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IMPROVING FEDERAL PROGRAM MANAGEMENT USING PERFORMANCE INFORMATION

HEARING

BEFORE THE

FEDERAL FINANCIAL MANAGEMENT, GOVERNMENT INFORMATION, FEDERAL SERVICES, AND INTERNATIONAL SECURITY SUBCOMMITTEE

OF THE

COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

SECOND SESSION

JULY 24, 2008

Available via http://www.gpoaccess.gov/congress/index.html

Printed for the use of the Committee on Homeland Security and Governmental Affairs

U.S. GOVERNMENT PRINTING OFFICE

44–582 PDF WASHINGTON : 2009

For sale by the Superintendent of Documents, U.S. Government Printing Office
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THURSDAY, JULY 24, 2008

U.S. SENATE,
SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT,
GOVERNMENT INFORMATION, FEDERAL SERVICE,
AND INTERNATIONAL SECURITY,
OF THE COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 2:35 p.m., in room SD–342, Dirksen Senate Office Building, Hon. Thomas R. Carper, Chairman of the Subcommittee, presiding.

Present: Senator Carper.

OPENING STATEMENT OF SENATOR CARPER

Senator CARPER. The Subcommittee will come to order.

Governor, welcome. We are delighted that you are here. Thank you so much for taking time to join us. Senator Tom Coburn is the Ranking Republican of this Subcommittee. He will be here shortly. But given all that you have on your plate, Governor O'Malley, we are delighted that you are able to find time to be here and talk about something not only that you are interested in, but you know a whole lot about, and we thank you for your willingness to share your experiences, your perspectives, both as Mayor of Baltimore and now as Chief Executive of the State of Maryland.

One of my favorite sayings is "I would rather see a sermon than hear one," and I think we can look at what you have done, both as mayor and as governor of your State, to actually show us by your own behavior that this works and it is something that may just work for us, as well.

In a little less than 6 months from now, we will have a new President standing on the West Portico of the Capitol, preparing to raise his right hand and take an oath to defend our country and Constitution. Our new Chief Executive will face a soaring Federal deficit at home, and security challenges abroad. Those are just a couple of the exceptional challenges that our Federal Government must be prepared to face. No matter who is elected President, whether it is Senator Obama or Senator McCain, we must make sure that person has the information and the tools that they need in order to keep our ship of state headed toward the horizon.

And though our politics may differ here in Washington and across the country, I think we can all agree that the strength of our democracy hinges on the ability of our government to deliver

its promises to the people. We have a responsibility to be judicious stewards of the resources the taxpayers invest in America and ensure that those resources are managed honestly and that they are managed effectively.

Just recently, this Subcommittee heard from a number of witnesses, including our former Comptroller General, David Walker, about the dire fiscal situation this country faces, not just this year, not just in this decade, but for decades to come. Over the next two decades, 80 million baby boomers—I am one of them—will become eligible for Social Security and Medicare. Today, these two programs already make up over 40 percent of our government's total expenses. And as boomers like me start to draw benefits, some experts we have heard from say that the share of these programs could equal within 40 years not 40 percent of our government's outlays, but all of our government's outlays.

Without any changes, we will not have extra funds to prepare a world-class workforce in the 21st Century, funds to make us energy independent, meet our transportation needs, clean our air, or address our pressing national security needs. There is only so much pie to go around, so how we manage who is getting the next slice, and how big it is going to be, becomes increasingly important.

In 1993, the year that I became Governor of Delaware, the Government Performance and Results Act (GPRA), was enacted to help us better manage our Nation's finite resources and improve the effectiveness and the delivery of Federal programs. Since that time, agencies have collected, and provided to Congress, a tremendous amount of performance data. However, Senator Coburn and I wondered if this information was being translated into results, or at least into improved results. Producing the information does not by itself improve performance, and we knew that there had been little increase in the actual use of performance data by agency managers.

A lot of work has been done by GAO and others on how this data could be used, but nobody has really looked into whether agencies were putting theory into practice. A year or so ago, Senator Coburn and I asked the GAO to examine how performance information is being used to better manage Federal agencies, and if managers could be, and should be, employing it more often in their decision-making processes. We also asked the GAO to consider the recent efforts by the Administration to improve the usefulness of agency performance information and through initiatives such as the Program Assessment Rating Tool (PART), a key component of President Bush's Management Agenda.

I am eager to hear GAO's findings and ask that we focus our discussion on the following crucial questions today. To what extent are Federal agencies using performance information to perform key management tasks, such as identifying performance problems and taking corrective actions or identifying and sharing best practices?

Second, how can Federal agencies make better use of performance information to improve our results, and our outcomes?

And finally, what lessons can be learned and how can we build on this Administration's efforts to improve the usefulness and employment of performance information?

Today, with these questions in mind, I want us to do the following. One is to accurately assess how well and how often Federal agencies are using performance information to correct problems and promote best practices.

Two, I would like for us to discuss how the use of performance information can be increased and improved in the next Administration.

And three, I want us to solicit ideas about how Congress can play an effective role in the path forward.

Today, it is my hope that we can begin to develop a blueprint for the next Administration. We must do all that we can to ensure that the transition is streamlined and that our next President has a clear picture of the strengths and weaknesses of agencies under his direction.

We face, in this country, unparalleled challenges both here and abroad and these require a knowledgeable and nimble Federal Government that can respond effectively. With concerns growing about our mounting Federal deficit and national debt, the American people deserve to know that every dollar we send to Washington is being used to its utmost potential. Performance information is an invaluable tool that can do just that, if we use it. If used effectively, it can identify problems, help us find solutions, and develop approaches that improve results.

We thank, again, not only our lead-off witness, but all of our witnesses for taking this opportunity, setting aside time in their own lives to be with us today to share with us some of their ideas about the challenges before us and how best to address those challenges.

Our lead-off witness is Governor Martin O'Malley. He was elected Governor of Maryland in 2006, coming on the heels of an unusually successful tenure as Mayor of the City of Baltimore. Early in his life, as a young troubadour, he led his Irish group into the City of Wilmington and left the fans at O'Friels Irish Pub standing and cheering in his wake at an age when he was actually too young to get in legally to O'Friels, but came in and did a great job performing for us.

In 2005, *Time Magazine* named him one of America's Top Five Big City Mayors. As Mayor, he pioneered the CitiStat, a statistics-based tracking system that focuses in on areas of under-performance and demands a results-driven government model. CitiStat has saved Baltimore residents more than $350 million and was awarded Harvard University's prestigious Innovations in American Government Award in 2004.

As governor, he has brought the program State-wide, implementing StateStat across all Maryland's government services, and provided a model not just for mayors, I think not just for governors, but I think maybe for Presidents and for those of us who serve here in the Legislative Branch of our government.

We are honored by your presence and we are especially honored to be able to serve here on a daily basis with your mother, who works, as some of the people here know, for Senator Mikulski. I am not sure who works for whom, and I don't know if Senator Mikulski is actually here. She was going to try to stop by today. She may pop in. But if your mother is around and if she shows up, please

introduce her to us. We are delighted that you are here and that your mom raised you so well. [Laughter.]

Governor O'Malley, you are recognized to speak for as long as you wish.

TESTIMONY OF HON. MARTIN O'MALLEY,[1] GOVERNOR OF MARYLAND

Governor O'MALLEY. Chairman Carper, thank you very much.

Senator CARPER. Thank you.

Governor O'MALLEY. Thank you for the opportunity to be able to join you at this important Subcommittee and as part of the discussion of this day.

I am also joined by a number of members of my staff. Apropos to today's discussion, Matt Gallagher is here who runs our StateStat office and is the Deputy Chief of Staff for Operations in our State government.

Senator CARPER. Would you ask him to raise his hand?

Governor O'MALLEY. There he is.

Senator CARPER. All right.

Governor O'MALLEY. He also before that ran the CitiStat office in the City of Baltimore before that.

It is an honor to be here today before you to talk about an issue that, frankly, I believe is changing, for the better, the way that many of us look at the operations of our government, and it is our government. It is our belief that the same performance-based governing strategies that were so very valuable in igniting Baltimore's come-back and have been so valuable to us at the State level in Maryland this past year-and-a-half can also work not only in the Federal Government, but in any large human organization.

In our public life, we tend to be very good at measuring inputs. We typically refer to those inputs as the budget, and it is typically done on an annual basis. But we have often neglected to pay enough attention to outputs, to the product of government. We are constantly asking, what is our funding level. For example, for something like interoperable communications without asking whether or not the purchases that have been made by local, municipal, or State governments this year have been in accordance with the standard that moves us down the road to a point in time when all first responders throughout our Nation can actually talk with one another when responding to an emergency.

Performance-based government, in its essence, is about measuring, tracking, and improving outputs. Inputs play a role, but only in the pursuit of outputs.

Mr. Chairman, I was first introduced to this model of governing about 8½ years ago when I began my first term as Mayor of the City of Baltimore. And when we were handed the keys to that 16,000 person, $2 billion a year operation known as city government, we inherited our fair share of challenges, some of them very big challenges. More than 300 of our fellow citizens every year were being murdered in our city. The streets were too often littered with trash. Our schools were too often failing and people were abandoning our city, in essence, voting with their feet, and leaving

[1] The prepared statement of Governor O'Malley appears in the Appendix on page 49.

behind them buildings and homes that were vacant and themselves becoming nuisances.

Quite understandably, the public at the time was demanding immediate results and immediate turn-around, and we rolled up our sleeves and got to work and found in beginning that work that there was very little in city government that was actually being measured in a consistent and real-time fashion. Now, don't get me wrong. Oftentimes, information was being collected at the ground level, sometimes very faithfully, sometimes very dutifully, not always the right information, but rarely, if ever, was it being used in a timely manner by the appropriators and the policy makers and the administrators at the highest level in order to deliver better outputs and better outcomes for citizens on the ground.

So we were very blessed to have met a gentleman by the name of Jack Maple, who was one of the great minds behind the performance-based strategies employed in the New York City Police Department for its turnaround. Jack was the Deputy Commissioner of Police under Commissioner Bratton and we felt, having observed ComStat in action, that if the NYPD could so successfully use simple off-the-shelf software, computer pin mapping, deploying police resources to where the crime was actually happening, that data collection and mapping technology could also work for the other things that government does, whether it is garbage collection or repairing streetlights or addressing complaints about potholes.

And from this approach was expropriated the four main tenets of CitiStat, which were the main tenets of ComStat. One, timely, accurate information shared by all; two, rapid deployment of resources; three, effective tactics and strategies; and four, relentless follow-up, not on an annual basis, not on a biannual basis, but on a daily, weekly, biweekly, monthly basis in order to improve performance.

So we started setting goals. We started measuring results. And we did so weekly. We began tracking outputs instead of just tracking inputs and we started geomapping every conceivable service. And in short time, we turned around the city where many neighborhoods were considered ungovernable and we started making our city government function again in order to improve the quality of life in every neighborhood.

I go into some greater detail about some of the results we achieved in the written statement I submitted to the Subcommittee, but just a few examples. Most important of all is the primary responsibility of all governments and that is public safety. We were able to achieve a 40 percent reduction in violent crime, its lowest level, actually, in four decades. We were able to back up with 98 percent success a 48-hour guarantee to address complaints from citizens about potholes.

We reduced the number of children exposed to dangerously high levels of lead from lead dust, lead paint poisoning from old homes and deteriorating homes by 65 percent in a relatively short period of time.[1] We were able to identify and reclaim by clearing title more than 5,900 vacant homes and buildings which then enables them to be redeveloped and put back on the tax rolls.

[1] The chart referred to appears in the Appendix on page 138.

We had a boarding and cleaning backlog of about some 8 months, which is how long it took when we began to address a boarding or cleaning complaint from any citizen. By the time we left, that was down to 14 days. Now, that didn't happen overnight. It didn't happen by measuring things annually. It happened by measuring them every single day and every week.

And probably the most important outcome of all is that we were able by improving our quality of life with better-performing government to be able to reverse four decades of what had been seemingly insurmountable population loss, and the city started growing again.

I brought two charts with us today. One of them on the far right is the combination of homicides, shootings,[1] and you will see three kinds of death, and you can see them over time. Again, these are just measured annually, but we measured them every 2 weeks and, by golly, when you look over your shoulder, you see you are actually making progress shrinking those danger zones in our city.

This next map is the cleaning and boarding measured not in terms of the reduction of the wait time but in terms of the improvement of the productivity.[2] Again, these are annual outcomes, but the only way we were able to achieve the annual outcomes is because we developed systems so that we could measure every day, every week, and that information was then able to get back up to the policymakers, the administrators, the appropriators.

In 2007, when we were given the keys to an even larger organization, namely the State government of the great people of Maryland, we took this model with us. We created a program called StateStat, which has allowed us to track and measure progress on a level that we have never before been able to achieve in our State government. And through our StateStat program, while only in its first year and a half, we have been able to identify problems in information sharing among various law enforcement agencies and across several jurisdictions and we work every day to improve them.

Second, we were able to identify right off the bat the imperative, the need to close the House of Corrections, an old, dilapidated, and very dangerous prison in our State. We were able to close that without incident within 50 days, saving probably lives and also saving $3 million in overhead and overtime.

We were also able to identify and fix more than 100 problems within our juvenile detention facilities, many of which had been under various consent decrees and court orders for a long time without ever improving those conditions.

We are now using GPS technology and performance measures to target our resources that are geared at restoring the national treasure, which is the Chesapeake Bay, through a program that we call BayStat. You may notice that virtually anything, if you measure it, you can slap a "stat" on the end of it and you have a new way of saying whether what you are doing is making any impact on the problem you are trying to solve.

We go through a few more accomplishments in the written statement I have submitted to you, but I wanted to close by just saying

[1] Chart referred to appears in the Appendix on page 136.
[2] Chart referred to appears in the Appendix on page 137.

a couple of words about CitiStat, StateStat, and why this model, I believe, can be and should be applied at the Federal level, particularly in the realm of homeland security.

We believe the same approach can be relevant to governments and organizations anywhere and of any size. Recently, I had occasion to meet and to listen to Sir Michael Barbour from Tony Blair's government who applied many of these principles to the administration of national government in the United Kingdom and also implemented a new innovation called the delivery unit to make sure that all of those along the chain of delivery, from policy maker to appropriator to administrator to implementor down to the level of citizen, were actually held accountable for their piece of delivering improved performance.

The Environmental Protection Agency, I understand, has launched an EPAStat program, and there are governments worldwide that are working to implement this model. In fact, we have had several delegations from governments all over the world who have come to visit us in Maryland to learn about the workings, the early workings, of our program of statewide performance measurement.

Government performance management, I believe, is really a nonpartisan issue. There is no Democratic or Republican way to fill a pothole, to make sure that you improve the outcomes, whether it is at a municipal, State, or National Government. The beauty of a map is that a map doesn't know whether a neighborhood is black or white, or whether a neighborhood is rich or poor, or whether a neighborhood is Democratic or Republican.

Most of us in government would say that it is the responsibility of every public official to provide the most effective government possible and to provide for continued progress and improvement. That is what CitiStat and StateStat are really about.

Mr. Chairman, I want to close today with the words of Robert Kennedy, who once said, "There is no basic inconsistency between ideals and realistic possibilities, no separation between the deepest desires of the heart and of the mind, and the rational application of human effort to human problems." The rational application, well and timely measured, of human effort to human problems.

That is what performance-based government is about, and I thank you so very much for your interest and your leadership in bringing this to our Federal Government. Thanks very much.

Senator CARPER. Governor, thank you very much.

One of my finest memories of being governor was going to New Governors School every 2 years, right after the election. About the middle of November, current governors, would host the newly-elected governors and spouses and teach the new governors and spouses by virtue of our own experience the things we had done wrong, in many cases, and some of the things we had done right.

We had a Center for Best Practices within the National Governors Association. I suspect we still do. I am just wondering, does your experience with CitiStat and what you are doing with StateStat, does any of that show up within the National Governors Association, either at a New Governors School like a forum, or through the Center for Best Practices so that other States can

learn from what you have done, both in Baltimore and in Maryland?

Governor O'MALLEY. Yes. To some degree, other States have begun this in one way, shape, or form, and some of them started doing it years ago on the heels of seeing the success of the NYPD. In fact, Christine Gregoire, who began her first term as Governor of Washington State, visited us, actually before all the votes were totally counted in that close race——

Senator CARPER. I said to Christine, who had been Attorney General, I said, keep counting the votes and recounting the votes until you win. Then stop. [Laughter.]

That is what they did.

Governor O'MALLEY. Well, during the period of pre-transition, she sent a group of her people to Baltimore and has actually begun and does have a performance measurement program in Washington State. I know I have had conversations with Kathleen Sebelius in Kansas back at the time, and I believe she applied it to some things, as well.

It is, I believe, part of the National Governors Association, part of their Office of Best Practices, and we were able to recruit from there not only Malcolm Wolf, our Energy Administrator with whom you had some discussions, but also our policy directors from that area. The best ideas are the ones that you find from other practitioners. That is what we believe.

One of the exciting things about beginning this program in Baltimore years ago is that other cities have taken it up, and I have found myself learning from things that Mayor Cicilline in Providence was doing to apply this to juvenile justice, to be able to learn from Mayor Slay in St. Louis the things he was doing on lead paint abatement and the like.

So I hope, and I believe, that there will be more of this going on at the State level that we can learn from.

Senator CARPER. In Baltimore, I presume this initiative was something that you promoted as mayor, and as governor, I presume that this is an approach that you have been championing in your State.

Governor O'MALLEY. Absolutely. One of the things I have noticed, Senator, is that newly-elected executives tend to have an easier time embracing this than those of us who have been in office for some time. The very uncomfortable part of this process is that when you begin measuring things that have never been measured before and start sharing that information widely and broadly, everyone comes to understand how poorly many things had been functioning in the past. The fresh start of a new executive is, I think, something that enables an organization to make that sort of culture shift in ways that others find more difficult.

It has also been my experience that however uncomfortable that initial period is of the openness and the transparency, which are the hallmarks, I think, of performance measurement and a republican form of government, certainly, that openness and transparency over time pays tremendous dividends, however embarrassing the up-front moments are of, oh my goodness, I didn't know that we were that bad at that particular service delivery. Over time, people come to respect and appreciate it.

Another innovation that we borrowed from Mayor Richard Daley in Chicago was the use of the 311 center for all city services. In the past, we would go around knocking on doors at campaign time and giving out the "where to call for help" card. The "where to call for help" card had some 300 various services listed alphabetically. Look under V for vacant houses. Look under R for rat abatement. And then we would have 300 different phone numbers.

The 311 system on the front end and being able to have a call courteously answered and give every citizen, regardless of what neighborhood that the call came from, being able to give them a customer service number that was common to all citizens and a time frame within which to expect that service, whether it was a broken curb, a pothole, dead tree, or what have you, a time frame within which to expect that service to be delivered was something that gave our citizens a lot of optimism about the future and the fact that they still do, in fact, have the reigns of controlling and holding accountable that government into which they pay their hard-earned dollars.

Senator CARPER. Well, you are going to have a whole crop of new governors being elected this November. A couple of weeks after that, they are going to show up at the NGA School for New Governors and Spouses and they are going to be looking for things, ways to provide good services, working within the constraints of tight budgets, as you know. I suspect that you can provide a real service for them as you are here today in sharing with them your successes in Baltimore and in Maryland.

Actually, talking about taking good ideas, we used to steal the best ideas from one another. Sometimes you would attribute, sometimes not. But we have taken the ideas of New Governors School and we have actually incorporated it here in Washington. In the middle of November, 2 weeks after the election, we will have, I call it New Senators School, but it is actually this orientation for new Senators and their spouses, 3 days, very much like NGA. Faculty are current Senators and spouses, and basically learn from one another.

Governor O'MALLEY. And I trust that they put former governors at the front of the class?

