only repeating what I have read in the papers, that the CIA said that they told this review group that there was no weapons of mass destruction, there was no uranium, etc. But what we are grappling with now and it is very much on my mind, September 11—I represent New York City and lost 500 constituents—what we are looking at is how do we improve our intelligence?

Could we take a GPRA type framework or a PART framework and build it into a guidelines and framework for better intelligence gathering that is analyzed, that dissent is more transparent in the decisionmaking process, if you understand what I am saying?

Mr. MCTIGUE. I think that really gets to a very significant issue that moves out from the things that are really easy to do. Like did you make the right payments to the right people and did you get people from——

Mrs. MALONEY. How many people got off welfare? How many people got a job? That is easy. But now we are looking at different ways to make our intelligence better and if we had a performance based situation it might help us be better in the future.

Mr. MCTIGUE. My view with regard to all of these things is first and foremost can you identify the public benefit that you are seeking to address? And in this field, the public benefit is risk. Can you diminish the risk to American citizens from terrorist activity or from other activities? And I think that what should be required of intelligence agencies is that they should be much better at risk identification and then measuring by how much they have diminished that risk. They will tell you that is impossible but the banking industry and the insurance industry have done it for as long as they have existed and have done it reasonably successfully.

That also in my view enables them to be able to deal with the issue of what of those matters should remain official and what should it be required to identify in terms of public knowledge. I would be quite happy if the FBI or the CIA could say to us that the risk of terrorist incursion into the United States has diminished by 25 or 35 percent over the last year. That would make me feel more comfortable, rather than that I have expended X quantities of dollars and deployed X numbers of people, but I don't know what that means, whether that means I am safer or less safe. It is a tough test but I think it is a test that they should be required to meet.

Mrs. MALONEY. Do you think they could do that? In your experiences did you have other governments that you reviewed that analyzed risk and required intelligence to be more transparent in what they are achieving or not achieving?

Mr. MCTIGUE. The answer is yes, but it is an inexact science. There will be things that will happen from time to time that nobody foresaw so that was a risk that they did not identify and they didn't counter it. But so are most other things inaccurate and mistakes will be made. But yes, I think there has to be a yardstick by which you can say we are getting value for these things to give you a comparison.

Some time ago we had—the Mercatus Center had some discussions with the Nuclear Regulatory Commission about their strategic plan and their goals. Their goal is zero incidents. The only thing that is satisfactory is that there is no accident, no exposure. So they declare 100 percent success every year. But that doesn't tell us very much.

What would be more useful is if they could tell us that the risk of accident has gone up or down. It might have gone up after September 11. I'd like to know by how much they have mitigated that over the ensuing period of time. I think it is not unreasonable for that to be public knowledge.

Mrs. MALONEY. Anybody else like to comment?

Mr. BREUL. I haven't myself looked at the intelligence community material but my recollection is that they have been subject to GPRA and going through that sort of analysis on a regular basis. It, of course, is not shared on a CD-ROM but it is part of the normal dialog between them and their clients, whether it is the leaders in the Pentagon, soldiers in the field, or others that rely on their product.

Mrs. MALONEY. And do they allow for dissent to be part of the record?

Mr. BREUL. I haven't seen the record, so I can't tell you. But I understand they do follow the GPRA approach.

Mrs. MALONEY. Any other comment?

Thank you.

Mr. PLATTS. I want to come back to something that was touched on I think by all of you in your written testimony, and Mr. McTigue, you captured in your opening statement, I think very well, the issue of codification of this tool or this process. And if we are looking at trying to expand the statutory requirements to complement GPRA, that we not codify a specific tool but just the requirement that there be program-by-program reviews.

I first would be interested if either of the other two of you would like to expand on that, the aspect of codifying a program-by-program review in GPRA so we go from a statutory strategic plan to a statutory program review, and if we're going to do that—and then, Mr. McTigue, maybe you want to join in—should it be all programs over a period of at least once every 5 years or should it be more targeted as we have heard Mr. Posner address and ensure strategic prioritization of what programs have that requirement? And I use the analogy of the Improper Payments Act where there is a certain percentage or dollar amount involved, a higher stand-

ard requirement kicks in. So I would be interested in your perspective.

Mr. POSNER. The goal is to think about how we sustain this going forward. There are a lot of elements here that don't necessarily reach to codification. You have continued to improve the evaluation data, the instrument that is used, the executive commitment of buy-in by the agencies, better using analytic resources through targeting, I think, and frankly, better using a lot of the existing authorities that we have.