Senator CARPER. Actually, three of the people who started it, Lamar Alexander, former governor, former NGA Chair from Tennessee, George Voinovich, former governor, former NGA Chair, Mark Pryor has very active as Attorney General from the State of Arkansas, and yours truly. So three out of the four are all governors.

In Baltimore, you obviously have a city council, Legislative Branch. As governor, you have a General Assembly, Legislative Branch. Here, we have the Legislative Branch in which I am privileged to serve. What role in city, State, and maybe in the Federal Government, the National Government, can a Legislative Branch play? How is this relevant in the lives of the Legislative Branch in the city, State, and in Washington?

Governor O'MALLEY. Initially, like many new ideas, it was greeted with a tremendous amount of skepticism and——

Senator CARPER. By your legislators?

Governor O'MALLEY. Yes. Let me talk first on the city council and then I will talk at the State level. In the city council, the concern was that this was going to undermine or somehow diminish the ability of council members to deliver for the constituents who called them for a variety of city services, and so over time, we were able to overcome that, primarily because of the openness and the transparency of the process and also the ability of city council staff to be able to log into the same system that our 311 operators were able to log into in order to give out those citizen service complaints and the time frame within which to expect that those services would be delivered.

And once the council staff were trained in it and they went back and worked on their council members, a lot of the fears dissipated because everybody wants to be able to produce. Everybody wants to know that when their constituent calls, that they will be able to pick up the phone and deliver.

On the State level, we recently created a new fund for the restoration and health of the Chesapeake Bay, work that has been going on for some time, work that needs to be accelerated and improved and—the tendency, I think, in most legislative bodies is to specifically designate any new dollars that are appropriated for a given purpose, namely the cleanup of the Chesapeake Bay. In a big public health challenge like the Chesapeake Bay, there are probably at least 100 different activities that could be funded that contribute to the health of the Chesapeake Bay, everything from stormwater upgrades to cover crops to expanding the forested buffer along streams.

The legislature, because of the openness, because of the transparency, and because of the performance measurement that they saw in BayStat and their belief, their well-founded hope, I think, that the deployment of those dollars will be guided by the best science and the most effective use of those dollars, they chose after some deliberation not to specifically designate this first $2 million shall go to this. This next $3 million shall go here to that.

I think that legislators that have seen the beginning of this process are encouraged that they will be able to get more timely, accurate reports on the things that are working, the things that are not, which then will make them much more effective in exercising their oversight of the things that we do fund, the things that we maybe should fund more of, and the things that perhaps we should not be funding as much of.

Senator CARPER. In our State, and certainly in your State and the other 48 States, we have spent a lot of time and energy and money on raising student achievement. Most of the States have established academic standards of what we expect our kids to know and be able to do in math, science, English, social studies, and other curriculum. We designed these tests to measure student performance to try to figure out how to hold schools accountable, students accountable, educators accountable, even parents accountable. We have created enormous amounts of information from the results from our tests. Some States give tests on an annual basis to selective grades. Now more and more, we are giving at least annual tests to a broader cross-section of students and grades of students.

In my own State, we have a program called Principal for a Day. The State Chamber of Commerce does it in conjunction with our school districts. We have a little over 200 public schools. It is a program I participate in almost every year, so last year, I was Principal for a Day at a school called Stanton Middle School, about 10 miles outside of the City of Wilmington. They had been taken under the wing of Selbyville Middle School. Selbyville is in southernmost Delaware, almost in Ocean City.

Selbyville Middle School had figured out how to raise student achievement in ways most middle schools have not, and the results were dramatic and impressive and sustained, and the folks at Stanton had been struggling to figure out, what are we doing? What are they doing right? How can we learn from them?

What they found out is that the folks at Selbyville Middle School in Southern Delaware had figured out how to, not to teach to the test, but to say these are our standards. We want our teachers to teach to the standards. Then we will have a test and the test will reflect the standards.

But the school—Selbyville was able to figure out how to use the information gained from the tests to change the way they taught, to change the way they allocate resources, to change the way they work with individual students. Stanton Middle School last year—in fact, this year, was selected as one of the best, most improved schools in our State, and what they learned to do was to take the information and to use that to change behavior, not just of the students, but of the educators and the administrators, as well.

Have you had the opportunity in your State to take this approach of performance information and using that to manage for better results and to put it to work in your schools?

Governor O'MALLEY. To a degree. We attempted with some success to do this in the City of Baltimore and our schools there and it was embraced to a degree, especially when it came to some of the management functions of the school district. The school district in our State that has embraced the notion of performance management, performance measurement most wholeheartedly is Montgomery County under Dr. Weast, and I have had occasion to observe his SchoolStat meetings where he brings in principals, and oftentimes it is, as you would suggest, a principal from one of the higher-performing schools and a principal from one of the more struggling schools, and just as governors and mayors learn from one another, principals learn from one another the things they are doing and the things that work.

Montgomery County has done it the best and the most wholeheartedly. Other school districts, I hope will follow on. I was reminded in listening to your story about the two school districts in Delaware, one of the leading governors in America on education reform is Mike Easley of North Carolina——

Senator CARPER. And he followed another great governor, Governor Hunt.

Governor O'MALLEY. A good man.

Senator CARPER. Oh, a terrific education governor.

Governor O'MALLEY. I once heard him say, and it is true of all performance measurement, not just in schools but whether you talk about the potholes or the boarding or the other environmental

things, he said, "You are not going to improve the weight of the pig just by constantly weighing it."

Applying the standards and the performance measurement is important. Setting the goals is important. But along with that go the other tenets of the rapid deployment of resources, having real serious dialogue, conversation, and some experimentation to determine which tactics are effective, which strategies are effective, and having the guts to jettison some and embrace others, and doing so in a relentless follow-up way.

There is always a temptation that if we wave the magic wand and simply weigh the pig more constantly, that somehow that is going to improve the weight of the pig, but the inputs matter. How you manage those inputs, where you deploy those inputs do matter. But the only way to determine that is by being wide awake and aware and having that dashboard that measures the performance over time——

Senator CARPER. All right. Thank you.

I think there is a great opportunity in my State to build on what has happened at the two schools that I have mentioned. There are others, as well. But we are thinking about changing the way we actually administer our tests. Instead of being a test that is given out, pen and pencil test given once a year to a third grade, to a fourth grade, to a fifth grade, to have a computer-assisted test so the students could actually do the test from a computer. They would get the results almost immediately.

And the test is something that if it is happening in the third grade and they are performing at a second or a first grade level, or a fourth or fifth grade level, that would be garnered and it would be a better tool to help the teachers and educators in that school to work with an individual student, and it is a test that could be given not just once a year, it could be given several times during the course of a year, and as you watch somebody who is an under-performer move from high first grade performance to low second grade, to middle second grade toward lower third grade during the course of a year, you actually see that progress.

So we think about changing No Child Left Behind so there is more—it is there not to discredit or embarrass school districts, but to help and to really be a way to help move student performance. There is real potential here for applying what you have done in your State and city, I think.

Governor O'MALLEY. May I say a word about the testing and the inputs? One of the real benefits that we have seen from the standardized tests over the last 7 years is the positive outcomes in achievement that followed almost immediately on the heels of a tremendous investment in full-day kindergarten for all children throughout our State.

When I was first elected Mayor of Baltimore, not one of our grades scored majority proficient city-wide in reading or math, not one. Within the very first year after the first cohort of children in our city, which has a lot of challenges with poverty and adult literacy and other things, we saw the first graders score a majority proficient in reading and math, and some said, well, that was just a blip and once they are longer in the system, they will go down.

Well, quite to the contrary. As we look over our shoulders now from that point in time, that cohort has not only maintained its level of achievement, but every class and cohort of kids after them have come up to that rising level and it showed us that the investment that we made—we went from about, I think, $3.2 billion as a State to roughly $5 billion in State aid to local education, a big part of which was that full-day kindergarten, and we have seen that investment has brought about these results, including a narrowing of the achievement gap between minority—so-called minority students and non-minority students.

High expectations are very important and I do believe that expectations become behavior if together we make the right choices to make it so. But the testing alone, I think the biggest part of the improvement of test scores in our State and certainly in our city was a result of the big investment, not necessarily a result of more tests.

Senator CARPER. By having the testing results, when the testing results—actually, you trying to find out why are these kids doing better——

Governor O'MALLEY. Right.

Senator CARPER [continuing]. In a particular school district, and then you look at the number of kids that maybe have the opportunity for full-day kindergarten, or you look at the kids in the school districts where they actually have an opportunity to get decent pre–K training, you are right. In my State and your State and across the country, one of the best indicators of better performance is quality——

Governor O'MALLEY. We are also about to borrow another idea from Governor Easley, the teacher surveys and learning from what the teachers are telling us——

Senator CARPER. Excellent.

Governor O'MALLEY [continuing]. Almost in a sort of corporate 360 approach.

Senator CARPER. That is great. A couple questions and we will let you escape. Let me just ask, how do you, as chief executive of your State, convey your own personal commitment to addressing specific performance issues to the agency staff, the folks that are responsible for bringing about improvement? How do you do that?

Governor O'MALLEY. We do it through—you mean actual means of keeping engaged as the executive in this process, Senator?

Senator CARPER. Is this something you talk about in your State of the Union? Is it something that is reflected in your budget? How do you convey to the people that work in your agencies, not just the cabinet secretaries, not just the division directors, but also to rank-and-file employees why this is important, why you think it is working, why they should do it?

Governor O'MALLEY. The relentlessness of our meetings—I was in a meeting today, for example, with the folks from our Public Safety Department, and in our State, Public Safety includes not only the prisons, but also parole and probation and all the agents that go into the sort of community supervision of people on the street. And at that meeting, there were probably some 30 or 40 people present. Now, not everybody talks at the meetings, but we like to think everybody listens at the meetings.

The fact that at the meetings we have not only an executive summary that is distributed to all parties beforehand, but we also have minutes that are taken and sort of an after-action report as to the things that we need to prepare for by the next meeting, the questions that need to be answered by the next meeting. That is sort of our method, and the fact that we are relentless about it and that it is not subject to my schedule. I don't go to all of them, but they always happen. And the fact that they are relentless and that the follow-up always happens, and fortunately, I have dedicated people like Mr. Gallagher and Michael Enright that continue to drive that train regardless of whether I am pulled out of town or to important committee hearings in Washington.

Senator CARPER. I understand. Well, good. How important do you think it is to recognize good performance when it does occur?

Governor O'MALLEY. Oh, critically important. A lot of times when people write about this and sometimes when journalists come to observe a session, they focus in on how uncomfortable these sessions are for the under-performers. The more significant change, I think, comes from the executive and leadership recognizing leadership at the department level, at the implementor level.

Jack Maple had this theory of progress in a big organization. He said 80 percent of the people are in the middle, and then on one side are the leaders, and on the other 10 percent of the bell curve are the slackers. And if leadership and the executive recognize the leaders and the achievers, the whole organization tilts towards the leaders and the achievers. It improves morale. It improves outputs. It improves progress. It improves effectiveness. And that is what we try to do.

So in our city, the methods we used for such things were, I don't know, something as simple as a thank you note when the crews hit the 48-hour pothole guarantee. It seems like a little thing. It was probably the first time they were ever able to go home to their spouses and say, "Hey, look what the Mayor sent to me." Sometimes we would give tickets to Oriole games or the Mayor's Box at the Ravens game or other things, and we would do it in front of people at these events.

And the people that are the leaders at one level of government were also the people that we promote in the course of time that hopefully imbues a sense of meritocracy to governments that quite honestly in the past, decisions are often made for reasons having little to do with the level of achievement, the leadership, or the industry or hard work of the individuals.

Senator CARPER. You mentioned the Ravens games. The top draft pick for the Ravens at the NFL draft this year, they picked a quarterback from the University of Delaware, Joe Flacco. In Delaware, people tend to follow the Ravens or we tend to follow the Eagles. We will see how it turns out.

One last thing. Six months from, it will be January 20. I believe that is the day we swear in a new President and Vice President. The Congress will be sworn in on January 3. So we are going to have in the space of a couple of weeks 435 new members, just sworn, newly minted House members and about a third of the Senate will be newly sworn in.

If you were going to give that new President and new Vice President, and maybe even the folks who serve in the Legislative Branch, just some friendly advice on how we can take your experience in Baltimore and your experience in Maryland and apply it to provide better service, better results, and some things that are important for all of our States and for our country, what advice might that be?

Governor O'MALLEY. I think the most important advice is that beyond the guts and the courage that it takes to set goals and beyond the trust in the public that it takes to create a system that is open and transparent and performance measured, the third really important part of this sort of performance management is executive commitment.

This cannot be something that an executive at any level—municipal, county, State, national—does for the sake of a one-day press conference or even for the sake of rolling into a budget address or a State of the Union. It requires a tremendous amount of executive commitment and relentless follow-up by that man or woman that is in charge of that government, because if there is not the commitment at the executive, it is very hard for it to transform that pyramid of command and control that is a big Federal Government.

So those are the three things, Mr. Chairman. Have the guts to set goals. Have enough faith in the people we serve to create a system that is open, transparent, and measured for results. And third, stay committed as an executive to driving it every day and to never waver from that commitment to openness, transparency, and performance measurement.

Senator CARPER. Good. Among the new governors who will be elected this year will be the Governor of Delaware, my State and your neighbor. The thought of coming in with a new chief executive, and as good as we think we are, we always know we can do better. But my hope is that our new governor will reach out to you and to see what he can learn from the experiences that you have had and the progress that you have made in your own city and your own State.

One of the things that we are doing—we talked about this last week and again today—one of the things that we are trying to do in Delaware is endeavor to become the first State to deploy an offshore wind farm about 12 miles off the coast of Rehoboth Beach, as you know. Our hope is that we can find some partners to our south and to our west and maybe to our east and to our north who might like to partner with us. We talked a little bit about this, but my hope is that you and that Maryland might like to be a partner, at least explore that possibility with us.

Governor O'MALLEY. Well, we are very interested in that. We have the renewable portfolio standard that was just updated, upgraded, increased by our legislature in, I believe, the most recent General Assembly session. We have a number of entities that are working on renewable sources and hats off to Delaware for leading the way on that offshore wind. I hope once we work through our request for proposals process, we will be able to join in that. We still have a long way to go, but I think it makes a whole lot of sense.

It is certainly needed as we move ourselves into more sustainable energy future, and we do so as a region. In fact, that might be the only way that this is able to be accomplished, or at least that could well be the leading edge of that progress, is when States join together and create the critical mass necessary to prime new endeavors like the wind project off Delaware's coast.

Senator CARPER. A couple of years from now, people will look at Rehoboth Beach on a clear day like today, and if they can look out 12 miles to the east, they will see sticking above the horizon some small objects about the size of a thumbnail that will be 60 or 70 windmills that collectively will provide about 15 percent of our electricity needs in Delaware. We believe, and I think you do, too, that to the extent that we can have more turbines and look for economies of scale, it is not just advantageous to us, but to our neighbors, as well. So I am encouraged with what you have said.

Governor O'MALLEY. I am very interested.

Senator CARPER. Last, going back to football again for just a moment, I will close with this.

Governor O'MALLEY. I reserve the right to turn to staff. [Laughter.]

Senator CARPER. Vince Lombardi, that legendary head coach of the Green Bay Packers, used to say that unless you are keeping score, you are just practicing. And it occurs to me that they didn't just do more than keep score at Green Bay all those years that they played so well, but what they did is they kept not just score, but they kept the results from how each of the players did, the plays that worked, the plays that didn't, and then they used that to change their game plans and really to change their defense and their offense. They actually applied the information that they collected.

We are pretty good in government in keeping score, using the football analogy, how are we using the score that we are keeping, how are we using those scores and the information that we gather to actually change the plays that we call at the line of scrimmage, the plays that we call in the huddle, the way we deploy our defense or our offense, the kind of players that we draft? It actually does apply. It applies in the world of football and it applies very much in city government, State government, and I think in the Federal Government.

You have been just a stand-out on this front, and I know the people of Baltimore have recognized that and rewarded you for that and the people of Maryland have done so, as well. Thank you so much for being here and helping to show us the way as a Nation, and we look forward to hearing our second and third panels, as well, but you have gotten us off on the right start.

Governor O'MALLEY. Mr. Chairman, thank you very much.

Senator CARPER. Thank you.

Governor O'MALLEY. To the extent that we have been successful, it is because of the people we serve and the good people that I have been blessed to be able to work with in public service. Thank you very much.

Senator CARPER. Thank you.

Governor O'MALLEY. Thanks for your leadership.

[Pause.]

Senator CARPER. Before I introduce our witnesses on our second panel, I want to take just a moment and thank all of our witnesses, from certainly the governor and this panel and our third panel, as well, for doing something that doesn't happen every day, and that is for providing all of your testimony on time. You are to be commended for doing that and we are grateful. It is a notable achievement.

Our three witnesses today, I will start off by providing just a little bit of background. Bernice Steinhardt is Director for Strategic Issues at the Government Accountability Office, where she is responsible for examining government-wide management issues. For over 9 years, she has led the GAO's efforts in strategic planning and helped to develop the organization's first strategic plan. She has held a number of positions at GAO, including Director of Public Health Issues Group and Associate Director for Energy, Natural Resources, and Science Issues, as well as Environmental Protection Issues.

Before joining GAO, she served at the Department of the Interior at the President's Council on Environmental Quality. Who was the President at that time when you were on the Council on Environmental Quality?

Ms. STEINHARDT. The first time I was there, the Chairman was Russ Peterson and the President was Gerald Ford.

Senator CARPER. You were just a child. Were you an intern then?

Ms. STEINHARDT. You are very kind.

Senator CARPER. Russ Peterson is still alive and well.

Ms. STEINHARDT. Is he?

Senator CARPER. He is 91 years old and he was a Republican then, now he is a Democrat, but I think he was always a Democrat if you want to know the truth.

Ms. STEINHARDT. Well, he was an environmentalist, I can say that.

Senator CARPER. He is a strong environmentalist. But he is still just doing incredible things at the age of 91. What an inspiration.

Ms. STEINHARDT. He was a wonderful Chairman.

Senator CARPER. He is one of my mentors.

Ms. STEINHARDT. Mine, too.

Senator CARPER. Good. Thank you.

Marcus Peacock is the Deputy Administrator of the U.S. Environmental Protection Agency, where he currently is focused on improving EPA management systems. Previously, he served as an Associate Director in the U.S. Office of Management and Budget, where he was responsible for making budget decisions encompassing $160 billion in spending at various Federal agencies. While at OMB, he created the Performance Assessment Rating Tool (PART), which is used to rate the effectiveness of Federal programs.

We want to thank Mr. Peacock for really filling two roles, wearing two hats here today, one speaking on behalf of EPA and also providing some insight into his former work at OMB. We had invited Clay Johnson of OMB to be with us today, but unfortunately, he is out of the country and OMB has kindly provided testimony

for the record from Robert Shea and we look forward to including it as a part of our hearing today.[1]

We are really grateful that you are here, Mr. Peacock.

Dr. Don Kettl is Director of the Fels Institute of Government and the Robert A. Fox Leadership Professor at the University of Pennsylvania, where he specializes in management of public organizations. We consider him a neighbor, too, because he lives only about 30 miles up the road from us in Philadelphia.

In 2008, he was awarded the John Gaus Award for a lifetime of exemplary scholarship in political science and public administration. He is the author or editor of a dozen or so books and has won twice the Louis Brownlow Book Award for the best book published in public administration. His newest book, due out in November, is entitled "The Next Government of the United States: Why Our Institutions Fail Us and How to Fix Them." He has consulted for governments at all levels, both here in the United States and abroad. Dr. Kettl is currently a nonresident Senior Fellow at The Brookings Institute and is a regular columnist for *Governing Magazine.*

We are delighted that all of you are here. Your entire statement will be made part of our record. You are welcome to summarize that, and I would ask you to stick close to 5 minutes, but we won't quarrel if you go a little bit beyond that.

Ms. Steinhardt, I would welcome your leading this parade. Thank you so much for coming.

TESTIMONY OF BERNICE STEINHARDT,[2] DIRECTOR FOR STRATEGIC ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Ms. STEINHARDT. Thanks very much for having me. I am pleased, in turn, to be here today, especially in such distinguished company, and to share with you some of the lessons that we have learned in examining the progress that the Federal Government has made in managing for results.

Starting at least 15 years ago with the Government Performance and Results Act, the Congress and each Administration have put into place a framework of strategic plans, performance measures, and reports that together have heightened focus on performance and accountability for results. So today, I would like to talk about where we now stand and to suggest some actions that the next Administration can take to sustain and build on what we have accomplished so far.

Since 1997, GAO has conducted four surveys of Federal managers across the government in order to gauge the extent to which a performance culture has taken hold. Clearly, there has been progress compared to what we saw in our first survey, and I would call your attention to the chart up top there.[3] Significantly more Federal managers that we surveyed in 2007 reported having performance measures for their programs, which is to say the basic information that they need to judge how well their programs are working. The blue bars are the 2007 results and the white bars,

[1] The prepared statement of Mr. Shea appears in the Appendix on page 131.
[2] The prepared statement of Ms. Steinhardt appears in the Appendix on page 55.
[3] Chart referred to appears in the Appendix on page 137.

which you can see outlined there, are for 1997. So there is quite a bit of difference.

But in order for this information to make a difference, it has to be useful and used. To borrow Governor Easley's term, this is about weighing the pig. How are we making changes in the pig's weight? So the second chart shows that there are still large percentages of managers who aren't using performance information to a great extent in making decisions, like setting priorities or allocating resources.[1]

In fact, there has been significant change in only two of these nine areas, the ones that are highlighted there. One is an increase—and this is a good thing—in the use of performance information to reward employees. But at the same time, we also see a decrease in the use of performance information for making decisions about new program approaches or work processes, which does give us some concern, this decline, because this is where you would want to see managers using information to change direction when performance is not up to the standards.

From our earlier work, and these latest survey results confirm this, we know that there are a number of practices that could spur some movement in these relatively static trend lines and lead to more widespread use of performance information. First and perhaps most importantly, and Governor O'Malley, I thought, underscored this very clearly, the agency leadership needs to demonstrate its commitment to achieving results. If the leaders don't care or if they don't show they care, then managers are not going to pay much attention, either. In fact, our survey results only underscore this report because those managers who reported using performance information to a greater extent also reported that their leadership showed a commitment to using the results of that information.

Second, agencies need to link organizational results to individual performance. That is a kind of line of sight from the organization's results to individual performance. And here, performance management systems can be used to let employees know how they can contribute to results and then to hold them accountable for doing so.

Third, agencies need to make sure that they have the capacity to collect and to use performance information. Managers aren't going to use the information if it is not timely, if it is not relevant, if it is not accurate, if it is difficult to use, or if they simply don't know how to use it.

Promoting these practices within agencies ought to be a first step for the next Administration. Beyond this, though, we would advise a few others, again based on insights that we have gained from our work over the years.

First, we would urge a more strategic and cross-cutting approach to overseeing performance across government. Many of the challenges that government faces today, whether it is homeland security, emergency response, climate change, all of them involve multiple agencies and programs. While this Administration's major performance improvement initiative, the PART process, has brought heightened attention to the performance of individual pro-

[1] Chart referred to appears in the Appendix on page 137.

grams, we also need an approach that encompasses multiple programs and provides a more integrated view of what government is accomplishing.

Second, performance information has to be more useful to the Congress. Whatever performance initiatives the next Administration adopts, the Congress should be engaged in helping to identify meaningful measures of success as well as the form in which the performance information will be useful to Congress in its oversight, legislative, and appropriations role, each of which could require different types of performance information.

Finally, OMB can do more to build agency confidence in its performance assessments. OMB deserves full credit for its leadership in fostering a performance culture across government, but as our survey data suggests, many Federal managers still question the quality of the PART assessments. The more confidence that managers have in the quality of the assessments, the less they perceive them as paperwork exercises, the more likely they are to use the results.

I want to close by noting that our study for you that is continuing, and we hope to be reporting back here early next year on additional actions that some agencies can take to increase their use of performance information. But in the meantime, we welcome the opportunity to work with you and your staff, who have been very helpful already in organizing this hearing, and we hope we can continue to work with you on these critical issues.

With that, I will conclude my remarks and look forward to your questions. Thank you.

Senator CARPER. Thank you so much for your coming. Thank you very much to you and your colleagues at GAO for your work in this arena and for helping us as we approach the change in administrations and the new Congress. Thank you.

Ms. STEINHARDT. Our pleasure.

Senator CARPER. Mr. Peacock, you have done good work, both at OMB and clearly at EPA on this front, in this and other endeavors, too. We thank you for that and we welcome your testimony today. Thanks for joining us.

TESTIMONY OF MARCUS C. PEACOCK,[1] DEPUTY ADMINISTRATOR, U.S. ENVIRONMENTAL PROTECTION AGENCY; AND FORMER OFFICIAL AT U.S. OFFICE OF MANAGEMENT AND BUDGET

Mr. PEACOCK. Well, thank you, Mr. Chairman. Thank you for having this hearing. As you have noted, my name is Marcus Peacock and I serve as the Deputy Administrator at the Environmental Protection Agency. I do sincerely thank the Subcommittee for having this hearing. Congress has lots of hearings every year, but they tend to focus on how a particular government program can do a particular job better. I think this Subcommittee understands that you can come up with similar methods for not just improving one, two, or three Federal programs, but for improving all Federal programs.

[1] The prepared statement of Mr. Peacock appears in the Appendix on page 84.

The President certainly gets that idea. That is why in 2001, he directed that agencies integrate performance information into their budgeting decisions. This meant agencies had to identify performance measures for each Federal program and factor that when they did their budgets, the ultimate goal was to improve results across the government, and at that time the President directed me to lead this cross-agency effort.

The result of the initial work we did was the Program Assessment Rating Tool (PART). PART is essentially a method for assessing the effectiveness of Federal programs, and more importantly, making recommendations regarding how those programs can be improved. And since its inception, the PART has won a number of awards. It has been copied by other governments.

I am often given credit for creation of the PART, but I will tell you, I was very fortunate to have three things on my side. The first was support from the top, and that was from the President. The second was to have a very talented team of people at OMB, the Office of Management and Budget, who did the hard work of creating and fleshing out the PART. And finally, third, we had a very talented and smart advisory committee, which included Dr. Kettl, who kept looking at our work and reviewing it.

In 2005, I moved from OMB to run the day-to-day operations of EPA, and in the last 3 years, I have spent a large amount of my time improving EPA's performance management systems. A number of my predecessors, including Al Alm and Hank Habicht also spent—emphasized improving management systems, and hundreds of EPA staff over the last 20 years have spent time on this effort. So I know better than anyone else that I really stand on their shoulders.

EPA has come a long way. As the governor mentioned, we just rolled out EPAStat. It is the first Federal agency to have a Stat program. But I would say the biggest problem EPA currently faces is to make sure our performance measures are actually used. You can treat a measurement system like a thermometer or a thermostat, and, of course, a thermometer measures the temperatures, but a thermostat not only measures the temperature, but allows you a way of changing it. And performance management systems should be thermostats, not thermometers. They should be used to produce change so that we become more effective at serving the public.

Metrics for reporting don't mean much, but metrics for management, I think, are vital. There are five barriers that I have found in trying to get performance information used more, and the first is a lack of fresh and frequent data. The Federal Government has lots of annual measures, but annual measures don't work too well in running the day-to-day operations of an organization or program.

There is this Enterprise Rent a Car commercial you may be familiar with where the car is all wrapped up in brown paper and I have always wondered how that car stays on the road. You can't look out the windshield or the windows. And I think trying to use annual performance measures to manage the day-to-day operations of a program is similar to trying to drive that car around. With annual measures, you can't really see where you are going.

The second barrier to using performance measures that I have run into is a focus on money and not results. Washington, DC still operates in a culture that asks how much did a program get rather than what did the program produce, and that is not a healthy way, I think, of looking at things. Just think about the incentives inherent in declaring an organization more successful simply by its spending more money.

A third barrier is too many meaningless measures. What matters gets measured, but if everything is being measured, it is hard to tell what matters. So measures need to be meaningful and you need to be able to objectively evaluate where the measures came from.

Fourth, too little access. The fewer people that have access to performance measures, the fewer people are able to actually use them. That is why I believe performance information should be made available to the widest possible audience.

And then finally, the fifth barrier is resistance. Many people naturally worry about the consequences of not meeting performance targets. They think performance data may be used as a cover to either cut funding or punish people. And the fact is that these systems can be abused, but that is a very poor reason to avoid them. An organization cannot become excellent without measuring its performance. If you can't see what you are doing right, then you won't learn from that.

In conclusion, I am fortunate to work at a place like EPA. The employees love the mission of the agency. They are very results-driven, so that if you can show them that you are going to be able to improve the results, they are willing to change what they are doing in order to get there. They understand that when EPA works better, public health and the environment improve faster. And EPA management initiatives that aren't linked to results are just gobbledy-gook. You need to demonstrate that they will lead to cleaner air, water, and land.

We need to get to the point where all Federal agencies practice good performance management. Whether the latest and hottest issue is homeland security or securities regulation or climate change, a functioning performance management system is invaluable to helping any Federal agency, no matter what its work, do its job better. We need to get to the point where there is always an answer to any Federal employee who asks the question, "How can I do my job better?"

Thank you.

Senator CARPER. Thank you very much. I want us to come back during the questions and answers. Mr. Peacock has just run through five reasons why we don't always use information to help us improve our performance and I am going to ask our other witnesses to comment on those, if you would.

Dr. Kettl, you were good enough to spend some time with Wendy Anderson and myself in our office earlier this week. We are grateful for that and for your years of work in this area and for all that you have written and lectured. We appreciate your being here today and helping us to do better, to do our job better. Thank you. You are recognized.

TESTIMONY OF DONALD F. KETTL,[1] DIRECTOR, FELS INSTITUTE OF GOVERNMENT, AND ROBERT A. FOX PROFESSOR OF LEADERSHIP, UNIVERSITY OF PENNSYLVANIA

Mr. KETTL. Thank you, Mr. Chairman. It is a great pleasure to be here today. I want to thank the Subcommittee for this opportunity to explore what in many ways is the most important issue facing this government, which is how to make sure that it works, how to make sure it delivers results and value to citizens. It may very well be the most important question we never stop to ask until it is too late, and smart government means getting out ahead of that to make sure that we are prepared for the challenges that we know that we need to find a way to be able to master.

I want to make several points here today as we try to explore that question, the first of which is that if you look from a 30,000-foot level at the question of government reform, we are, in all likelihood, at the end of a natural life cycle of Presidential management reforms. For the first time since the Eisenhower Administration, we are now in a place where the next thing that the Federal Government might do, the next thing a new President might do is obvious.

President Eisenhower had the Hoover Commission. President Kennedy had his whiz kids. President Johnson had planning, programming, budgeting systems and budget reform. President Nixon had management by objectives. President Carter brought in zero-based budgeting from Georgia. The Reagan Administration brought in a whole wide privatization initiative. At this point in the campaign back in 1992, it was very clear that President Clinton was going to reinvent government based on the best seller. And by this point in the campaign in 2000, President Bush had already delivered a major speech on the management of the Federal Government.

It is not clear what it is that is going to happen next, but it is clear that what we have done so far has accomplished a lot, but that we are now at the point where we are going to need to do something different, that more of the same kinds of reforms are not likely to get us to where we need to go.

So the first point is that we are at a crucial turning point because we are at the end of a series of natural life cycles in the reform movement.

The second thing is that we have to find a way to get very smart very fast about what kind of reform we need because we face a set of wicked problems that will prove especially punishing if we do not find a way to get ahead of these problems. We face problems whether we are talking about tomatoes in the supermarkets or hurricanes like Katrina that come up very quickly, that are very large, that provide little time to react, and that impose large consequences for failure.

And so we are at a point where we need to find a way to do smart things fast to be able to deal with these issues that we know we are going to be facing, and we know that more of what we have been doing is simply not going to do the job.

[1] The prepared statement of Mr. Kettl appears in the Appendix on page 86.

The third point is I want to look in particular at what the reforms in the Clinton and Bush Administrations have produced. Both of these are tremendously importantly initiatives that in many ways, although they may not seem like it from a distance, are part of the same broad fabric of looking at results and trying to motivate managers to do better.

The Clinton Administration brought a strong focus on results for the first time to the entire Federal Government. It encouraged Federal managers to innovate. It brought an expanded customer service initiative to the government, ranging from Social Security to the IRS, in ways that were truly breathtaking and important. But at the same time, one of the things the Administration did was to engage in substantial downsizing of the workforce without engaging in a right-sizing of what that workforce ought to look like.

As a result of that, the Government Accountability Office has now named human resource management one of the high-risk areas that the Federal Government faces, the issues that are most likely to cause the biggest problems in management, and GAO has identified this and in many ways it is the consequence of trying to figure out now what kind of government do we need. We clearly can't downsize any further without thinking about how to right-size what it is that we do, and that was a major question that the Clinton Administration left unanswered.

In the Bush Administration, the PART process we have heard discussed here this afternoon was a tremendous breakthrough. For the first time, all Federal agencies had to try to assess goals for all their programs. They had to measure what it is that they were trying to accomplish and focus on activities, and it was government-wide in the scale that was anticipated in some ways by the Clinton Administration but never fully realized. And two other things happened tied to the Office of Management and Budget and tied to the budgetary process. Both of these were tremendously important and major breakthroughs.

The piece that we have left unanswered here is trying to find ways of separating out the ideological commitments to some parts of the management agenda, for instance, increasing contracting out, from the question of what it is that we want the contracting out process and other management processes to accomplish, focusing on these goals and objectives, and ensuring that we have a focus on activities that cut across government agencies.

The basic fact, for better or worse, is that there is no program that can adequately encompass any problem that matters. Or put differently, there is no problem that matters to anybody that any one Federal agency, any one level of government, any one unit can possibly control. That was a lesson from Hurricane Katrina and it strikes through every single important thing that the Federal Government does.

So the problem is trying to figure out how to get leverage over these long and complex chains that typically require action across many agencies, and the piece that lies next after the President's management agenda in this Administration is finding a way to get to that cross-cutting piece. What the PART process was terrific at was the vertical integration of knowledge. The next step has to be

the horizontal management coordination to try to ensure that kind of collaboration.

What we need, in short, is my fourth point, actionable intelligence, trying to find ways of finding out the things that we can do something with, and once we figure out what it is that we need to know, getting action to happen. We need people—this is a lesson from the Clinton Administration—we need Federal managers who can lead. The difficulty is that we have a lot of very smart people who are doing very good things, but often out there feeling that they need to work against the odds. And what we have to do is find a way to help them to do what it is that they know they need to know and know what they need to do in a way that makes it easy.

We need information that focuses government on results instead of collecting information within silos. We need to drive that results to try to improve the way the government works instead of simply producing, as we have been discussing here this afternoon, more weights on the pig without making the pig any better.

We need, finally, a focus on collaboration that builds cooperation along a horizontal chain against all those people, all those organizations, all those agencies, to be part of a solution to ensure that, in the end, the problem gets solved instead of just the agency gets managed.

We, in short, need to try to find ways of developing a new generation of reforms. More of what we have been doing is likely to produce diminishing returns because, as GAO is pointing out, we are collecting more and more information, but it is not like people are doing anything much with it. What we need to do is figure out how to make sure that the information that we have is information that improves the way that government works.

We need results that matter to people, which gets to my fifth point about trying to figure out how to make that work. First, we need to talk about what it is that we are trying to do. Often, a focus on results within individual agencies has to do with how many checks have been mailed, how many grants have been processed, how many forms have been filed, but in the end, none of that matters unless the problems get solved.

The fact is that most citizens don't care about what it is that the FAA does, but what they want is when they go to the airport, they want to be able to take off to where they are going and land at the destination safely. They don't care about the FDA, but they would like to be able to eat tomatoes safely without having to worry about it. Citizens care about results and we need a government that is driven toward those results.

The second point within this, though, is that the chain of producing accountability toward those outcomes, which is what people care most about, is often long and complex, where individual agencies, individual units contribute pieces, but nobody controls the whole thing. That means we need to find a way to hold each individual player accountable for their contribution to the outcome as a whole. We need to know what we are trying to accomplish and understanding what each individual's contribution to that is.

This means ultimately, as my third point here, that the government needs to get leverage over the outcomes that it wants to try to accomplish. One of the great findings and discoveries about EPA

is that EPA is most effective not when it does it itself, but when it enlists its partners toward the common pursuit of making the environment clean.

What is it this ought to look like in the next Administration? For the President, there are several things that could happen. The first is a new generation of reforms that understands the importance of what has happened before but the need primarily first to focus on outcomes and results that matter.

Second, a kind of geographic information and performance stat for those parts of the Federal Government that make sense so that we can look at what it is that matters and measure in real time today how well we are doing it because if we wait until the end of the year for a GPRA report to produce some kind of results, by that point, it will be too late to change what it is that needs to be fixed.

We need an Office of Personnel Management that is more robust and develops leadership in the Federal Government, and we need a focus in the White House in particular to have somebody in the White House who can focus on the issues of making the government work and making that important for the President.

For Congress, we need a system of the Government Performance and Results Act that focuses on results that matter, hearings that on every occasion ask people what is it that we are trying to accomplish and how well are we doing it, and a focus on programs and agencies that put outcomes that matter for people at the forefront of things.

We have plenty of information. We need to make it actionable and find ways of producing results for the citizens in the end, because that is what it is that the people expect.

Senator CARPER. Excellent. Thank you very much for really three terrific testimonies.

I want to go back to, as I said I would, to Mr. Peacock. You mentioned five barriers to agencies taking this approach and improving their outcomes. Would you briefly mention those again, and then I am going to ask our other two witnesses to comment on them.

Mr. PEACOCK. Sure. The first one is lack of fresh and frequent data. The second is a focus on money, not results, and you could broaden that to inputs, not results or outcomes. Third is too many meaningless measures. Let me know if I am going too fast. Fourth is too little access. The governor talked about transparency. It is the same issue there, too little access to the measures. And then finally, just resistance, organizational resistance to change.

Senator CARPER. Let me just ask either Ms. Steinhardt or Dr. Kettl, I want to ask both of you, to react to those five points, if you would.

Ms. STEINHARDT. I think our work supports every single one of those points. In fact, where we have seen greater use, real live use of performance information is where agencies have been able to overcome some of those kinds of barriers.

It is very important in agencies or organizations to be able to communicate the kind of performance information throughout the organization, making it transparent to everyone, and we have seen some good examples of how agencies do that, communicating frequently to all of its employees where they stand. It helps spur com-

petition. It provides good benchmarks for units across the organization. It has real benefits and a number of agencies have been able to do that.

Let me consult my list again here.

Senator CARPER. Go right ahead.

Ms. STEINHARDT. Real-time information, absolutely. This was a point that I was making, I think, earlier, where the information isn't timely, credible, accurate, it is not going to be used, and organizations that figure out how to make that information available on a daily or real-time basis are ones that are going to see that it is used, and Governor O'Malley talked about how that concept is applied and was applied in Baltimore and now in StateStat. We have seen some very good examples of that, as well.

Too many measures, that is sort of a basic precept of performance measurement. The vital few. You can't expect people to focus and really align themselves with what the organization is trying to accomplish if it is diffuse and scattered.

Senator CARPER. Good. Thank you. Dr. Kettl.

Mr. KETTL. I simply couldn't agree more. That is exactly the core point here. The real issue here is that any time the process of performance descends into questions of measurement, we have in a sense lost the game because we get away from what it is that performance is all about. It is about communication. It is about talking about what it is that matters and figuring out how that communication gets people to act. And so as we tend to slice and dice things into ever smaller pieces and measure more things, we are likely to get to a point where we are unlikely to get people to act. Performance is about communication. It is not primarily about measurement.