In other words, GPRA provides tremendous information to the Congress that sometimes is used, but as we have all acknowledged, there is a lot more that could be done with it. Rule 10 in the House provides for each committee at the beginning of a Congress to formulate an oversight agenda. That is an existing process that could be used to help Congress more systematically address its performance issues and hook up with this process.

Frankly, one of the issues that we have talked about over the years is that GPRA has a governmentwide performance plan that has frankly never really fulfilled its potential across administrations, which would do a lot of—at least be the foundation for what Mr. McTigue was talking about in terms of the looking at related groups of programs, addressing common outcomes, and across all sides of the budget, and developing performance standards and statements, rather that put all of those in a common plane.

That could be extremely useful just as a source of information as well as possibly frame the decisionmaking process itself. So there are, I think, a lot of tools that we already have that can make this process more sustainable, more credible, and more meaningful.

On the codification note, you are right, there are lots of examples and certainly we have always said that one of the things to promote management initiatives that we have learned is that Congress needs to be a customer, a buyer, a client, and ultimately ground things in legislation. We have learned that in the 1990's with GPRA and CFO, and it has largely been successful.

The questions I have about codifying PART is that it addresses a process at the heart of Presidential decisionmaking. There are real questions about how much you can standardize something like this across different administrations with necessarily different styles and different ways of wanting to hold itself accountable to the people. The closer you get to the heart of Presidential decisionmaking potentially the more difficult it would be to prescribe specific decisionmaking processes and frames for the President and his Office of Management and Budget to use.

Having said that, if there were such an effort to go forward, I would tend to side more with the notion of having possibly a more generic process, one possibility that could be thought of rather than something prescriptive, is a process that would require the President to disclose the process he used in linking performance to budgeting in the budget cycle, and possibly having some criteria he might address, broad criteria, generic criteria such as how were related groups of programs addressed, what kinds of data were used, how was GPRA utilized in this process and things like that. That might become something that could be a foundation. But I would tread fairly warily in this area.

Mr. PLATTS. Mr. Breul.

Mr. BREUL. I would agree with that. I don't see any need to amend the GPRA or similar statute at this time. I think you have to be very careful of the question of Presidential prerogative. The Budget Accounting Act of 1921 gives wide discretion to the President in this area and I think that is appropriately so. So I think you need to be very careful about framing anything that would be overly rigid or prescriptive.

The other problem you have to take some care to look at is that legislating the PART or the tool itself will probably result in a bureaucratic exercise of filling out the PART. Bureaucracy can be good in terms of compliance, and I think it runs the risk of distracting people to focus on the tool and the process rather than real results. My inclination would be to lean toward the use of incentives. When program managers see that the White House and OMB or the Congress and appropriators are actually paying attention to results and are using it in the course of their decisionmaking, they will spend a lot more attention and devote more to improving program performance. So I would lean toward the use of incentives and having both the Congress and the executive pay attention to these matters rather than legislating it.

Mr. MCTIGUE. Can I just add two comments on that, Mr. Chairman? The first is just that in the process of governance there are two things that should always be preserved as the right of the political process, whether it is the administration or the Congress, and that is the right to choose what the government will be involved in, and the right to determine in what quantity it will be involved in. Those must always in my view be preserved to the political process. That is why we elect people to public office.

For the legislature, it also is entitled to know and make judgments whether those choices made by the administration are, indeed, delivering the results that they predicted at the time that they made those choices. And that is why I think that the process you are going through now is valuable, but that it still has some maturing to go through. And that is that it is still extremely difficult for politicians to be able to compare a range of different activities focused on the one issue and make decisions whether or not they are producing results that are reasonable.

In my experience for people in elected office, the more knowns you can put on the table, the easier it ultimately is to exercise the value judgment when you have to make decisions about funding this activity as opposed to that activity. And some improvement in this area I think would make it easier for the people in the political process to exercise their value judgment.

Mr. PLATTS. I appreciate all three of your perspectives and I guess I asked the question because I think all of us agree on the benefits of PART, and it is putting more information, more known quantities of information on the table. But it could stop tomorrow under the current system because there are opportunities for other laws and things to be used. But as history showed for decades and decades, these other opportunities were not used even in the last 10 years under GPRA. They were not readily used until PART was created. And to ensure that beyond this administration, that we

continue a more programmatic review is why I look at codification perhaps as being necessary.