What is it that communication ought to be about? The key to overcoming resistance is primarily one of getting people to agree on what problem they want to try to solve and how to go about trying to do that.

One of the examples that while mayor, Governor O'Malley worked on was something called the rat rub-out program in Baltimore. They had rats that they wanted to rub out. They had maps that showed where citizens were complaining about problems of rats. Which department in Baltimore is in charge of rats? The answer is, none of them are. On the other hand, it is a function of public health, of housing, of redevelopment, of transportation, of the people in charge of water and sewer. It is a cross-cutting collection of agencies which, put together, have to be responsible for solving the problem.

If you ask everybody, do you want to collaborate? Everybody, of course, always says yes. But getting it to happen in real time and in real life is very hard to do. You put a map up on the board that shows, here is a problem with rats. Is anybody happy with that? No. What we are going to do about that? We want to get together to solve it. Who is going to solve it? Everybody understands their particular contribution to solving that problem, and that is what it is that drives it. It is communication about results that matter and getting people to put themselves to work to solve the problems that matter.

So the reason why so often performance management doesn't work is it becomes issues of measurement and that conversation never happens.

Senator CARPER. Ms. Steinhardt, and then Mr. Peacock, you may want to say something here when she is finished.

Ms. STEINHARDT. I just wanted to add to this concept of visibility of information, because I think that is really also extremely key here. I came across this article a couple of days ago in the *Wall Street Journal* about how U.S. Airways has now gone from the bottom of the list of airlines in on-time performance to the top so far in 2008. What is really striking to me—the article is actually very interesting in discussing how it did that—is the fact that everybody knows about on-time performance. It is a very widely-used statistic. And in the airline industry, it is one of the key indicators of their viability as a company. It really matters to the CEO and everybody in the company, how their on-time performance is ranked. It is the visibility of the information, I think, that really makes such a big difference.

Senator CARPER. Excellent. Mr. Peacock, do you want to add anything before we move to another question?

Mr. PEACOCK. The governor mentioned that EPA had rolled out an EPAStat program and he also mentioned two other things. He said it is easy to take any measurement program and put the "stat" label on it, which is true. But he also mentioned that if you are going to do this seriously, you really have to be committed to it and have some core elements that you are committed to to make it work.

Across these five barriers we have been talking about, EPA, through its EPAStat program, I think, is probably tackling—has tackled about three-and-a-half of them. But when I got to the agency, regarding lack of fresh and frequent information, I went in hoping to get monthly information. The most we could tolerate and are tolerating right now is quarterly information, which still took a lot of work to get. If it was any less frequent than that, it wouldn't work.

The number of measures we had was too many. We have been able to cut it by 15 percent. We will continue to decrease it so that it becomes more manageable.

In terms of access, the relentless meetings, EPAStat meetings we have, and they do have to be relentless—this gets back to Dr. Kettl's point, which I think is critical. This is all about communication. We have meetings—I have meetings personally with each assistant administrator and regional administrator every quarter on these statistics, but the richness of this is in discussing them and having a conversation about what is going right, what is going wrong, and what we are going to do about it.

We now broadcast those meetings internally to any EPA employee who wants to view them, and our quarterly management report, as far as I know, we are the only Federal agency that on a quarterly basis puts out our performance measures to the public for anybody to look at. So we are very strong on the access.

And then in terms of resistance, once again, I just happen to work in a culture where people are willing to see if changes results in us meeting our mission. There is just not a lot of resistance.

But we still have a problem, I think, with focus on money and inputs rather than results. It is the sort of culture we run into, not just at EPA but throughout the Federal Government and outside the Federal Government, where people want to know, well, how much money are you asking for, when really the first question should be, what are you planning on delivering next year?

Senator CARPER. So true. Why do you suppose that is the case?

Mr. PEACOCK. If I knew that, I wouldn't be at three-and-a-half of these solved. I would be at four-and-a-half of them solved. I mean, I would be interested to hear why other people think that is the case.

I will tell you, my experience in the OMB, where we realized this was a big problem, I mean, when the budget comes out every year, still, the first thing that is talked about is the dollars that are being proposed, not what we are going to get for it. So it is just ingrained in the way we think about things and I think it is going to be incremental, but it is a change that has started to take place, but it is going to have to keep taking place.

Senator CARPER. Dr. Kettl, do you want to respond to that same question that I just asked?

Mr. KETTL. I think your question is why is it we focus so much on inputs——

Senator CARPER. Yes.

Mr. KETTL [continuing]. And it is like the old joke about the drunk looking for the keys underneath the lamppost. Is that where you lost them? No, I lost them over here. Why are you looking under the lamppost? Because that is where the light is. People focus on the things that are easy to look at and easy to measure because OMB at least publishes a budget that has all the numbers in it and it is easy to say, how do we know we care about something? Because we are spending a lot of money on it. Then we wonder why it is that we are not producing good results. Well, because that is not the function of what it is that we are driving the system to.

But what we need is, in a sense, an alternative way of thinking about accountability. What citizens care about—what citizens know about is that they want government to work, and in the end, quick headline, increases, decreases, symbols that are valuable. But if it doesn't make the government work better, citizens don't care, and in fact, it makes them even more cynical.

I think the main reason why we do it is, first, because the numbers are there and they are easy and there is no clear alternative otherwise, and second, it has to do with the fact that we don't have an obvious alternative accountability mechanism that focuses on outcomes. Why? Because we have lots of measures, but we haven't figured out what to do with them yet. That is the next generation of reform that I think we need.

Senator CARPER. OK. Let us talk about the importance of leadership. I don't think the City of Baltimore would have gone to CitiStat without the leadership of their mayor. My guess is that the State of Maryland wouldn't have gone to StateStat without the leadership of Governor O'Malley.

In Federal Government, we elect a President every 4 years, we elect or reelect. We have six-year terms here in the Senate and

two-year terms, as you know, in the House. Folks who serve in the Executive Branch as cabinet secretaries are—they can serve for 4 years, occasionally 8 years, but more often than not they serve less than 4 years. Folks that are deputy secretaries and associate secretaries and under secretaries, they tend to come and go.

How important is leadership and the continuity of leadership at the top and then down to different levels of government here in Washington? How important is the consistent message, that this is important, we have got to do this, and to hear that not just from the very top of the government, but also the top of each department and with the agencies themselves? How important is that? Please.

Ms. STEINHARDT. I would say it is absolutely the first step. It is the precursor. Nothing else—none of the other recommendations, none of the other practices that we talk about would be successful if the leader of the organization doesn't care about this because nobody else will if the leader of the organization does not. It doesn't end there, but it starts there.

Senator CARPER. All right.

Mr. PEACOCK. I agree. It is a prerequisite, but there are two ways to institutionalize these systems and this way of thinking. One is through standard operating procedures and organizational structure, so for instance, at EPA, we now have put in place as part of a regular annual process we go through scrubbing our measures to make sure that they are meaningful, and that is actually the process by which we are reducing our measures.

And second, in terms of an organization, for instance, we have now created a Program Analysis Division at EPA which essentially, with the Office of the Chief Financial Officer, makes the system run, produces the statistics. It is essentially like the EPAStat Office or the analogy which these cities and the State of Maryland, for instance, have.

And then the second way to institutionalize this is the career people. Obviously, the policy officials, the political appointees aren't there very long, but we have career officials and managers who, at least at EPA, have been there a very long time. Particularly as the value of these systems are demonstrated to them, they become believers and advocates for them, and whether or not you have what the political appointees may be doing, or even if the standard operating procedures are in place, if this is a value to good managers in terms of managing their programs, then these systems will be used.

Mr. KETTL. Mr. Chairman, the people question is absolutely essential. There is a paradox in the way in which the Federal Government has evolved, I think. As it has gotten more complex, the role of people in leadership has become more important. We had this model for a long time that said we will create a very complex system and we will slide people in and out in standard operating procedures because they will be pretty much interchangeable. The idea of being able to create a civil service system and all kinds of standard operating procedures were not to make people unimportant, but to make it less important who was serving in those positions.

It is increasingly important now, the more complex the system has gotten, to have the right people, smart people in the right

places to drive things forward or otherwise things just don't happen, and the way in which it does happen, and, for example, the Coast Guard has proven this, is making that part of the organization's culture. When the standard operating procedure becomes a culture that reinforces the pursuit of strong outcomes, that is what it is that produces this piece.

Unfortunately, too often in the Federal Government, it is something that happens either by accident or by people having to do it despite the fact that the game somehow seems rigged against them. We have got to find a way to institutionalize strong performance-oriented cultures into the very core of the way government operates.

Senator CARPER. In looking at our third panel and thinking about the agencies that we are holding up here for acclaim, for applause, because they have gotten it and they are really setting an example for the rest of us, EPA is one of those and I think it is fair to say that, Mr. Peacock, he probably wouldn't admit this, but he is a big reason why EPA has moved down this road and has good results to show for it.

But among the other agencies that are here, the Nuclear Regulatory Commission, NASA, the VA, and I wonder if there is any common thread with all of those or if you can think if maybe there is. I am not sure, but I think there might be, but any thoughts?

Mr. KETTL. Mr. Chairman, I think it is in some ways a very simple answer to a very complex problem. They know what they are trying to do. They focus relentlessly on doing it. They reinforce people for doing it. They keep track of how well they are doing it. And it is a simple process that focuses on results and having a culture that reinforces what they are doing and they focus on what their outcome is.

Their job is not simply to, at the VA, for example, taking a stack of papers on veterans' benefits from Part A and moving them over to Part B. They focus on the veterans. They have had a system, for example, of veteran-centered health care for a long time that is what drives them and drives what it is that they do. They know what they are there for and they know who they are trying to serve and they focus the system on serving them. And developing standard operating procedures and leadership to try to do that is the key to making a high-performing organization.

Senator CARPER. Anyone else?

Mr. PEACOCK. I think Dr. Kettl is exactly right. A clear mission that everybody can see and believes in has got to be a prerequisite for this. I don't remember who mentioned it, but this clear line of sight idea that everybody in the organization can see not only the mission of the agency, but how it connects to what they do on a day-to-day basis, and that is a prerequisite for this.

There are other agencies that have a clear mission and I think everybody sees it but aren't necessarily doing a great job at this. So while it is a prerequisite, I don't think it is sufficient.

Senator CARPER. Ms. Steinhardt.

Ms. STEINHARDT. I agree completely with Dr. Kettl and Mr. Peacock's comments. I would add, though, and I don't necessarily apply this to VA and NRC, perhaps to NASA, but sometimes it is a crisis

that focuses an agency on what it is about and what its mission and what its desired goals ought to be.

This happened to the IRS, actually, in the mid-1990s. There were oversight hearings, a lot of press attention, Congressional attention on allegations of taxpayer abuse and dismal customer-taxpayer service and IRS had no information, performance information, to refute all of these horror stories that were coming out. And the Congress itself, I think, played a very key role in setting some very specific performance targets for the agency, and the agency began to collect the information, became very performance focused and it really turned itself around.

In the period certainly from the 2000 survey, when we started, when we were asking about managers' use of information there to the most recent survey, they have showed a really positive improvement there, and more significantly in actually how the agency is performing, they have really made great strides.

Senator CARPER. All right. Well, good. There is still plenty of work to be done. Every year, we hear the size of the tax gap, and we learned last year it is over $300 billion, monies that are owed, not being collected. We deal with this on this panel. We deal with the improper payments. Not everyone, not all of the Federal agencies are reporting their improper payments, but of those who do, we know that our improper payments are, I think, roughly $50 billion a year, mostly overpayments. And it occurs to me that if somehow there were no tax gap and if we weren't making these improper payments, we would basically have a balanced budget.

Ms. STEINHARDT. But today, we know the size of the tax gap, or at least now IRS is able to estimate the size of the tax gap.

Senator CARPER. We weighed the pig. [Laughter.]

Ms. STEINHARDT. Well, first step.

Senator CARPER. There you go. A couple more questions and then we will excuse this panel and invite our last panel to the table.

Ms. Steinhardt, in light of your survey results showing improvements in the amount and the types of performance measurements that agencies have at their disposal, why do you think so little change in managers' use of that information is being displayed in their decisionmaking?

Ms. STEINHARDT. Well, just to comment on the survey results, a lot of the results—the average, rather, is affected by the fact that we have a couple of large agencies like DOD and the Interior Department that are low, relatively low users of performance information. The smaller agencies like NASA, NRC, EPA, tend to be higher, but they don't color the average so much.

In terms of why we are not seeing so much progress or use in those other agencies like Interior, for example, that is the subject of the second part of our study, so we hope to be back here. So we hope to be back here with some more concrete information on what those agencies can do to improve.

Senator CARPER. All right. Thank you.

Mr. Peacock, how do you suppose the next Administration can get agency leaders to buy into such assessments and use a review process in resulting performance information to improve their management decisions?

Mr. PEACOCK. I mean, there are so many directions one could go in that would be worthwhile, although I think that Dr. Kettl hit on some of them. We now have a wealth of information that wasn't there before, and looking at this information but from a cross-agency perspective, looking at it from the sense of the public who is more interested in protecting wetlands rather than whether it is the Corps of Engineers or the Department of Interior or EPA that is protecting the wetlands and being able to compare across agencies which programs are doing this the best, doing it the most efficiently, and then using that information in terms of making budget decisions or policy decisions.

I mean, there would be any number of ways to do that, but there probably needs to be less emphasis now on trying to collect this information and more emphasis on actually bringing it in-house and someone sifting through it to actually use it and make decisions using it.

Senator CARPER. OK. Thank you.

And finally, one more for Dr. Kettl, if I could. In your work on how government responded to Hurricane Katrina, you have described the importance, and I am going to quote here, "the importance of working in horizontal networks instead of struggling over a vertical chain of command." As GAO has testified, there are many programs that need to work together to accomplish common outcomes. I think Mr. Peacock has said as much, too. What are some approaches the next Administration could take to bring about a more cross-cutting focus on performance issues?

Mr. KETTL. The first thing, Mr. Chairman, is to underline the importance of these cross-cutting approaches to begin with because increasingly, what it is that government does has to happen through those relationships.

The second thing is to focus on a smaller number of more important outcome-based measures, less on how many applications for processing, more on what kind of results we are producing, getting the information in real time, getting the information displayed graphically. One of the things about Mayor and then Governor O'Malley's work is that if you look at the maps, you just look at it and it talks to you. It tells you what the problem is and where to go about doing it.

For example, he had a series of charts about the decline in the murder rate in the three kidney-shaped areas that he talked about. You look at that and you see it, you can see the change, you can see the progress, you see where the problem is. It tells you what it is that you need to work on and where you need to go. There is something about information that is focused on what matters, that is real time, that focuses on where it is that it happens that drives the collaborations that are required and then makes it possible to have the conversations about who it is who is going to contribute to the solutions to the problems that in the end matter.

That is the secret to the successes in EPA's work, of trying to figure out what are we trying to do. How can we make the air cleaner? Who has got a piece of the action? How can we measure whether or not we are doing it? And it is that kind of relentless cycle of follow-through, not once a year, once every 5 years collecting some interesting reports and putting it on a chart. It has got to be real-

time information that drives action and drives action the citizens care about.

I can say that with confidence not because I know it to be true, but because I have watched others do it. The successful managers around the Federal Government are doing that and more of that is what it is that we need.

Senator CARPER. I will just close with an observation. When I was privileged to serve as the chief executive of our State, there are a number of goals that we set. We wanted to raise student achievement, and we didn't want to just put it all on the schools or on the Department of Education. We wanted to reduce the incidence of teenage pregnancy. We just didn't want to put it all on the kids department or on the Department of Health and Social Services. We wanted to reduce the incidence of recidivism in our prisons, but we didn't want to put it all on our prisons. We wanted to reduce the crime rate, but we didn't want to put it all on our police.

And we ended up establishing a Family Services Cabinet Council which included about half of the cabinet, and I would meet with them every month and we would set measurable goals and then try to hold one another accountable for progress. But I think the fact that I sat with the cabinet secretaries every month and then they would meet once a month without me with members of my governor's office staff just to follow up had some pretty good effect.

There is something to be said for trying to hold a particular agency responsible for getting, say, "A" done, but sometimes "A" needs to be done in collaboration with a bunch of other folks. So you need somebody saying, you guys and gals have to work together. We do have stovepipes in the Federal Government just like we did in State Government and they are hard to get rid of.

I want to thank you so much for your testimony today, really for your terrific work. Ms. Steinhardt, to you and your colleagues at GAO who are just enormously helpful to this Subcommittee and really to our Executive Branch, too. To Mr. Peacock, who has worked in OMB and done great work there and now gone to EPA and helped to show as a practitioner what we can do and always is a source of inspiration, actually. And Dr. Kettl, we have a lot of people who testify before us. Few are as clear and concise, particularly academics—— [Laughter.]

Who are as concise and able to put in terms that everybody, even I, can understand. It is a real gift. So we thank you. It is easy to see why you have had real success and are highly sought after.

I want to leave the record open for a week or two so that folks who are not here can have a chance to submit some questions, and if you get those and would respond to them in a timely way, we would be most grateful.

But thank you so much for joining us today. Thank you.

Ms. STEINHARDT. Thank you.

Mr. PEACOCK. Thank you.

Mr. KETTL. Thank you, Mr. Chairman.

Senator CARPER. To our third panel, welcome. Thank you for hanging in here until almost 4:30. We promise not to keep you much longer, but thanks a lot. Have you all been here for the presentations of our first two panels?

Mr. TUCKER. Yes, sir.

Senator CARPER. Good. Well, a special thanks.

One of the questions that I asked is, what are the common threads between the agencies that we are really holding up for acclaim here, who seem to get it and have been achieving better results because of that fact, in terms of measuring outcomes and actually using the information to change performance. That is one of the questions that I am going to be asking each of you, so be thinking about that, if you will.

Jim Dyer is the Chief Financial Officer for the Nuclear Regulatory Commission. We were privileged in another committee that I serve on and chair, a subcommittee with Senator Voinovich, to have a chance to work with your agency a lot and have a very high regard for you. What is it, the best agency in the Federal Government in which to work?

Mr. DYER. The best place to work.

Senator CARPER. The best place to work, yes. But there, you serve as the person who is responsible for planning, for budgeting, and financial management of agency resources. You are also, I understand, currently the agency's Performance Improvement Officer, responsible for leading the agency's performance management activities.

Prior to your position as Chief Financial Officer, I understand you served as Director of the Office of Nuclear Reactor Regulation, where you were responsible for agency safety programs for the commercial power, research, and test reactors of the United States. A couple of people suggested to me you also may have at one time served in the U.S. Navy and that you were a submarine officer from 1973 to 1977. I was on active duty from 1968 to 1973 looking for submarines and had a pretty good naval flight officer, P–3s, Orions, and our job was to hunt for Red October. We found plenty of them, but whenever we were looking for you guys, for our guys, we could almost never find you. You are mighty good at what you did. You served in the Naval Reserve until your retirement in 1995, and I served in the Reserves until my wife made me quit in 1991. But thank you for your service then and for your service today.

Scott Pace is the Associate Administrator for Program Analysis and Evaluation at NASA. He is responsible for providing objective studies and analyses in support of policy, program, and budget decisions by the NASA Administrator.

He previously served as Chief Technologist for Space Communications, where he participated in the negotiations that resulted in the 2004 GPS–Galileo agreement between the U.S. and the European Commission, and Mr. Pace also previously served as the Deputy Chief of Staff to NASA Administrator Sean O'Keefe. What is he doing these days?

Mr. PACE. I believe he is working in industry these days.

Senator CARPER. All right. Tell him the Junior Senator from Delaware was asking for him if you run into him, please.

Mr. PACE. Certainly.

Senator CARPER. Daniel Tucker, Deputy Assistant Secretary for Budget for the Department of Veterans Affairs. In this capacity, Mr. Tucker helps to oversee the $90 billion budget for the Department. In addition, Mr. Tucker serves as Performance Improvement

Officer for the Department and is responsible for overseeing the development of Veterans Affairs' annual performance plan and managing Program Assessment Rating Tool evaluations. Prior to his current position at the VA, he served as the Chief Financial Officer for the National Cemetery Administration.

With those introductions behind us, let me just ask Mr. Dyer if you would go ahead and lead us off. Summarize, if you will, in roughly 5 minutes and then we will have some questions and call it a day. But thank you. Please proceed.

TESTIMONY OF JAMES DYER,[1] CHIEF FINANCIAL OFFICER, AND PERFORMANCE IMPROVEMENT OFFICER, U.S. NUCLEAR REGULATORY COMMISSION

Mr. DYER. Thank you, Mr. Chairman. It is an honor to appear before you today to share our approach for using performance information to improve management of U.S. Nuclear Regulatory Commission programs.

The mission of the NRC is to license and regulate the Nation's civilian use of byproducts, source, and special nuclear materials to ensure adequate protection of public health and safety, promote the common defense and security, and protect the environment.

The NRC is pleased that the Government Accountability Office recognized our improvements in the use of performance information and we believe it is the result of three factors: One, a strong commitment by the NRC commissioners and senior management to continuous improvement; two, the effective implementation of our planning, budgeting, and performance management process; and three, NRC openness with employees and our external stakeholders.

We also believe that the recent government activities to create the Performance Improvement Officers and Performance Improvement Council can further improve the NRC performance management.

We created the NRC planning, budgeting, and performance management process in response to the Government Performance and Results Act in 1997 and still use the four simple integrated components of the process to manage our program performance.

First, our current strategic plan concisely identifies two strategic goals for safety and security to accomplish our mission and an organizational excellence objective which characterizes the manner in which we intend to achieve these goals.

Second, our budget process involves multiple levels within the NRC organization, so we obtain staff's commitment to complete the planned activities on a schedule and within budget.

Third, NRC executives monitor performance using office operating plans that track budget expenditures and performance targets well beyond the detail in the NRC performance budget delivered to Congress to improve our accountability.

And fourth, our program assessments integrate the inputs from several sources, including Congressional hearings and the OMB PART tool results to develop program improvements. Additionally, we have recently started using the Lean Six Sigma evaluation proc-

[1] The prepared statement of Mr. Dyer appears in the Appendix on page 92.

ess to more systematically assess program performance. These program assessments provide a significant input for NRC's senior executive and manager appraisals and awards.

We also strive to effectively communicate NRC performance expectations and results to our staff and external stakeholders to promote openness and increased accountability. The NRC uses a strategic plan, the performance budget, Congressional reports, and our performance and accountability report to communicate with our stakeholders and receive their feedback. Commission meetings concerning NRC program performance reviews are some of our best attended public meetings. NRC offices publish quarterly operating plan results on their internal websites, routinely discuss the performance results during periodic staff meetings, and in newsletters, and recognize staff contributions to agency mission through the awards process.

However, we do face challenges with effective performance management. As you are well aware, the NRC has had significant growth in the past few years, and this has increased the complexity of performance monitoring, with new programs, new organizations, and an increased level of work within the agency. Better performance management through expanded use of techniques such as the Lean Six Sigma and evaluation is needed for improved regulatory program consistency, efficiency, and effectiveness.

Additionally, our current system of performance monitoring and assessments is very labor intensive. We need to modernize methods for processing performance information using the latest technology. Improving our budget structure and integrating cost and performance information in a more timely manner will facilitate improved performance management.

Also, our performance metrics focus on the quantity and timeliness of our products over the quality because of the ease of measurement. Most often, quality issues are identified by schedule delays because of required rework. We need to develop methods for more timely measurement of the quality performance of our programs.

The Office of Management and Budget-led Performance Improvement Council provides a forum to discuss these challenges through sharing agency best practices for improving the use of performance information. Presentations by other agencies on their experience with implementing Lean Six Sigma evaluations have been valuable to the NRC, and the Council's planned agenda items offer the potential to further improve our performance management.

In conclusion, we appreciate the Government Accountability Office's recognition, but realize that we can further improve our use of performance information for managing our programs. We intend to continue to improve our performance through effective use of internal assessments, external oversight inputs, public feedback, and sharing experience with other Federal agencies.

Thank you. I look forward to answering your questions.

Senator CARPER. Mr. Dyer, thank you very much.

Mr. Pace, your entire statement will be made part of the record for each of you, so if you want to summarize, feel free.

TESTIMONY OF SCOTT PACE,[1] ASSOCIATE ADMINISTRATOR FOR PROGRAM ANALYSIS AND EVALUATION, AND PERFORMANCE IMPROVEMENT OFFICER, NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Mr. PACE. Just the highlights. Good afternoon, Mr. Chairman. Thank you, and it is a pleasure to be here.

As you mentioned my background at NASA, probably the most relevant point for today's hearing is I am also the agency's Performance Improvement Officer under Executive Order 13–450 and the lead for various program improvement initiatives under the President's Management Agenda, which, of course, as you know, Sean O'Keefe had a lot to do with in writing. So I have had maybe a bit of an advantage.

I have been able to observe the full spectrum of NASA's activities, its performance, where we have excelled and where we can improve, and I would like to share some observations, I think, on why NASA generally receives good marks and continues to receive strong bipartisan support from Congress, for which we are very grateful.

First of all, as some of the other speakers, I think, have mentioned, NASA is really fortunate in being charged by the Administration and Congress with missions that are well suited to performance management. We have a performance-based culture that values mission success as a central tenet, and through hard experiences, both good and bad, NASA has sought to put the right tools and governance processes in place to better ensure accountability, transparency, and oversight. These processes are not ends in and of themselves but means for accomplishing the missions that are assigned to us by the Administration and Congress.

In our experience, the best tools for creating accountability and transparency are those that provide consistent external reporting requirements, that provide flexibility internally in the design of measurement techniques tailored to our unique missions. Consistent external reporting helps focus the agency on the most important measures. As was mentioned, if you measure too many things, you are probably deluding yourself. And flexibility is important to help avoid the trap of imposing simple one-size-fits-all performance measures that can really mask more than they can reveal.

While our system is generally working well, we are not without challenges and we need the support of Congress in maintaining our commitment to the efficient and effective execution of agency missions. Our mission is very concrete and our goals readily flow down to every level of the agency. Fly each Space Shuttle mission safely until retirement. Complete the International Space Station. Develop the next generation of launch vehicles that will return us to the moon, Mars, and beyond. And the performance against concrete goals is, therefore, measurable, traceable, and thus actionable.

Our budget is aligned to our goals. We have well-established program and project management policies driven by the need to deliver a wide portfolio of missions of many different sizes, many different destinations.

[1] The prepared statement of Mr. Pace appears in the Appendix on page 97.

Our programs are typically milestone-driven and we face hard deadlines, such as planetary windows, which we just have to hit. Our schedules are complex and must be integrated. Many organizations have to come together to fly each mission. And as an agency, we are comparatively small and compact, and therefore the key strategic informed conversations can be held at the highest levels of the agency. So our internal decision loops can be fairly tight.

We are currently focused on aligning all of our external reporting to a single set of measures. We are linking internal performance indicators directly to these measures and commitments, in particular GPRA and the PART tools, as has been discussed earlier.

I could describe our processes in a lot of detail, but the real demonstration, I think, of performance management is mission success. We currently have 56 robotic spacecraft operating throughout, and in some cases beyond, the solar system. We continue to conduct groundbreaking scientific and aeronautics research. The Space Station is nearing completion. We have seven more assembly flights to go plus two logistics flights, which we hope we will be able to fly before Shuttle retirement in 2010. This October, we are looking toward a final Shuttle mission to the Hubble space telescope to finish its repair.

In the risky business we are in, we are going to continue to face challenges. Nine projects have breached cost or schedule thresholds in fiscal year 2008 against performance-based lines that we established with the Congress in our major program annual reports. We are continuing aggressive effort to improve the fidelity of our upfront estimates of cost and applying more rigor to our life cycle cost estimates than really any other time in the agency. There are many sources of these cost growths, some we can control, some we can't, and we are working on each one.

We accept the need to improve performance and transparency, but at the same time, we are struggling with the issue of reporting complexity. Of course, if a project is in trouble, it is in trouble, but under current reporting requirements from the multiple stakeholders, such as the OMB, Congress, and the Government Accountability Office, we have a variety of different trigger points and thresholds that include life cycle costs, development costs, schedule growth, key milestone slips, and each one of them can be slightly different.

So we are looking for some greater consolidation in how these various breaches are defined, greater consolidation of requirements for what is in and out of that reporting, not only to reduce our reporting transaction costs, but also to ensure that agency attention and effort is focused on mitigating the most significant project performance issues so we stay focused.

I really want to thank you very much for your time this afternoon and really appreciate you drawing the Committee's attention to this important topic. It is something that is near and dear to us and we appreciate your interest. Thank you.

Senator CARPER. Thank you, and thank you for coming and for the example that you provide. Mr. Tucker.

TESTIMONY OF DANIEL TUCKER,[1] PERFORMANCE IMPROVEMENT OFFICER, AND DEPUTY ASSISTANT SECRETARY FOR THE BUDGET, U.S. DEPARTMENT OF VETERANS' AFFAIRS

Mr. TUCKER. Thank you, Mr. Chairman. I appreciate the opportunity to be here today to discuss how the Department of Veterans Affairs is using performance information to improve service delivery to veterans and accountability for results.

Since the passage of GPRA 15 years ago, we have seen a major transformation in the manner in which performance information is used in budgeting and performance management throughout the VA. We have made noteworthy progress in using performance information to better justify our requests for resources, monitor our programs throughout the year, and document our accomplishments and challenges in a manner that is transparent to veterans, our stakeholders, and the general public.

Every year, we reevaluate the performance measures included in our Congressional budget justifications and operating plans. We analyze each measure to ensure it is still appropriate and meaningful and we develop new or improved metrics that present a better gauge of program results. We use customer feedback to ensure that the performance metrics we employ are measuring those things that are most important to veterans and their families.

Today, our budget request for every program contains a wealth of information on our strategic goals and objectives, our historical and projected performance levels, and the means and strategies we will use to achieve our goals. In other words, our budget is justified not only by the kinds of activities we will conduct, but more importantly, by the results we expect to achieve.

VA employs a variety of mechanisms to monitor program performance. The most important of these tools is our monthly performance review. Chaired by the Deputy Secretary, these reviews involve senior leaders throughout the VA and focus on financial management and program performance as well as the execution of major construction and information technology projects. These meetings play a vital role in keeping the Department focused on its highest priorities, achieving key performance goals, and resolving operational challenges.

On November 15 each year, we publish our annual Performance and Accountability Report. This report presents a detailed description of how well VA performed relative to the performance goals we established at the beginning of the year.

Our commitment to transparency and reporting has been highlighted by the Mercatus Center of George Mason University. This independent research organization conducts an extensive evaluation of all agency performance reports. They have ranked VA among the top-rated reports all 9 years they have conducted their analysis. For the last 2 years, the Mercatus Center has presented an award to VA for achieving the highest score in the Federal Government in transparency in reporting and the Department is extremely proud of this recognition.

Another one of our major accomplishments has been our success in establishing a performance culture in VA. This has largely in-

[1] The prepared statement of Mr. Tucker appears in the Appendix on page 100.

volved a gradual movement away from a focus on inputs toward a more meaningful discussion of program outputs and outcomes. And education and training within the Department for staff and managers is critical to this successful shift in emphasis.

Our monthly performance reviews have also been instrumental in institutionalizing a performance culture at VA. Most importantly, these monthly meetings are a clear demonstration of the interest and support of VA's top policy issues in using performance measurement to oversee departmental programs and operations.

Another key strategy we employed to institutionalize a performance culture was to develop a set of key performance measures. Several years ago, we realized that we have been pretty successful in developing improved performance metrics, but we had created so many that it is hard to figure out what was most important. So to correct this problem, we identified a set of about 25 key measures that we considered critical to the success of the Department. These key measures formed the foundation of our budget request, our monthly performance reviews, and our annual performance report.

While we have successfully tackled many of these challenges, we still have more that need further attention. We have a sound set of outcome measures for some of our programs, particularly medical care, but there are other program areas for which we still need better indicators of the extent to which VA programs improve quality of life for veterans and their families.

An additional challenge all agencies face is how to more tightly link cost data to program performance. In particular, we need to strengthen our ability to demonstrate how performance could change if resource levels vary. As with all performance metrics, this will require the necessary information systems and analytical tools to produce valid and reliable data.

That concludes my statement, Mr. Chairman. I will be happy to answer any questions.

Senator CARPER. All right, Mr. Tucker. You are right on the money. That was exactly 5 minutes. Thank you.

Thank you all for wonderful testimony. Why do you suppose your agencies have risen to the top, at least with respect to your use of information to be able to improve performance? What common threads are there with your agencies in terms of your experience and improvement? Mr. Dyer, when you retired from the Navy, what was your rank?

Mr. DYER. I was a captain, sir.

Senator CARPER. Captain Dyer, OK. I was a captain, too.

Mr. DYER. Yes, sir.

Senator CARPER. A recovering captain. A recovering governor.

Mr. DYER. Senator, as I heard the other two presentations, that was the first time I had heard or seen their text, too, the thing that I heard—the three reasons I thought that we had improved in the past few years, I heard that come out in theirs, and that is a commitment to doing it—and we heard it from the earlier panels, too—a commitment to doing it, a mission statement that is simplified and that allows you to go to outcomes, which drive outputs, which drive the inputs to the budget, and that kind of a focus on executing to achieve the outcomes intended.

Senator CARPER. Mr. Pace.

Mr. PACE. I would agree. I think the most important advantage, I remember the prior panel talking about as things become more and more complex, people become more and more important because they are not interchangeable and I think that the performance culture that we have at NASA, which is reinforced in so many different ways, has been actually really crucial, so that when you come in with a performance measurement system of some sort, initially, it is looked at askance. What is this, a new unfunded mandate dropping down on us?

But when people get into it and see that you are going to use that information to make better decisions that then have some linkage to mission success, then there is a greater acceptance of it. It is something that actually reinforces the performance culture of the agency because it is not seen as alien to the agency but, in fact, is integral and consistent with the values of the agency, and that in turn is reflected by statements from the top management down through the system.

So it is a very interwoven problem, but as you hear, it is a very consistent one that repeats in many organizations.

Senator CARPER. All right. Mr. Tucker.

Mr. TUCKER. I think from what the panel members here have stated as well as the members of the previous panels, the thing that you hear consistently is top management interest and top management involvement. You have to have the leadership engaged. If the leadership is engaged and focused on using performance information, that will drive change throughout the organization.

Senator CARPER. Let me just interrupt for a second. I have been privileged to know three VA Secretaries during my time here in the Senate, and that was in 7 years, so you have had a number of Secretaries. Is it Tom Bowman? Who is the Chief of Staff——

Mr. TUCKER. Tom Bowman is.

Senator CARPER. I think Mr. Bowman has been around for a while——

Mr. TUCKER. Yes, sir.

Senator CARPER [continuing]. And maybe he provides the continuity. An old Marine, as I recall.

Mr. TUCKER. Yes, sir.

Senator CARPER. But you have had a fair amount of turnover at the top in the VA, but a continued commitment to improvement.

Mr. TUCKER. I think the commitment from those that remain, like Tom Bowman is a good example as the Chief of Staff, he sits in on our monthly performance reviews every month. He is certainly a very active member of the management team. I think also what is important, especially at the VA, even though we are a very large agency and we have a great diversity of programs, we are all there to serve veterans and we are all there to serve their families and those that are eligible for the different benefits that we provide, and I think that is part of our performance and the success of our performance culture at the VA, is a real clear mission statement and we know who we are there to serve.

Senator CARPER. If you think of it, let Tom Bowman know we just opened our second VA outpatient clinic in Delaware. We only have three counties. We have two of these clinics now. We just

opened two of them in the last 2 or 3 months. But he was a big help in getting that done, so tell him we are grateful for that and for his service.

Mr. TUCKER. I will do that.

Senator CARPER. You have mentioned performance culture. Mr. Pace has mentioned it. I think Mr. Dyer has mentioned it. One of my other hats is chairman of the subcommittee that has jurisdiction over nuclear safety. We talk a fair amount about safety culture, and during the time in my 23 years in Naval aviation, oftentimes our commanding officers would say to us, and again, our job was to hunt for Red October, track Soviet nuclear submarines, and do all kinds of surface surveillance and fly missions off the coast of Vietnam and Cambodia and other places.

But our skippers would always say the most important thing you are doing in your mission today isn't whether you are trying to mine some harbors or whether you are doing certain service missions where you are tracking the bad guys, the bad submarines, the Ruskies, whatever it was. He said your most important thing that you are doing is taking off safely, flying safely, coming back and landing safely, and walking away from it and going home. So that is the most important thing that you are doing.

Almost everything that we did, whether it was in the aircraft, the folks who were maintaining our aircraft, training us, everything pointed toward safety. It was really a culture of safety and we tried to do it in a way so it wasn't a "gotcha" system, so that if people observed things that were wrong, they would actually step forward and say, "This isn't really a very safe practice," and not be penalized or punished for having said that.

So we try to take the same thing, the same approach with respect to our nuclear power plants and to encourage them, and I know that the NRC are very much involved in doing that for us. The safety culture, we have 104 nuclear power plants. We want every one of them to be as committed to safety as we were in my squadron, our squadrons in the Navy.

Talk to me, if you will, about performance culture. How do we establish a kind of—obviously, you have a performance culture at your agencies and we have a bunch of agencies who don't have it. You are the exception, not the rule. How do we establish the kind of performance culture at more agencies, much as we are trying to establish safety cultures at 104 nuclear power plants? And that would be a question for each of you. I don't know who cares to go first. Mr. Dyer, feel free.

Mr. DYER. Yes, sir, Mr. Chairman. Just like you talked about the safety culture at the nuclear plants and the guidelines that go along with them, I think starting with the performance culture at the NRC, it begins actually with the formulation of the budget. When we get in to recognizing the roles and responsibilities and of the individuals within the organization and get their commitment that we are going to expend this amount of resources to achieve this kind of results, we get that kind of commitment of them that they have bought in, that they sign up for it, and it is not something that we pass down from on top and just say, you are going to get X number of resources and get it done. It is they have an

input to it that starts, that contractor, that bond, if you will, to actually perform the work and get the results that are intended.

Senator CARPER. All right. Thank you. Mr. Pace.

Mr. PACE. Really, I want to also agree with that. One of the crucial issues we have is aligning the resources that content, that we make program commitment agreements and we say we want to do this vehicle, do this kind of mission, this is what it is going to cost, and if we change the resources, we change the content that we ask of people. And if we change what we ask of people, we also change the resources. The two in the budget process have to be very closely linked. So if the schedule slips or something else slips or new problems crop up, that we account for it.

And I think that is part of having really almost an ethic, a moral duty, really, to the people we ask to do the work, that we are going to back them up and they, in turn, have an obligation to bring forward their best estimates about what it is going to take because we are both trying to achieve that mission success. So the budget process is at the center of it.

The second thing I would add is that along with having a safety culture, it is important that our independent reviews and our assessments are done with the mindset of assisting the project to be successful, not of a mindset of auditing the project or trying to come up with a certain number of gigs. The mentality we try to bring to it is we are kind of like the graduate TAs. We are there to get the other students to pass. We may beat on them pretty hard, may review them pretty hard, but our goal is we want them to pass, we want them to succeed, and we are there to help them succeed, and having that mentality of an assist function also gets people to buy in, bring their problems forward because we are not out there to have them fail. We are there for mission success.