And while I have great respect for this administration in particular, and the discretion of any administration in how they manage a program, I also think that in the end any administration is going to be coming to the legislative body and saying we want you to appropriate funds for this program and it is the discretion of the legislative body to say if you want us to even consider that request, we need you to show us a program assessment of why it is a worthy program.

So we are not saying you have to do it, unless you want money in the program. So it is kind of like the Federal Government regularly says to the States: You really don't have to do this, but if you want money from us to pay for it then yes, you do. So I don't see it as an excessive infringement but as a partnership between executive and legislative branches and each of us having discretion and in this case the executive branch having discretion of how to design that assessment, what should the criteria be and the implementation, but that they have to do it.

Mr. POSNER. If I could just provide historical perspective on this. I do understand the point. You take a couple of recent examples and the conventional wisdom is that these initiatives and reforms are short lived and doomed to fail. Take GPRA, which has been around 10 years and survived two administrations with different political parties and it has been used in the budget processes by OMB staff and agencies in both administrations for different kinds of purposes in diffferent ways to some extent, but I think that is a success story of how a performance initiative can gain credibility and become, you know, a part of the way we do business.

Mr. PLATTS. That is statute.

Mr. POSNER. That is statute.

Mr. PLATTS. And across administrations. Whether it would have survived a change of administration, you know, if there wasn't a statute I think is the question. And it goes to—and I think, Mr. McTigue, it might have been you that said it earlier about public scrutiny where you are competing kind of drives dotting the I's and crossing the T's a little bit more. And if you are in a program out there and you know that your review is 5 years away and it is currently just an administrative decision that review is going to happen and there is an election between now and then and there may be another administration, you are maybe more likely to think, hey, we may not have to do that because it is an executive decision and there may be a different executive. If it is statutory, you know that it is going to take a change in law for you to be let off the hook. I think that puts more pressure today on you to get your house in order rather than waiting. It is a requirement of law. I see it from the people operating the programs having a greater incentive.

I do want to get back, but I don't want to overextend my overtime with my questions. Actually over here, Mr. Towns, if you had a second round of questions.

Mr. TOWNS. Well, particularly my thinking is along the same lines but I am looking at it from the intergovernmental situation where the program is being administered between the Federal,

State and local governments of government. Classic example would be Medicaid. How do you deal with a situation like that? Because it is one thing to have an administration and another administration, but the point is that you are talking about different layers of government. To me that sort of changes the picture a great deal. I am not sure whether my thinking on this is correct or not, but it seems to me that these different levels also makes it very difficult to make it able to control in the fashion that we would like to control or get the kind of results or find out in terms of the information we need to have because they might not be structured in a way that we would be able to actually get the kind of information we need.

And I am thinking because of the extent that was just made here, so I would like to get your comments on that, because I feel very uncomfortable with that process.

Mr. POSNER. I think you are right to point to the tensions here. Many Federal programs achieve their objectives not through Federal employees but through State, local governments, private contractors and nonprofits. And the question is do the goals that we are asserting for these programs get the buy-in of everybody in that system and that is a real challenge. Another challenge is how do you develop outcome measures for programs where you essentially have 50 programs like Medicaid. Or block grants in particular.

And this is one of those challenges that is not in particular PART, it is a challenge whenever you try to measure outcomes of national programs that are not Federal but national. They are intergovernmental. And I think it is one of those things that has not frankly gotten enough attention in the system. It is one where I think different agencies are kind of struggling to figure out how to proceed.

Mr. BREUL. Last year the fiscal 2004 budget identified this area in which the PART scores and the evidence for grant programs was particularly weak. Grant programs overall showed weaker results than direct or regulatory or other programs. The OMB didn't have a particular answer, they just pointed out that was one of the observations that was clear from the first 20 percent. I think we can look again this year and see if that is a continuing pattern and try to see what needs to be done.

Mr. MCTIGUE. I would make a slightly different comment. Where there are grant programs—and let's just take Medicaid—the thing that should be measured is by how much did the health of these cohorts of people improve as a result of this activity being available? There should be much less dictation of how you would use the resources and much more focus on by how much did you improve the health of people. And I think that the problem is that normally at a Federal or a State level, there is too much dictation of how you use the money and insufficient flexibility granted to those who are working at the cutting edge of the recipients to be able to focus on this being the needs of this community and we should meet those needs.