Senator CARPER. Thank you. Mr. Tucker, anything you would like to add?

Mr. TUCKER Just adding on top of what the other witnesses have said, I think one of the big changes that we have seen in establishing a performance culture at the VA is the shift from the discussion on inputs into outcomes. A lot of folks have said that today.

I can think back years ago and when we would have monthly budget reviews in the Department. It was always just simply a discussion of, well, what is the variance from plan? Did you spend more than your monthly plan this month? Did you spend less? How much more? How much less? People were either happy or sad about the results, but the discussion didn't really focus on program results.

Those are the kinds of discussions that we have now. We have the data. We have the data systems in place to facilitate that discussion. And management from the very top all the way down to the medical center level use that information to improve performance. The measures are the same whether they are at the national level, the network level, or the local level.

An example I can give you is on wait times for VA patients to get into our health care system. We have used performance information to really drive improvement in reducing the number of veterans that are waiting more than 30 days for an appointment from—it was over 250,000 in April 2006 and we have driven that

down to about 51,000 in June, just last month. So that is one example of how leadership is focused at the top all the way down to the facility level to drive performance improvement.

Senator CARPER. OK. Thank you. Mr. Pace, maybe one last question for you. According to a GAO survey, I think it was done in 2007, a large majority of your managers said that they use performance information to identify and solve program problems. Do you think that looking at program performance information has helped improve NASA's programs, and if so, how? You have talked about this already, but do you want to add anything else?

Mr. PACE. I think one of the major areas of differences where I have certainly seen a change in the time that I have been at NASA is when I first came there, we would go to program reviews and people would be talking about the status and in some cases how they felt about the program or project, as Mr. Tucker was just saying. What you see in the status reviews that we have monthly now and baseline performance reviews is much more toward quantitative. So programs are coming in with—here is where we are on the finances. Here we are on the human capital. This is what the state of the asset and facilities is looking like. This is where the program has hit various milestones. So monthly meetings, much more quantitative.

That then sparked discussions. I mean, the most important thing that occurs in that quantitative data and where people see various disconnects is then a conversation occurs at the senior management level that says, why are those disconnects happening? What can we do about them? What is the resolution path forward?

So I think that it is helping NASA quite a bit. We are doing things that are consistent with our culture, but we are doing them, I think, in a much more rigorous and consistent way. We are still learning. We still have plenty of other areas that are imperfect, but I think the intention on performance being quantitative and getting those discussions out in front of senior management has been very helpful.

Senator CARPER. Thank you. Mr. Dyer, according to the GAO's same 2007 survey results, the NRC's managers report a significant increase in the use of performance information since responding, I think to a survey 7 years earlier, the 2000 survey. In fact, I am told that NRC managers are now among the most positive among their government-wide counterparts in their reported use of performance information. I just ask, in your view, how and why you think this change came about.

Mr. DYER. Mr. Chairman, I believe we have had this same process in place since 1997 and every year we do a little bit better. We revise our performance indicators. We reach out and get them to lower levels in the organization. And I think the people can trend progress and we report out on it and we provide feedback to the staff on it and they recognize that these things are important and that they now accept them and embrace them.

Senator CARPER. All right. One of the things that I find remarkable when we have testimony from the NRC and from the nuclear industry and others who are interested in the industry is the increase in the power plants that we have, their ability to provide power. If they are able to provide power 100 percent of the time,

that would be terrific. But it wasn't that long ago when they were down around 60, 70 percent, and today they are up over 90, 91 percent. That is a remarkable achievement.

Mr. DYER. Yes, sir.

Senator CARPER. A lot of people deserve credit for that and I know among those people are the NRC.

The last question would be really for all of you. Each of your agencies has had programs that were assessed by OMB through the PART process. What suggestions do you have for the next Administration, whoever might lead that, but the next Administration on how to design and structure a performance assessment process such as PART?

Mr. TUCKER. I will go first.

Senator CARPER. Yes, Mr. Tucker, feel free.

Mr. TUCKER. I think what will be helpful for OMB to do is to work collaboratively with the agencies to look at the criteria that is used and really to continue the process and refine the process of the evaluation and performance measures. I mean, I think that has been the key benefit that the VA has obtained from going through the PART process is having a really hard look at the performance metrics that we use, whether they are outcome-focused or efficiency focused, and developing action plans and requiring the action plans to be updated on a regular basis so you are continually improving the metrics that the organization is using to assess performance.

I think one other thing—I will just put in a plug—is recently in response to the Executive Order that the President signed back in November, OMB did establish an interagency Performance Improvement Council. I think that council should continue into the next Administration. It is just getting started. It is growing. It is getting traction, starting to get some legs under it.

Senator CARPER. Who heads up that council?

Mr. DYER. Robert Shea is leading the Performance Improvement Council at OMB right now.

Senator CARPER. OK. Thank you.

Mr. DYER. But I hope that it will be as successful in the future as the Budget Officers Advisory Council has been that OMB had established a long time ago where the budget officers from the different departments come together once a month to share best practices, to raise issues and concerns, and just to have that face-to-face once-a-month meeting and discussion. And I think the Performance Improvement Council can do the same thing.

Senator CARPER. Good. I had not heard of the Performance Improvement Council. It sounds like a good idea. I hope it continues, as well. Thank you.

Mr. DYER. Thank you.

Senator CARPER. Mr. Pace.

Mr. PACE. Well, I would also actually endorse some of the Performance Improvement Council meetings. I also go, as well. But I think one of the things I have found most valuable for it is actually the cross-agency discussions that have happened, so seeing what other agencies are doing, sharing notes with them, and comparing best practices. I thought that has been a useful forum. I know that other speakers have talked about cross-agency issues.

Regarding the PART, I think it obviously should continue. I think it has been helpful. We have been able to improve the measures of effectiveness for some of our programs. Particularly we have made some improvements, I think, in our education efforts that have been helpful and traceable to PART.

But the other thing I would say in terms of maybe a particular parochial plug that we and some other agencies have is in measurements of R&D. We have a very project-oriented agency. Other agencies are very process-oriented. But some of our science agencies, NSF, maybe NOAA, ourselves, Geological Survey, when we are doing R&D activities that stretch over a longer period of time, it is often harder to see the results each year. You have to look over a longer time horizon to judge what the benefits of R&D are.

So ourselves and NSF have had some good conversations about this. I know with DOE Science Office, we have also had some good conversations, and measuring effectiveness of R&D is one of those areas where a simple one-size-fits-all sometimes doesn't work. And the conversations we have had in the PIC, I think have been helpful to us, coming up with some ideas we are going to hope to pursue.

Senator CARPER. Thank you. Mr. Dyer, the last word?

Mr. DYER. Mr. Chairman, I think the PART program, the PART is fundamentally sound and it is a good program. At the NRC, we have had seven PART evaluations. Six of them have been rated high as effective and one was moderately effective, and I owned, designed that one that was moderately effective, and it had a good therapeutic effect, I think, on the NRC that when we went back and pulled the string on it, what we really looked at and came up with was that we had a problem with our budget structure and that cascaded down into problems, and that wasn't what we thought going in.

So I have got a healthy respect for the PART. That being said, it is an extremely resource-intensive process. So as we go forward, I would hope that we streamline the process so we don't have to dedicate the amount of energy that goes in in conducting the PART evaluations.

Senator CARPER. All right. Thank you.

We are at the end of our hearing. I was just reflecting on this. It is pretty clear I haven't had a lot of company up here on this side of the rostrum. We have a lot of the agencies, not all the agencies have really emulated your success and your approach by taking seriously our ability to use the information that it has generated to improve our performance. Not everyone does that.

Having said that, we are going to have a new President in 6 months. We will have a new Congress in less than that. And we are going to still have a lot of problems to face here at home and around the world. We don't have unlimited resources. We are finding out just how limited our resources are, financial resources are to deal with those challenges.

And if we are smart, and I hope we will be, the more of us here in the Legislative Branch and the folks in the Executive Branch, including right at the top, will realize that if we want to provide better results, better outcomes for the folks who are paying the taxes in this country, there are a variety of ways to do it and one

of them is to take all this massive information that we have, try to figure out what of it we can learn from in order to provide cleaner air, in order to provide better transportation, in order to reduce our threats from within and without, and act on that. If we do those things, taxpayers will be happy and we will be better off as a Nation, too.

We chose in this hearing today not to focus on the agencies that, frankly, weren't doing a good job. We chose to hold up a handful that are doing a good job in this regard and to say by inference to other agencies that could learn from you, take a look at these folks.

I said to Governor O'Malley, we would rather see a sermon than hear one, and with you, you have had a chance to give us a little bit of a sermonette, but we have also had an opportunity to watch your performance over a number of years and we like what we see. Hopefully, by holding you up for praise and acclaim, we will encourage some other agencies to emulate your good performance.

With that having been said, we are going to leave the record open for 2 weeks so we will have the opportunity for some of my colleagues and to submit some questions, maybe some statements, as well, for the record. We would ask if you do receive questions that you just respond promptly and we will be better for it.

Thank you so much for coming, for the good work that you and your colleagues back in your agencies are doing. Convey our congratulations and our thanks to them, if you will. Thank you so much.

Mr. DYER. Thank you.

Mr. PACE. Thank you.

Mr. TUCKER. Thank you.

Senator CARPER. This hearing is adjourned.

[Whereupon, at 5:10 p.m., the Subcommittee was adjourned.]

APPENDIX

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The "O'Malley Model" of Performance Measurement and Its Possible Applications to Federal Government

Testimony of Governor Martin O'Malley before the Subcommittee on Federal Financial Management, Government Information, and International Security
Senate Committee on Homeland Security and Government Affairs

July 24, 2008

Introduction

Senator Carper, Ranking Member Coburn, and distinguished members of the Committee, it is my distinct honor and privilege to speak with you today about my experiences with performance measurement at both the local and state levels of government. It is my sincere belief that our approach to tracking and measuring progress can be applied universally—not just in the realm of state and local governance, but to federal government, or for that matter, to any large organization.

StateStat and CitiStat

When I campaigned for Governor, I pledged to implement performance based management on the state level in Maryland. In fact, the first three points of the ten point plan of our campaign offered to voters were: Number 1, make government work again. Number 2, make government work again. And, Number 3… make government work again. Making our government work again is what I find exciting about public service. Amid all the cynicism and against a current of popular thinking that government should be made as weak as possible, we advanced our governing philosophy—a philosophy based on the revolutionary idea that government could work.

That is why within a month of taking office in January 2007, we launched StateStat, and like its parent initiative in Baltimore, CitiStat, it can be summed up in a simple phrase: the rational application of human effort to the solving of human problems. Our guru in Baltimore was a man named Jack Maple. Mr. Maple was the brains behind a system used at the New York City Police Department during Mayor Rudy Giuliani's administration called ComStat, which revolutionized crime fighting. The NYPD used computer pin-mapping to drive crime down – putting the crimes on the map, deploying the cops to the dots, and demanding relentless follow-up. Working with Mr. Maple and

evaluating ComStat helped us realize that if you could use data collection and mapping technology to improve law enforcement, you can also use it to improve the other things that government does – whether it is garbage collection, or housing inspections, or removal of dead trees, or repairing traffic lights or streetlights. When I became mayor of Baltimore City in 1999, a 16,000 person corporation with $2 billion annual budget, there was no one who could tell us even the most basic information. For example, city managers did not know how many vehicles were in our public works fleet or how quickly our emergency services are responding to 911 calls. It was clear that the city was used to managing by feel, not by fact. They were laboring under old city government mantras: well, this is way we have always done that; we tried that and it didn't work; and other similar excuses.

That is where CitiStat stepped in – and that is why today we have brought the same governing philosophy to State government. The four tenets[1] of CitiStat and StateStat are:

1. Timely, accurate information shared by all.
2. Rapid deployment of resources, so that we can respond in real time.
3. Effective tactics and strategies; and
4. Relentless follow-up and assessment.

Today, CitiStat remains in place in the city of Baltimore. The CitiStat system been fully institutionalized, at first because of executive commitment, but over the long term because we were successful. Over the seven years in which our administration ran CitiStat, the City experienced an overall violent crime reduction of nearly 40%. After a decade of seemingly irreversible population loss during the 1990's, the turn of the century saw gradual slowing of that loss and then actual growth by the end of our administration in 2007. Better overall financial management of our City's resources resulted in a quadrupling of the City's Rainy Day Fund and positioning the City for its first bond rating upgrade in decades. The significant reductions in violent crime, growth in population and better overall management inspired people to invest in Baltimore, leading to impressive boosts in property values throughout the City. Furthermore, it is conservatively estimated that the CitiStat program produced over $350 million in positive financial impacts for the City of Baltimore—representing well over a 100-to-1 return on investment given the program's operating costs.

In short, we turned a city where many neighborhoods were considered ungovernable and made them function again. Like all cities, Baltimore still has a long way to go, but it is finally moving in the right direction. Less than a year after the

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[1] It is noteworthy that the General Accountability Office, in its September 2005 report entitled "Managing for Results: Enhancing Agency Use of Performance Information for Management Decision Making" (GAO-05-927), identifies four major decisions that should be made by management in order to guide successful data-driven improvement of government. These management decisions mirror the four tenets of the "Stat" model.

implementation of CitiStat, *Governing* magazine said that we were tracking performance on a scale never seen in local government. In 2004, CitiStat was selected as one of just five winners (from approximately 1,000 applicants) of the $100,000 Innovations in Government award sponsored by the Ash Institute for Democratic Governance and Innovation at Harvard University's John F. Kennedy School of Government. In 2005, CitiStat was named a recipient of the Government Finance Officers Association's annual Excellence in Government Finance award. However, CitiStat was not created to win awards; we implemented intensive performance measurement to survive. As a City, our collective backs were against the wall. With very little money, we had to think differently and we had to apply our creative energies to the problems we faced.

In many ways, our backs were also up against the wall when we took the reigns of State government some 16 months ago. We inherited a $1.7 billion structural deficit and had to operate under the backdrop of a national economic downturn – not to mention decreasing levels of assistance from the federal government. We also found that our state government, not unlike the City government, was not very geared to performance measurement and service delivery. Therefore, we have now fully adopted the CitiStat model on the State level. Now, approximately a year and half into the StateStat process, performance is being tracked and progress monitored on a level never experienced in Maryland's state government. Several examples of initiatives being driven through StateStat are:

1. We have created a program called BayStat to target our efforts to restore the health of the Chesapeake Bay. We are making use of GPS technology and pulling together all of the key stakeholders to better target our collective efforts. For example, recognizing cover crops as the most cost-effective and efficient way for farmers to prevent soil erosion and absorb excess nutrients before they can run into the Chesapeake Bay and its tributaries, we are now targeting our limited resources for cover crops to farms that have the largest runoff impacts on the Bay. Also for the first time, we are targeting our land acquisition efforts to protect the open space that is most critical to the future health of the Bay and its tributaries.

2. We have taken an aggressive approach to public safety and reforming our long-troubled public safety agencies. The very first StateStat meeting resulted in a quick closure of the House of Correction in Jessup, Maryland, at the time our most troubled and violent correctional facility. This action not only eliminated our most violent facility, but it is also saving taxpayers approximately $3 million per year in overhead and overtime costs.

3. Information collected by StateStat has also allowed us to re-vamp our criminal risk assessment instrument to identify our most at-risk individuals and assign them to a new intensive supervision status. We found, upon taking office, that some of our worst criminal offenders weren't in prison but instead were walking the streets under the supervision of our State Division of Parole and Probation. In 2006 and 2007, nearly one in three people arrested in the City of Baltimore were

under the state's supervision—including 37% of those arrested for murder. The StateStat team reviewed the homicide arrestee profiles and found that the average age was very young and that most had at least ten previous arrests. The risk assessment tool being used by our Parole and Probation agents to assign the level of supervision to these offenders did not adequately account for either of these factors. Therefore, we have modified our risk assessment tool to allow us to identify these individuals and assign specialized agents to them who hold them accountable for absolute compliance with the terms of probation. Agents are required to request violation of probation warrants within a day of the offense, and we track their performance of this duty at StateStat.

4. In addition, StateStat has allowed us to identify several areas where lack of communication with our neighboring jurisdictions has impeded our ability to make progress. For example, Maryland's Parole and Probation now gets a list of offenders arrested in Washington, D.C. each morning and automatically identifies any parolees or probationers on that list. Our partners in the District of Columbia now do the same with Maryland's list. Since this information sharing effort began in November 2007, we have been able to hold around 200 supervisees a month accountable for their illegal behavior across border lines.

5. Through intense scrutiny during StateStat, our Department of Juvenile Services has reversed over 100 documented facility and programmatic deficiencies at its Hickey and Cheltenham detention facilities, earning the State's release from a federal consent decree that oversaw these long-troubled facilities.

Since this subcommittee also exercises jurisdiction over homeland security issues, I wanted to briefly mention how we are applying the StateStat approach to Maryland's homeland security and emergency management needs. Shortly after taking office, we identified a set of 12 homeland security core capacities for the State of Maryland. We wanted to avoid several potential pitfalls—the danger that local jurisdictions would buy incompatible equipment, or going in the other direction, that our 26 local jurisdictions would separately buy, 26 times, the same rarely needed and expensive piece of equipment that we would be better off sharing regionally. We also wanted to avoid the danger that in our desire to do everything, we would accomplish too little—moving in too many directions at once, instead of ensuring that as a State we built out the most basic, but sometimes most difficult, capacities for homeland security. So, we identified a set of twelve basic core capacities that every region in Maryland needs to have, and described them in clear, plain, specific, and measurable language. For example, our first and most important goal, communications interoperability, began by stating that every first responder in Maryland should have access to a digital radio system, and it was stressed that this system must be digital, not analog. We were careful to use simple, specific language to describe our critically important goals in measurable terms. And now, we continue to measure ourselves against these 12 goals and invest our local, state, and federal funding to fill the gaps.

These and other examples demonstrate how the State of Maryland is using the tenets developed through CitiStat—timely, accurate information shared by all. Rapid deployment of resources. Effective tactics and strategies. Relentless follow-up and assessment. The "Stat" model was revolutionary because, for the first time, government set goals and measured its own performance on a regular basis – not just on an annual basis as is required under the Government Performance and Results Act or under some of the models currently being employed in many federal agencies. "Stat" was a departure from the traditional tendency of governments to obsess so much about inputs that we forget about outputs. It does not do us much good to ask: "what is the funding level for environmental protection?" without following up by asking "how much nitrogen did we really take out of the water stream this year compared to how much we took out last year?" Spending resources in our priority areas does not mean that we are spending them well. Good intentions are not enough, compassion without competence is not enough. The only things that matter are results—tangible, quantifiable results. As Maryland's Governor, I must ask, "Is our government making a consistent and positive difference in the lives of the people we serve?"

This is the philosophy behind performance based management. It worked with the NYPD. It worked in Baltimore. Today, we are making it work at the state level in Maryland. It is my understanding that the Government Accountability Office will release a survey today that will indicate that some Federal agencies are doing better than others at collecting performance measures. However, like we experienced in Baltimore and in Maryland state government, that the information being collected by the Federal agencies is not being used to hold government accountable or drive decision in a comprehensive manner makes government ineffective and inefficient.

Conclusion

Members of the committee, in closing, I submit that same philosophy we used in Baltimore and now in state government would work for the Federal government. The strategies we are applying in the State of Maryland can be relevant to governments anywhere and of any size. In fact, interest in the CitiStat and StateStat programs has led thousands of local, state, federal, and international governmental entities to send delegations to Baltimore to attend the sessions and learn more about the workings of the program. CitiStat replication efforts are now underway worldwide. Particularly relevant for this hearing, we have just recently learned that the federal Environmental Protection Agency has launched an "EPAStat" program, calling it a "banner for all of the U.S. EPA's comprehensive performance management system information." As the EPA is demonstrating, the same strategies which we implemented to help ignite Baltimore's comeback can be put to use by our federal government to track everything from implementation of agency strategic plans to its ability to effectively handle another emergency situation like Hurricane Katrina. I strongly believe that government performance management is a non-partisan issue; it is the responsibility of every public official to provide the most effective government service possible. Therefore, we have been consistently willing to reach across party lines and work with any entity seriously

interested in learning about our model. The fact that individual agencies such as the EPA are embracing the program; that the GAO has focused its work toward encouraging more performance management in the federal government and identifying it as a critical first step; and for this subcommittee to conduct this hearing adds value and enhances awareness of this important conversation. So, I would like to thank the Committee for its leadership, and I am privileged to be a partner in this effort. Thank you.