In this case it might be access to health care for young children and in another place it might be the elderly and the focus should be on showing us by how much you improved the quality of life or

the health or the wellness, if that is actually a word, of that group of people. So if you move to an outcome measure as a result of giving grant moneys instead of a process measure I think you can expect to get better results.

Mr. TOWNS. Thank you very much. Let me thank all of you. You have been very helpful. I yield back, Mr. Chairman.

Mr. PLATTS. Thank you, Mr. Towns. I want to turn to the crosscutting issue and, Mr. Posner, start with you. In your recommendations one of them is to OMB to do more crosscutting analysis and comparing apples and apples. I think as good as PART is and can be, if you are comparing job training program A today, and 5 years from now you are comparing, analyzing job training program B, you cannot make truly an informed decision for the Federal Government as a whole, namely, this is a good program, but in comparison to this one it is not and we should have shifted the money.

What response have you gotten from OMB on that specific recommendation if any? And is there a reason why they are not embracing that at this point in time?

Mr. POSNER. Well, I think it is fair to say that the letter that we printed in the report from Clay Johnson was very positive and very constructive, and I think their pledge to address the issues in the report and other issues continue to improve the process. On this particular question, the question of how you focus the decision-making process on programs that cut across agencies and even tools of government is it a chronic one. It has been a problem that is in our system frankly in the Congress as well as within the executive.

We have created, I don't need to tell you, a host of programs, whether you are talking about wildfire, housing, trade promotion, we can go on and on, well-intentioned efforts to address programs but we don't think about the systemic relationships among them or think about how they compete with one another, as I said before, in addressing common outcomes. And frankly this is an area that PART could possibly address if it were more strategically focused. GPRA has a governmentwide performance plan that could be a vehicle to do this. We are still waiting to see this being taken more seriously and going forward.

Mr. PLATTS. If we are looking at it from the GPRA perspective, that would be more that we have various agencies or departments set a part of their strategic goal, is economic development related and that issue will cross Agriculture, Transportation, Commerce, but we are still not going to get into GPRA a finite comparison of the actual dollars being committed to the broader strategies.

Mr. POSNER. The governmentwide plan, at one point OMB presented earlier a picture of the budget by what we call budget functions, the 19 major missions of government, where there was at least some discussion about how all the agencies are playing into a common set of goals say in the natural resource area or community development. That has the potential to be the kind of vehicle to start comparing and contrasting. That is what we are looking for, some kind of vehicle like that, and I think PART has the potential as well. This is one of those areas that each administration is going to have to kind of decide which areas it wants to focus on

and how it wants to take this on but it is something that really is a potential that has not been realized yet.

Mr. PLATTS. Before I get Mr. Breul and Mr. McTigue in this aspect, in the current budget there was from an analytical perspective some crosscutting analysis done. And if you have a comment on the benefit of that and is that a good starting point for what we are hoping OMB will do with PART?

Mr. POSNER. Well, as I looked at—the analytic perspective has something called crosscutting. Most of the chapters were things they have done every year, focusing on grant programs and credit programs and things like that, which are useful compendiums but they are not really programmatic.

One useful analysis was the homeland security area which really was first triggered by an act of Congress several years ago requiring OMB to report every year on all the programs throughout government—this was before the Department was created—that address homeland security. And I think usefully the analysis in the budget at least here brings together over 30 agencies and shows you the relative contributions in 2004 and 2005, addressing most importantly not just the fiscal analysis, but shows the six strategic areas and strategic goals in the national homeland security plan and talks about how the different agencies are addressing and playing into those. That is the basis now for crosscutting analysis, potentially.

Mr. PLATTS. Mr. Breul and McTigue, if you wanted to address the broad issue, and maybe the benefits of crosscutting, and a second part is if we continue to take the OMB approach that we're looking at all thousand or so programs, does OMB have the resources to be able to do this in an effective means or is it all the more important that we are strategic in what programs are run through the PART process?

Mr. BREUL. I think you have hit a very important question here, and that has a couple of competing tensions. One, of course, is that you don't want to let any program in the government escape this analysis. And for that reason working up toward the end or at least other tranche or 2 of 20 percent is important so we get rather complete coverage.