United States Government Accountability Office

GAO

Testimony

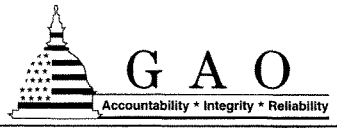
Before the Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, Committee on Homeland Security and Governmental Affairs, U.S. Senate

For Release on Delivery
Expected at 2:30 p.m. EDT
Thursday, July 24, 2008

GOVERNMENT PERFORMANCE

Lessons Learned for the Next Administration on Using Performance Information to Improve Results

Statement of Bernice Steinhardt, Director
Strategic Issues



GAO-08-1026T

GAO
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Highlights

Highlights of GAO-08-1026T, a testimony to the Subcommittee on Federal Financial Management, Government Information, Federal Services and International Security, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

Over the past 15 years, legislative and executive branch reform efforts have attempted to shift the focus of federal government management from a preoccupation with activities to the results or outcomes of those activities. Based on over a decade of work in this area, GAO has found a transformation in the capacity of the federal government to manage for results, including an infrastructure of outcome-oriented strategic plans, performance measures, and accountability reporting that provides a solid foundation for improving the performance of federal programs. However, agencies have made less progress in getting their managers' to use performance information in their decision making.

GAO was asked to testify on the preliminary results of ongoing work looking at (1) trends in federal managers' use of performance information to manage, both governmentwide and at the agency level; (2) how agencies can encourage greater use of performance information to improve results; and (3) lessons learned from prior management reforms for the next administration. Our statement is based on prior GAO reports and surveys we conducted in 1997, 2000, 2003, and 2007. For the results of our 2007 survey, see e-supplement GAO-08-1036SP. GAO will be issuing a report at a later date that will explore the use of performance results in management decision making at selected agencies.

To view the full product, including the scope and methodology, click on GAO-08-1026T. For more information, contact Bernice Steinhardt at (202) 512-6806 or steinhardtb@gao.gov.

July 24, 2008

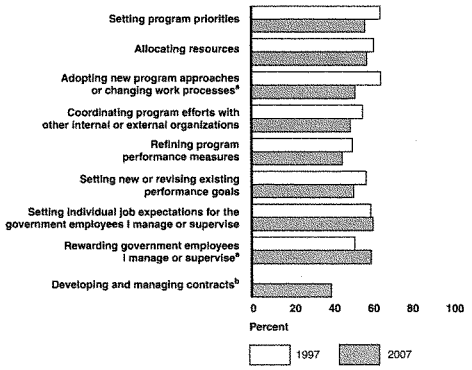
GOVERNMENT PERFORMANCE

Lessons Learned for the Next Administration on Using Performance Information to Improve Results

What GAO Found

According to GAO surveys, since 1997 significantly more federal managers report having performance measures for the programs they manage. However, despite having more performance measures available, federal managers' reported use of performance information in management decision making has not changed significantly, as shown below.

Percentage of Federal Managers Who Reported Using Information Obtained from Performance Measurement for Various Management Activities to a "Great" or "Very Great" Extent



Source: GAO.

Notes: Percentages are based on those respondents answering on the extent scale.

[a]There is a statistically significant difference between 1997 and 2007 surveys.
[b]This question was not asked in 1997.

For the collection of performance information to be considered more than meaningless paperwork exercises, it must be useful to and used by federal decision makers at all levels—including Congress. To reach this state, GAO believes that the next administration should promote three key practices that we have identified in our work over the last 10 years: (1) demonstrate leadership commitment to results-oriented management; (2) develop a clear "line of sight" linking individual performance with organizational results; and (3) build agency capacity to collect and use performance information. In addition to encouraging agencies to employ these practices, the next administration should: (1) adopt a more strategic and crosscutting approach to overseeing governmentwide performance; (2) improve the relevance of performance information to Congress; and (3) build agency confidence in assessments for use in decision making.

Mr. Chairman and Members of the Committee:

I am pleased to be here today to discuss the results of our 2007 Survey on Performance and Management Issues and lessons learned over the past 15 years through legislative and executive efforts to improve the management and performance of the federal government. Recent events, such as lead paint in imported children's products, tainted meat, predatory mortgage lending, contract fraud, and national disasters like Hurricane Katrina and the attacks of September 11, 2001, raise questions among the American people about the capacity of the federal government to meet their most pressing needs. Additionally, the nation's long-term fiscal imbalance drives the need for federal agencies to allocate increasingly scarce resources in the most efficient and effective way possible. The next administration can continue to bring a greater focus on improving the performance of federal programs and ensuring that federal funds are allocated effectively by building on the strengths of prior performance improvement initiatives.

Over the past 15 years, various reform efforts have attempted to shift the focus of federal government management from a preoccupation with activities to the results or outcomes of those activities. Congress enacted the Government Performance and Results Act of 1993 (GPRA)[1] to inform congressional and executive decision making by providing objective information on the relative effectiveness and efficiency of federal programs and spending. That same year, the Clinton administration launched the National Performance Review (NPR), which was intended to make the government "work better and cost less." The current administration has also attempted to resolve long-standing federal management weaknesses through its five governmentwide management priorities under the President's Management Agenda (PMA), which was first announced in 2001.[2] A central element in the Performance Improvement Initiative of the PMA is the Office of Management and Budget's (OMB) Program Assessment Rating Tool (PART), which was created in 2002 and serves as a diagnostic tool that is intended to provide a consistent approach for evaluating federal programs as part of the executive budget formulation process. Through PART, OMB has sought to create better ties between program performance and the allocation of

[1]Pub. L. No. 103-62 (Aug. 3, 1993).

[2]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.

resources. Prior to these efforts, our work on performance measurement in the federal government showed that federal agencies generally lacked the infrastructure needed to manage and report on the results of federal programs in a way that was transparent to Congress and the American people.

Based on over a decade of work in this area, we can say that there has been a transformation in the capacity of the federal government to manage for results. This capacity includes an infrastructure of outcome-oriented strategic plans, performance measures, and accountability reporting that has significantly increased over time and provides a solid foundation for improving the performance of federal programs.[3] However, we have found that progress is still needed to further integrate information about program performance into federal managers' decision making and ensure continued progress.

You asked us to discuss: (1) the trends in federal managers' reported use of performance information governmentwide and at the agency level as identified through four surveys we conducted over the past 10 years; (2) how agencies can encourage greater use of performance information to improve federal program management; and (3) lessons learned to be considered by the next Congress and administration for future performance improvement initiatives.

In summary, our surveys show that, while significantly more federal managers' have performance measures for their programs and some agencies have shown greater use of information, overall the use of performance information in management decision making has not changed over the last 10 years. To remedy this situation, the next administration should focus its efforts on ensuring that performance information is both useful and used. First, the next administration should promote three key practices that we have identified in our work over the last decade to ensure that the performance information gathered is used in making management decisions: (1) demonstrating leadership commitment to results-oriented management; (2) developing a clear "line of sight" linking individual performance with organizational results; and (3) building agency capacity to collect and use performance information. In addition, the next administration should focus its attention on: (1)

[3]GAO, *Results-Oriented Government: GPRA Has Established a Solid Foundation for Achieving Greater Results*, GAO-04-38 (Washington, D.C.: Mar. 10, 2004).

adopting a more strategic and crosscutting approach to overseeing governmentwide performance; (2) improving the relevance of performance information to Congress; and (3) building agency confidence in assessments for use in decision making.

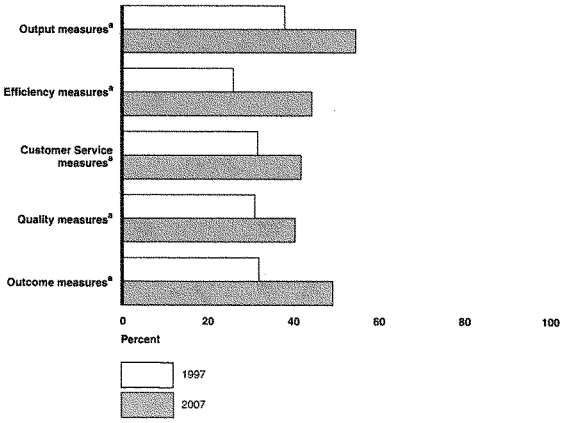
Our statement is based on survey data collected in response to your request that we examine the extent to which federal agency managers are using performance information and how selected agencies could improve their use of performance information to achieve results. We will be issuing a report at a later date that addresses both these questions, including an analysis of practices at selected agencies. Our survey, which included a random, stratified, governmentwide sample of federal managers at the GS-13 level and above, was conducted from October 2007 through January 2008, and is comparable to surveys we conducted in 1997, 2000, and 2003. Our 2000 and 2007 surveys included a larger sample of government managers—over 4,000 in 2007—that allowed for analysis of individual agency-level results. Significant differences are reported at the 95 percent confidence interval. In reporting federal managers' positive responses to survey questions asking about the extent to which a condition or practice was present (ranging in five categories from "no" to "very great" extent), we are reporting responses that indicated to a "great" or "very great" extent. Concurrently with this statement, we are issuing an electronic supplement that shows the responses to all survey items.[4] In addition to the survey results, we also drew from our extensive prior work on GPRA, PART, transformational change, and performance management. We conducted our work from March 2007 to July 2008, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

[4]GAO, *Government Performance: 2007 Federal Managers Survey on Performance and Management Issues, an E-supplement to GAO-08-1026T*, GAO-08-1036SP (Washington, D.C.: July 24, 2008).

Governmentwide Use of Performance Information in the Past 10 Years Remains Unchanged Although Some Agencies Show Improvements

Based on federal managers' responses on our four governmentwide surveys conducted over the past 10 years, performance planning and measurement have slowly, yet increasingly, become a part of agencies' cultures. In particular, as shown in figure 1, significantly more federal managers today report having the types of performance measures called for by GPRA and PART than they did 10 years ago.[5]

Figure 1: Percentage of Federal Managers Reporting Having Performance Measures to a "Great" or "Very Great" Extent



Source GAO

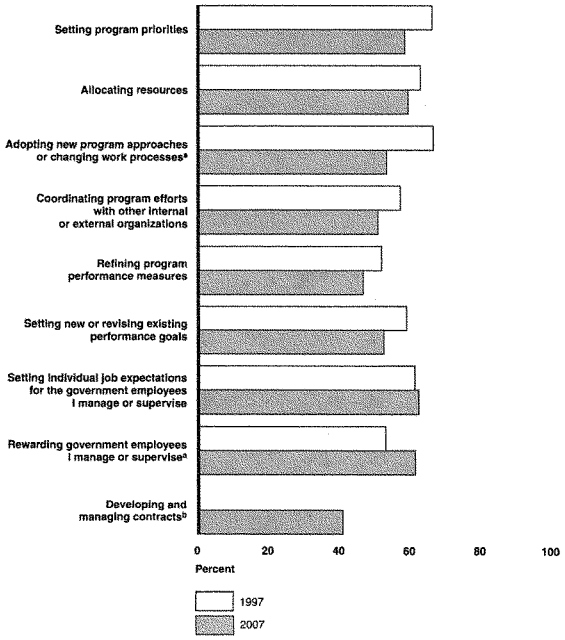
[a]There is a statistically significant difference between 1997 and 2007 surveys.

However, unless federal managers use performance data to make management decisions and to inform policymakers, the benefit of collecting performance information cannot be realized and real improvement in management and program results are less likely to be

[5]GAO-04-38. When discussing federal managers' responses to survey questions, we are reporting the percent of federal managers that responded from a great to very great extent.

achieved. We have found that despite having more performance measures, the extent to which managers make use of this information to improve performance has remained relatively unchanged. As shown in figure 2, seven of the nine categories of management activities we asked about showed no significant change over the past 10 years.

Figure 2: Percentage of Federal Managers Who Reported Using Information Obtained from Performance Measurement for Various Management Activities to a "Great" or "Very Great" Extent



Source GAO

Notes: Percentages are based on those respondents answering on the extent scale.

[a]There is a statistically significant difference between 1997 and 2007 surveys.

[b]This question was not asked in 1997.

In particular, despite efforts through GPRA and PART to help government better inform resource allocation decisions with performance information, over the past decade, there has been no significant shift in the percent of managers reporting they use information obtained from performance measurement when allocating resources. In addition, contract management remains the management activity with the least reported use of performance information, despite recommendations for better management of federal contracts from Congress and GAO and efforts to improve contract management through the PMA Competitive Sourcing Initiative. In 2007, 41 percent of managers reported that they use performance information when developing and managing contracts, a 3 percentage point increase from 2000, when we first asked the question. Given the growing fiscal imbalance, the government must get the best return it can on its investment in goods and services by improving its development, management, and assessment of contracts; using performance information in these activities can help to focus contract management on results.[7]

Of interest, there were two areas relating to managers' use of performance information in management decision making that did change significantly between 1997 and 2007. First, there was a significant decrease in the percentage of managers who reported that their organizations used performance information when adopting new program approaches or changing work processes. Performance information can play a valuable role in highlighting the need to take a closer look at the effectiveness of existing approaches and processes. Such an examination could lead to identifying needed changes to bring about performance improvements. Second, there was a significant increase in the percentage of managers who reported that they reward the employees they manage or supervise based on performance information. We believe this is an important development that can play a role in getting managers to pay attention to their performance; we will discuss this in more detail later in this statement.

While in general there has been little change in federal managers' reported use of performance information governmentwide, agency level

[7]GAO, *Federal Acquisitions and Contracting: Systemic Challenges Need Attention*, GAO-07-1098T (Washington, D.C.: July 17, 2007).

comparisons between 2000 and 2007 reveal that some agencies have made notable progress. For example, over the last 7 years, the Nuclear Regulatory Commission (NRC) showed a significant increase in positive responses to eight questions related to use of performance information in management activities. At the same time, DOD showed no change in their responses to questions related to the use of performance information and the Small Business Administration (SBA) reported significantly lower use of performance in 2007 than 2000 on two questions.

As seen in table 1, the range of use also varied considerably among agencies with Forest Service (FS) and Department of the Interior (Interior) managers among the lowest users, and the Social Security Administration (SSA) and National Aeronautics and Space Administration (NASA) among the highest.

Table 1: Agencies with Lowest and Highest Percent of Federal Managers Who Reported Using Performance Information for Various Management Activities

	Managers responding to a "great" or "very great" extent		
	Lowest percent (agency)	Highest percent (agency)	Governmentwide percent
Setting program priorities	43 (Interior)	78 (SSA)	58
Allocating resources	39 (Interior)	70 (NASA)	59
Adopting new program approaches or changing work processes	30 (FS)	71 (NSF)	53
Coordinating program efforts with other internal or external organizations	28 (FS)	62 (VA)	50
Refining program performance measures	28 (FS)	66 (Education)	46
Setting new or revising existing performance goals	33 (FS)	73 (Energy)	52
Setting individual job expectations for the government employees I manage or supervise	44 (FS)	79 (SSA)	62
Rewarding government employees I manage or supervise	47 (FEMA)	78 (NASA)	61
Developing and managing contracts	24 (FS)	70 (NASA)	41

Source: GAO

Notes: Percentages are based on those respondents answering on the extent scale.
Education = Department of Education.
Energy = Department of Energy.
FEMA = Federal Emergency Management Agency.
VA = Department of Veterans Affairs.

The PART has been used by the current administration to increase the government's focus on improving program performance results. Specifically, OMB includes an assessment of whether programs use performance information for program management as one element of its overall program assessment. In judging agency progress on the

Performance Integration Initiative of the PMA, OMB also considers whether PART findings and performance information are used consistently to justify funding requests, management actions, and legislative proposals. However, of the federal managers familiar with PART,[8] a minority—26 percent—indicated that PART results are used in management decision making, and 14 percent viewed PART as improving performance.

Key Practices for Improving Government through the Use of Performance Information

As our survey results show, despite legislative and administration efforts to focus federal management decisions on the achievement of results and maximize the use of federal funds, changing the way federal managers make decisions is not simply a matter of making program performance information available. Based on our work on management reform efforts as well as analysis of federal managers' responses to our surveys over the past 10 years, we have identified three key practices that can contribute to greater attention to results when making management decisions. Regardless of the form of future initiatives, the next administration should take steps to ensure that agencies emphasize these practices to make sure that performance information is used in management decision making:

1. demonstrate leadership commitment to results-oriented management;
2. create a clear "line of sight" linking individual performance with organizational results; and
3. build agency capacity to collect and use performance information.

Demonstrate Leadership Commitment to Results-Oriented Management

Perhaps the single most important element in successfully implementing organizational change is the demonstrated, sustained commitment of top leaders.[9] Leaders can demonstrate their support for results-oriented management and facilitate the use of performance information by agency managers through frequent and effective communication of performance information.[10] On our survey, we found a positive relationship between

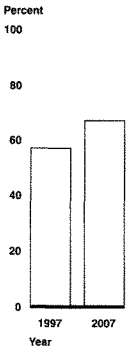
[8]In our discussion of questions relating to PART, the data include the responses of federal managers who indicated they had a low, moderate, or extensive level of knowledge of the details of OMB's PART initiative and excluded those with no knowledge. Twenty-three percent of respondents indicated having a low to extensive level of knowledge.

[9]GAO-04-38.

[10]GAO, *Managing for Results: Enhancing Agency Use of Performance Information for Management Decision Making*, GAO-05-927 (Washington, D.C.: Sept. 9, 2005).

agency managers who reported that performance information is effectively communicated on a routine basis and managers' reported use of performance information in key management activities—in other words, greater communication of performance information is associated with greater use. Leaders can communicate performance information in their organizations by promoting the use of visual tools such as poster displays, performance scorecards, and intranet sites. In prior reviews, officials have told us that publicizing performance information can inspire a greater sense of ownership on the part of employees in their unit's performance; it can also spur competition between units. Additionally, we found that frequently reporting performance information can help to identify program problems before they escalate, identify the factors causing the problems, and modify services or processes to try to address problems. Leaders can play a key role in this process by following up on problems identified during discussions of performance information and by holding managers accountable for addressing the problems.

Figure 3: Percentage of Federal Managers Who Reported Top Leadership Demonstrated Commitment to Results-Oriented Management to a "Great" or "Very Great" Extent



Source. GAO.

Note: There is a statistically significant difference between 1997 and 2007 surveys.

From 1997 to 2007, we saw a significant increase in the percent of managers—from 57 to 67 percent—who reported that top leadership demonstrates a strong commitment to achieving results (see fig. 3.). Our survey results confirm the relationship between leadership commitment to results-oriented management and managers' reported use of performance information in key management activities, such as developing program strategy and making decisions about funding or allocating resources.[11] Similarly, managers who believed their immediate supervisor paid attention to the use of performance information in decision making also perceived that managers at their level made greater use of performance information. Regarding the contribution of PART to improving this practice, 37 percent of federal managers familiar with PART reported that upper management has paid greater attention to performance and achieving results. More than any other items we asked about concerning the effect of PART, this item received the greatest degree of endorsement from federal managers.