But turning around and having a focus on related and crosscutting programs is very important. I think OMB has recognized that and as they begin to catch up and do reviews and go back and look at programs, that will happen more and more because the OMB has traditionally done that as part of the budget process. It has recognized that as an important element, whether they are looking at homeland security, wetlands, research and development, climate change. Crosscutting issues are, in fact, the way you get a very powerful look at competing ways of realizing an objective and agencies that are doing much the same thing in different organizations.

So I think it is a very powerful way of looking at things. The subtlety that has to be remembered though is that some of these programs—the first is there are programs that are clearly in competition with one another. There are programs that are doing the same thing the same way. There are other programs that are really alternatives to one another. They may be doing the same thing, but

they are doing it a different way. And you are going to find some programs operating in parallel. They are doing the same thing but they are doing it for different populations or regions or areas of the country.

And finally there are going to be some programs that are complementary, where for a particular endeavor you need a little bit of this and that, and only in combination do they yield you the results that you want. The notion of crosscutting has an immediate appeal that you can kind of sort out with immediacy. Really, what it is really is another set of information that enriches the debate and gives you far more perspectives and a different set of prisms to look at that set of problems and more to think about as you make the management and budget decisions.

Mr. PLATTS. Mr. McTigue, your focus on the public benefits derived or produced seems that this would be all the more important of achieving the most accountability when we talk about benefits. And I look at some of the numbers, economic development programs, 300 different economic development programs, 300 programs serving at-risk youth, 90 childhood development. I mean, the list goes on. To make an informed decision we need to have all of those apples together.

Mr. MCTIGUE. Right. My comment, Mr. Chairman, would be this. I think it was fair and reasonable for OMB to take a random sampling of programs when it first started to use the program assessment rating tool across a variety of activities that give them an indication of how useful this process was and how it needed to be improved. But in the long term I think that rather than picking out programs, they should pick out outcomes and decide we will look at all of the programs that address adult literacy or all the programs that address child literacy or employability among this group of people. Then of course what you are really doing is you are starting to look at where do we have the best results for which delivery organizations and with which programs.

There is a risk in doing that, that has to be addressed at the same time. And that is that few programs have only one outcome. Most of them address a primary outcome and then will have second and third tier outcomes. It might be a program designed to address employability but it might be employability for socially disadvantaged people and people with a high risk of criminality. So if you are very effective in diminishing their criminality, that may outweigh the performance in all the other areas.

Looking at the spectrum of the program and weighing it up when you go to outcome based scrutiny is important and critical before you make decisions. But ultimately it is the only way you can start to look at that spectrum of activity and say here are areas among the 90 programs where we have high levels of effectiveness. Here are areas where we have moderate levels of effectiveness, and here are areas where we have low levels.

A device that was used in the government that I was part of, was that in doing that we used to decide that we would maintain at the very least the current level of public benefit. So if we were doing employability programs, we were going to maintain this number of people placed into employment during the ensuing year. And then we would look at parts of native people, how many of them, how

many would be long-term unemployed and how many with disabilities, etc. What you started to construct is this is what government expects to get for the investment it makes in a program designed to impact employability. And then you can look at the resource. And in many instances, the resource required to maintain that current level of public benefit was significantly less than what we had been spending across the range of say hypothetically the 90 programs.

Mr. PLATTS. You are eliminating the overhead of all of those different programs and really consolidating the service provided?

Mr. MCTIGUE. What you are also focusing on is the cost per unit of success. Can we maximize the number of people we will place back into work at the lowest possible price? But also recognizing that we are still going to maintain the public benefit for at-risk people, people with previous criminal records or whatever it might be.

Mr. PLATTS. Mr. Towns, did you have other questions?

OK. Is it a fair assumption, Mr. McTigue, that with the initial look at all the different programs, would you suggest that OMB go through the entire 5-year review of every program to establish a baseline for all programs and then move into this maybe outcome-based approach? Or do you think we should be looking at that sooner?

Mr. MCTIGUE. If I were making the decision, I would move almost right away to looking at it through outcomes. I think that in terms of the best interests of budget preparation, being able to say we have examined the whole cohort of programs that address issues like employability is much more valuable when you make budget allocations than saying we have looked at 20 percent of them because the 20 percent of them that you look at might be the best performers or the worst performers. They are probably going to be a mix.

I think the testing of the tool and the utility of critically looking at what is declared to be the performance of a program has been proven. That is useful. Now trying to make that tool perform much more effectively for the interests of both Congress and the administration would say let's start to look at all of the activities across government that address this issue. If it is security, then let's look at all the things across security, see the ones that have the greatest impact on diminishing risk and the ones that have only marginal impact on diminishing risk.

Mr. PLATTS. When I look at some of the results of the PART assessments and saying effective recommendation is this goes to another program which we think is more effective, if you haven't done PART on all of those other programs how do you actually know that it is more effective in the criteria in comparison to this specific criteria unless you have done them all together? I share the position that the sooner the better to make it all the more effective and, in the end, used. I mean, you can have the information, but what we are really after is this information be acted upon and that crosscutting of assessments is critical to it actually being used by Congress and the administration. Did anyone want to add on that issue?

I was curious, Mr. Posner, what your interactions with OMB and just the process that OMB is going through, first round, 234 and then coming back roughly a third of those for a second round. Was there any explanation shared with GAO on how and why they chose that specific third for a second versus the other ones that were reviewed?

Mr. POSNER. Well, we focused our review on the 2004 process because that was public and there was a longstanding issue about predecisional information.

Mr. PLATTS. Report is on 2004, but in your new actions have you had any dialog about going into the 2005 where they say this time we're going to do these 80 or so?

Mr. POSNER. What I think we captured is not the specific decisions because those are somewhat delegated to the RMOs, even the major functions areas in OMB to decide, but I think we noted some changes in the process that are notable. I think we learned a lot in 2004. One is the process was moved up. It became a spring process rather than crunched into the budget season like it had to be in 2004. There was some training done and there were some refinements in the instrument that were modified, questions and things like that, some additional guidance and the like.

So those are the things that we picked up. There were some changes made in how the reviews were followed up and things like that that were done.

I think that it still remains to be seen. We haven't really taken a look at the 2005 selections and really understood—we have seen what is in the press and what is on the Web, but at this point, that is what we have.

Mr. PLATTS. And kind of a followup question—maybe it is premature as well because it relates to the—well actually it is 2004 and I guess 2005 in the sense of the funding decisions that were made in 2004—have you been able to look at the logic of the PART on these programs and say this is ineffective and we recommend defunding and this is what happened? Is there a good feel for the logic in your opinion of how those recommendations were or were not followed?

Mr. POSNER. I think what is important is when OMB stated absolutely appropriately that there is no formulaic approach to this process. Performance budgeting is not about a mechanical link between performance trends and budget decisions. If the program does poorly and it is a high priority, it doesn't necessarily mean you are going to reduce funding. In fact you might find cause to increase funding. If the drug abuse deaths go up you might need to increase funding. This information needs to inform the agenda, the questions you ask. It doesn't necessarily tell you the answers on a budget decision because there are lots of other factors that are involved, and that is what we found. There was a relationship, I think it is fair to say, and we have some information in the report showing that the programs deemed effective generally did better in the 2004 process and the programs deemed ineffective generally did worse. But there was not a tight relationship nor should there be.

I think what is more significant is what we found—and this is consistent with the observations about performance budgeting in

States and other areas—is that the real impact that this information is having, at least initially, is not so much on funding levels because they are determined by so many other—further, as I say, it is on the management and design of programs. And when you look at the kinds of things that came out of the 2004 process, 80 percent of those recommendations focused on measures, goals, the program design, shifting from one kind of grant process to another to try to get more bang for the buck out of these programs. That is what you would expect properly.

Mr. PLATTS. With that benefit being in the 2004, 80 percent being more the management, worst case scenario, we don't get a crosscutting analysis, Congress is not very dutiful in actually using the information in the appropriations process. It seems that the PART process still would have a tremendous benefit because even though you are going to have 300 different economic development programs, hopefully they will be better run and more effective individual programs from the management of those because of PART. Is that a fair statement?

Mr. POSNER. I think that is right. We hope it is beyond that, with the major caveat that there is a significant followup that has to be done and some monitoring. We would like to see more of it and some of these things call for congressional action, frankly, in the area of foster care and things like that. But, yes, I think that is right there, is a substantial value right there.

Mr. PLATTS. And maybe a broad question that comes back when you talked about appropriators earlier is one of the recommendations about OMB, I think having more of an education process with Congress. What do you see along those lines from OMB and GAO's perspective?

Mr. POSNER. We have seen some effort made recently to brief Congress and a number of committees about the results of the 2005 process. I think what—rather than kind of evaluate or comment on what OMB has done recently because we just don't know everything they have been doing, I think what we are calling for is a process of proactive involvement by the Congress at the front end of these things. What we are saying is that even though it supports a Presidential process to get the broad base that you need to establish the support, you are going to have to gain the input of the appropriators and the authorizers and the overseers in deciding what the reviewing are going to be all about. Basically, that is a challenge frankly to the Congress as well as to OMB. OMB may have to change its own style and procedures of a budget process that is inherently executive related.

We have already seen some information that is much more than we ever saw before in this regard. Congress may have to kind of think more clearly about how it is going to organize itself more comprehensively to address this. Some of us have thought about what Congress was presented with in the 1970's when the President had a comprehensive budget and the budget process and Congress didn't have a budget process at the time. And it was challenged to address a President that saw both sides of the budget when Congress didn't do that.

Congress stepped up to the plate and developed the Congressional Budget Act. The question is whether we are seeing some-

thing similar evolve here. The President is already on the road to developing a comprehensive performance assessment and perspective on government and governance, and how Congress is going to position itself to deal with that information.

Are we going to create a more consolidated or systematic way to digest and respond to that as a body? Are we going to do it in a disaggregated way that is more familiar? That is the decision that you are going to decide, obviously. That is the challenge. What we are seeing is the potential to have that same kind of challenge develop here.

Mr. PLATTS. And you reference Homeland Security and comparing in the budget analysis the various assignments or goals, and you look at how many different committees and subcommittees that one department answers to up here as far as trying to streamline the view of what it is doing, whether it is most effective. With Secretary Ridge being my former Governor and someone I have great respect for, what a challenge for the Secretary to be answering to 80 committees and subcommittees in total. I think you are right on long term. As the executive branch is kind of reorganized there is a need for Congress to try to work hand in hand.

We are going to be running short on time. One of the questions is how this could be used with authorization programs or reauthorization or sunsetting of programs. Mr. Breul, you touched on that I think as part of your testimony. There have been a number of proposals about sunset commissions being established to make a determination or recommendations about sunsetting programs.

If PART is as effective as we hope it will be long term. The question is, is it in essence going to fulfill that role in that the information by PART can be used and there won't be a need for these kind of independent sunset commissions?

Mr. BREUL. Well, what PART will help do is provide the analytic basis to make some decisions. Then the decisionmaking body and the commitment to actually go through and make the determination one way or another is not something the PART alone will fill. But it does provide one set of lenses to judge program management and then the actual results that are achieved, and that is very important information in any kind of sunset decision.

Mr. PLATTS. OK.

I think we are going to wrap up there. I wanted to give each of you an opportunity if there is anything you wanted to add based on the Q and A period. Mr. McTigue.

Mr. MCTIGUE. Can I just add one component to what is the long-term impact on appropriators going to be? And in my view probably 2 or 3 years from now, the fact that this information exists, how effective is this program compared to that program will enable us, the public, to be able to say there was a very significant benefit foregone. You could have placed 5 million people into work and you placed 2½ million people into work. Mr. Appropriator, why did you vote to not give those people jobs?

Information will not stand alone. Once it is produced it will be used by a number of people in different ways and bring accountability to the political process itself. There would be very good reasons for making those decisions but politicians will have to make those reasons transparent.

Mr. PLATTS. Very important point. Because as you work with the Government Accoutability Project, this information being so public, and as Mr. Breul talked about the CD-ROM that it is out there in an unprecedented fashion, is not just about executive branch, it isn't just about Congress, but about other groups such as your own effort being able to hold us accountable.

And the accountability we talked about the program manager applies to the elected officials as well and this information will ensure—and we better be ready with our whys—why we voted against it or why we voted for it—when that information is available and acted upon.

I want to finally, again, thank each of you. Great testimony, both written and your oral testimonies here today and really assisting our committee and both members and staff as we move forward on this and try to really help push the process along with the administration. My sincere gratitude to each of you. And I know that there is a lot of preparation time that goes into this 2-hour block here today that is well beyond 2 hours. So thank you.

I also want to thank both majority and minority committee staff for their work in preparing for this hearing. And the record will remain open for 2 weeks from this date for those who want to submit additional information for the hearing and for possible inclusion. And everybody have a good day. This hearing stands adjourned.

[Whereupon, at 3:40 p.m., the subcommittee was adjourned.]

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