Create a Clear "Line of Sight" Linking Individual Performance with Organizational Results

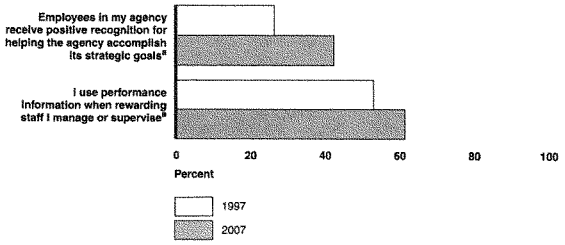
To be successful, governmentwide performance improvement initiatives must ensure that all employees involved in the process understand the rationale for making the changes and their role and responsibility in the process. Performance management systems are a vital tool for managing and directing such organizational transformations because they create a "line of sight" showing how team, unit, and individual performance can contribute to overall organizational results. Additionally, performance management systems can be used to hold employees accountable for achieving and incorporating results into management and employee decision making.[12]

[11]We measured managers' use of performance information in key management activities by developing a core uses index derived from nine questions on the 2007 federal managers' survey. These questions inquired about uses of performance information in management activities and decision making that can lead to improved results as identified in our 2005 report *Enhancing Agency Use of Performance Information for Management Decision Making* (GAO-05-927). For a complete list of the practices used in this index see app. I. This index was then used in various analyses, including a ranking of the 24 Chief Financial Officers (CFO) Act agencies and five components that participated in our survey on their use of performance information. Throughout this testimony, when we refer to "managers' use of performance information in key management activities" we are referring to their reported use of performance information according to this index.

[12]GAO, *Results-Oriented Cultures: Creating a Clear Linkage between Individual Performance and Organizational Success*, GAO-03-488 (Washington, D.C.: Mar. 14, 2003).

Over the past 10 years, we found positive trends in federal managers' responses to several questions relating to how agencies are managing their employees, which agencies can build upon to further emphasize the importance of managing by results (see fig. 4.). Specifically, we saw a statistically significant increase—from 53 percent in 1997 to 61 percent in 2007—in the percentage of federal managers that reported using performance information when rewarding government employees they manage. Additionally, a significantly higher number of federal managers reported that employees in their agency receive positive recognition for helping the agency accomplish its strategic goals from 1997 to 2007.

Figure 4: Percentage of Federal Managers' Indicating Performance Information Plays a Role in Recognizing or Rewarding Individuals to a "Great" or "Very Great" Extent



Source GAO

[a]There is a statistically significant difference between 1997 and 2007 surveys .

At the same time, an increasing portion of senior executives report they are being held more accountable for results. In recent years, Congress and the administration modernized the performance appraisal and pay systems for senior executives by requiring a clearer link between individual performance and pay. Specifically, agencies are allowed to raise Senior Executive Service (SES) base pay and total compensation caps if their performance appraisal systems are certified by the Office of Personnel Management (OPM) with concurrence by the Office of Management and Budget (OMB) as, among other things, linking performance for senior

executives to the organization's goals and making meaningful distinctions based on relative performance.

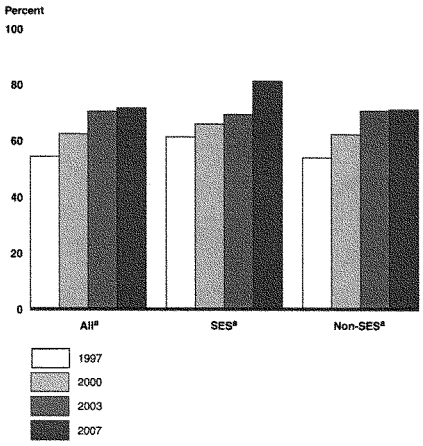
In our past work on performance management and pay issues, we have reported that performance-based pay cannot be simply overlaid on most organizations' existing performance management systems.[14] Rather, as a precondition to effective pay reform, individual expectations must be clearly aligned with organizational results, communication on individual contributions to annual goals must be ongoing and two-way, meaningful distinctions in employee performance must be made, and cultural changes must be undertaken. Most important, leading organizations have recognized that effective performance management systems create a "line of sight" showing how unit and individual performance can contribute to overall organizational goals and can help them drive internal change and achieve external results.[15] Effective performance-management systems that hold executives accountable for results can help provide continuity during times of leadership transition, such as the upcoming change in the administration, by maintaining a consistent focus on organizational priorities.

Interestingly, since our 2003 survey, SES responses regarding accountability show a significant increase. Between 2003 and 2007, there was a 14 percentage point increase in the number of SES who responded that managers/supervisors at their level are held accountable for accomplishment of agency strategic goals. In 2007, there was a 12 percentage point increase in the number of SES who reported that they are held accountable for the results of the programs, operations, or projects for which they are responsible as compared to 2003 (see fig. 5.). There was no significant change in responses from 2003 to 2007 in non-SES level responses to either of these questions.

[14]GAO, *Human Capital: Symposium on Designing and Managing Market-Based and Performance-Oriented Pay Systems*, GAO-05-832SP (Washington, D.C.: July 27, 2005).

[15]GAO, *Human Capital: Senior Executive Performance Management Can Be Strengthened to Achieve Results*, GAO-04-614 (Washington, D.C.: May 26, 2004).

Figure 5: Percentage of Federal Managers Who Reported That They Were Held Accountable for the Results of the Program/Operations/Projects for Which They Are Responsible to a "Great" or "Very Great" Extent



Source: GAO.

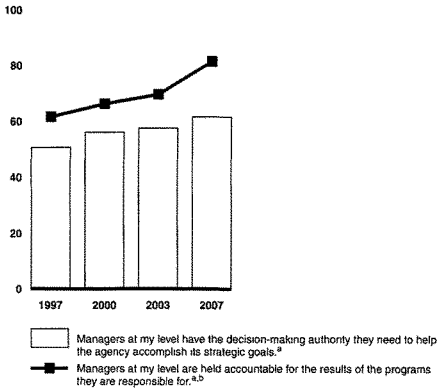
[a]There is a statistically significant difference between 1997 and 2007 surveys.

As we have previously reported, it is important to ensure that managers have the authority to implement changes to the programs for which they are held accountable.[16] Our 2007 survey results, however, indicate a growing gap between senior executives' perceptions of their accountability for program performance as opposed to their decision-making authority (see fig. 6). In 2007, 81 percent of senior executives reported that they are held accountable for the results of the programs for which they are responsible, while 62 percent reported that they have the decision-making authority they need to help the agency achieve its strategic goals, a 19 percentage point difference. Managers' ability to effect

[16]GAO-04-38.

change within their organization is limited if they do not have the decision-making authority to help the agency accomplish its strategic goals.

Figure 6: Comparison of SES Responses Regarding Accountability and Decision-Making Authority



Source: GAO

[a]There is a statistically significant difference between 1997 and 2007.

[b]There is a statistically significant difference between 2003 and 2007.

Build Agency Capacity to Collect and Use Performance Information

While agencies can require managers to collect and report performance information, this does not ensure that managers have the knowledge or experience necessary to use the information or will trust the information they are gathering. The practice of building analytical capacity to use performance information and to ensure its quality—both in terms of staff trained to do the analysis and availability of research and evaluation resources—is critical to using performance information in a meaningful fashion and plays a large role in the success of government performance improvement initiatives.

Managers must understand how the performance information they gather can be used to provide insight into the factors that impede or contribute to program successes; assess the effect of the program; or help explain the

linkages between program inputs, activities, outputs, and outcomes. In earlier work, we found a positive relationship between agencies providing training and development on setting program performance goals and the use of performance information when setting or revising performance goals.[17] While our survey found a significant increase in training since 1997, only about half of our survey respondents in 2007 reported receiving any training that would assist in strategic planning and performance assessment. We previously recommended that OMB ensure that agencies are making adequate investments in training on performance planning and measurement, with a particular emphasis on how to use performance information to improve program performance.[18] However, OMB has not yet implemented our recommendation.

In addition to building agency capacity by educating staff on how to use performance information, it is also important to ensure that the information gathered meets users' needs for completeness, accuracy, consistency, timeliness, validity, and ease of use. Our survey results indicate that those federal managers who felt they had sufficient information on the validity of the performance data they use to make decisions were more likely to report using performance information in key management activities. Interestingly, this question regarding managers' perception of the validity of performance data was more strongly associated with managers' reported use of performance information than it was with any other question on the survey. Additionally, we found a significant relationship between federal managers reporting that managers at their level are taking steps to ensure that performance information is useful and appropriate and their reported use of performance information in key management activities. Getting buy-in from managers by involving them in the selection and development of measures for their programs can help increase their confidence in the data collected and the likelihood that they will use the information gathered in decision making.

[17]GAO-04-38.

[18]GAO-04-38.

Lessons Learned from Prior Performance Improvement Initiatives

Regardless of the form, future governmentwide initiatives to improve performance should take into consideration key lessons learned that we have identified through our work. First, the next administration should promote the three key practices we found that facilitate the use of performance information by all levels of agency management. Beyond this, the next administration can better focus its efforts to improve performance by (1) adopting a more strategic and crosscutting approach to overseeing performance; (2) improving the relevance of performance information to Congress; and (3) building agency confidence in assessments for use in decision making.

Adopt a More Strategic and Crosscutting Approach to Overseeing Governmentwide Performance

Given the time and effort required to assess agency and program performance, taking a more crosscutting, strategic approach to such assessments may better use limited resources. Additionally, focusing decision makers' attention on the most pressing policy and program issues and on how related programs and tools affect broader outcomes and goals may better capture their interest throughout the process. The current administration's PART initiative focuses on individual programs, which aligns with OMB's agency-by-agency budget reviews, but has been used infrequently to address crosscutting issues or to look at broad program areas in which several programs or program types address a common goal. Crosscutting analysis looking at broad program areas is necessary to determine whether a program complements and supports other related programs, whether it is duplicative and redundant, or whether it actually works at cross-purposes to other initiatives. While OMB has reported on a few crosscutting assessments in recent budget requests,[19] we have suggested that OMB adopt this approach more widely and develop a common framework to evaluate all programs—including tax expenditures and regulatory programs—intended to support common goals.[20]

We have previously reported GPRA could provide OMB, agencies, and Congress with a structured framework for addressing crosscutting

[19]For the fiscal year 2006 President's budget request, OMB conducted two crosscutting assessments on Community and Economic Development and Rural Water. In addition, OMB recently announced two new PMA initiatives aimed at improving the performance of federal credit programs and health information quality and transparency across the major relevant federal agencies.

[20]GAO, *21st Century Challenges: How Performance Budgeting Can Help*, GAO-07-1194T (Washington, D.C.: Sept. 20, 2007).

program efforts.[21] OMB, for example, could use the provision of GPRA that calls for OMB to develop a governmentwide performance plan to integrate expected agency-level performance. Unfortunately, this provision has not been implemented fully. OMB issued the first and only such plan in February 1998 for fiscal year 1999. Without such a governmentwide focus, OMB is missing an opportunity to assess and communicate the relationship between individual agency goals and outcomes that cut across federal agencies and more clearly relate and address the contributions of alternative federal strategies. The governmentwide performance plan also could help Congress and the executive branch address critical federal performance and management issues, including redundancy and other inefficiencies in how the government does business. It could also provide a framework for any restructuring efforts.

In addition to the annual performance plan, a governmentwide strategic plan could identify long-term goals and strategies to address issues that cut across federal agencies.[22] Such a plan for the federal government could be supported by a set of key national outcome-based indicators of where the nation stands on a range of economic, environmental, safety/security, social, and cultural issues. A governmentwide strategic plan combined with indicators could help in assessing the government's performance, position, and progress, and could be a valuable tool for governmentwide reexamination of existing programs, as well as proposals for new programs. Further, it could provide a cohesive perspective on the long-term goals of the federal government and provide a much needed basis for fully integrating, rather than merely coordinating, a wide array of federal activities.

Improve the Relevance of Performance Information to Congress

In order for performance improvement initiatives to hold appeal beyond the executive branch, and to be useful to the Congress for its decision making, garnering congressional buy-in on what to measure and how to present this information is critical.[23] In a 2006 review, congressional committee staff told us that although OMB uses a variety of methods to communicate the PART assessment results, these methods cannot replace the benefit of early consultation between Congress and OMB about what

[21]GAO-04-38.

[22]GAO-04-38.

[23]GAO-07-1194T.

they consider to be the most important performance issues and program areas warranting review.[24] However, a mechanism to systematically incorporate a congressional perspective and promote a dialogue between Congress and the President in the PART review process is missing. As a result of this lack of consultation, there have been several areas of disagreement between OMB and Congress about this executive branch tool, resulting in most congressional staff we spoke with not using the PART information. Most congressional staff reported that they would more likely use the PART results to inform their deliberations if OMB (1) consulted them early in the PART process regarding the selection and timing of programs to assess, (2) explained the methodology and evidence used or to be used to assess programs, and (3) discussed how the PART information can best be communicated and leveraged to meet their needs.

OMB has recently taken some steps to more succinctly report agency performance information. In 2007, OMB initiated a pilot program that explores alternative approaches to performance and accountability reporting, including a "highlights report" summarizing key performance and financial information. However, more work could be done to better understand congressional information needs and communication preferences. We have reported previously that congressional staff appreciate having a variety of options for accessing the information they need to address key policy questions about program performance or to learn about "hot" issues.[25] In a case study we conducted on FAA's communication of performance, budgeting, and financial information with Congress, congressional committee staff from the House Transportation and Infrastructure Committee were interested in better using technology to gain additional agency data in a timely manner. For example, staff reported that agencies could create a For Congress page on their Web site dedicated to serve as a single repository of data for congressional requesters. In future initiatives, OMB could explore alternative communication strategies and data sources to better meet congressional needs and interest and ensure that the valuable data collected for performance improvement initiatives is useful and used.

[24]GAO, *Performance Budgeting: OMB's Performance Rating Tool Presents Opportunities and Challenges for Evaluating Program Performance*, GAO-04-550T (Washington, D.C.: Mar. 11, 2004).

[25]GAO, *Managing for Results: Views on Ensuring the Usefulness of Agency Performance Information to Congress*, GAO/GGD-00-35 (Washington, D.C.: Jan. 26, 2000).

Additionally, Congress could consider whether a more structured oversight mechanism is needed to permit a coordinated congressional perspective on governmentwide performance issues. Just as the executive branch needs a vehicle to coordinate and address programs and challenges that span multiple departments and agencies, Congress might need to develop structures and processes that better afford a coordinated approach to overseeing agencies and tools where jurisdiction crosses congressional committees. We have previously suggested that one possible approach could involve developing a congressional performance resolution identifying the key oversight and performance goals that Congress wishes to set for its own committees and for the government as a whole. Such a resolution could be developed by modifying the annual congressional budget resolution, which is already organized by budget function.[26] This may involve collecting the input of authorizing and appropriations committees on priority performance issues for programs under their jurisdiction and working with crosscutting committees such as the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Government Reform, and the House Committee on Rules. This year, Congress issued its budget resolution for fiscal year 2009 containing a section directing Committees of the House of Representatives and the Senate to review programs' performance within their jurisdiction for waste, fraud, and abuse and report recommendations annually to the appropriate Committee on the Budget.[27]

Build Agency Confidence in Assessments for Use in Decision Making

As the primary focal point for overall management in the federal government, OMB plays a critical role in the planning and implementation of the President's initiatives. During the current administration, OMB has reported that is has reviewed over 1,000, or 98 percent, of all federal programs through its PART initiative. Moreover, through its PMA and PART initiatives, OMB has set the tone of leadership at the top by holding agencies accountable for their implementation of recommendations intended to improve program management. However, regardless of the mechanism that the next administration employs to oversee agency and program performance, OMB's efforts could be enhanced by building agency confidence in the credibility and usefulness of its assessments for

[26]GAO-07-1194T.

[27]Concurrent Resolution on the Budget for Fiscal Year 2009, H.R. Rep. 110-659, at 45-46 (2008).

management decision making. To build this confidence, OMB could further its efforts to increase OMB examiners' knowledge of the programs they are assessing and agency knowledge about how to develop and use the information gathered for PART.

Our survey results indicate that concerns exist among federal managers regarding the quality of OMB's assessments. Specifically, managers responding to our survey expressed concerns that OMB examiners may be spread too thinly and do not have sufficient knowledge of the programs they are reviewing necessary for accurate assessments. On our survey, the suggested improvement to PART with the highest level of endorsement from federal managers familiar with PART was to ensure that OMB's examiners have an in-depth knowledge of the programs they review. Seventy percent of respondents indicated that this was a high to very high priority for improving PART. For example, one respondent told us that "the PART reviewer does not have time to try to understand [their] program" and another stated that "some PART reviewers are not familiar with their agency mission and scope." These responses echo previous statements officials have given us regarding PART, in particular that PART assessments can be thoughtful when OMB is knowledgeable about a program and has enough time to complete the reviews, but that assessments are less useful when OMB staff are unfamiliar with programs or have too many PART assessments to complete. By taking a more targeted, strategic approach as we previously recommended, OMB could allow examiners time to conduct more in-depth assessments of selected programs and build their knowledge base about the programs.

OMB can also help to facilitate implementation of future initiatives by offering training to agency officials on the reporting requirements of the initiatives and how the information gathered for these efforts might be incorporated into management decision making. As we previously mentioned, it is important to build agency capacity in terms of the capability of staff to analyze and use performance information in their decision making. Nearly half of managers familiar with PART indicated that agency-level training on developing acceptable performance measures for PART as well as training on how to use performance measures identified as a result of the PART process should be high to very high priorities for improving PART. One survey respondent commented that "PART is a great concept but poorly understood by many in federal service; more training and interaction among managers [working on PART] could lead to substantial improvements in performance and overall efficiencies." Another survey respondent emphasized that training needed to be provided to field offices "so field supervisors and front-line

employees understand how their work outcomes/outputs roll up to highest levels in government goals and initiatives." Building agency officials familiarity with and confidence in the performance assessments being conducted will be critical to improving the integration and use of the information gathered in management decision making.

Conclusions

Each new administration has the opportunity to learn from and build upon the experiences of its predecessors. While the last decade has seen the creation of an infrastructure for government performance improvement efforts, and a more results-oriented culture in the federal government, we still see more that can be done to make this transformation more widespread among federal agencies. Adopting the key practices we have highlighted—demonstrating leadership commitment to performance, aligning individual performance with the goals of the organization, and building the capacity to use information—would be an important first step, and OMB can play an important role in fostering these practices across government. OMB could also adopt some of these practices in its own engagement with agencies—particularly, by helping to provide the training and development that both OMB analysts and agency program managers will need to make sure that any OMB-led performance review is useful and used.

Beyond this, Congress and the administration can help bring a more strategic approach to how government performance is monitored and measured. As we have noted repeatedly in our work, a governmentwide strategic plan, underpinned by a set of key national indicators (KNI), would, in defining outcomes shared by multiple agencies and programs, help keep sight of how well agency programs are working collectively to produce intended results. Whatever performance improvement initiatives the next administration adopts, it will be vital to engage the Congress in helping to identify the meaningful measures of success, as well as the form in which performance information will be useful to Congress itself in carrying out its oversight, legislative, and appropriations roles.

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

GAO Contacts and Acknowledgments

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Appendix I: Objectives, Scope and Methodology

A Web-based questionnaire on performance and management issues was administered to a stratified random probability sample of 4,412 persons from a population of approximately 107,326 mid-level and upper-level civilian managers and supervisors working in the 24 executive branch agencies covered by the Chief Financial Officers (CFO) Act of 1990. The sample was drawn from the Office of Personnel Management's (OPM) Central Personnel Data File (CPDF) as of March 2007, using file designators indicating performance of managerial and supervisory functions. In reporting the questionnaire data, when we use the term "governmentwide" and the phrase "across the federal government," we are referring to these 24 CFO Act executive branch agencies, and when we use the terms "federal managers" and "managers," we are referring to both managers and supervisors. The questionnaire was designed to obtain the observations and perceptions of respondents on various aspects of such results-oriented management topics as the presence and use of performance measures, hindrances to measuring performance and using performance information, and agency climate. In addition, the questionnaire included a section requesting respondents' views on the Office of Management and Budget's (OMB) Program Assessment Rating Tool (PART) and the priority that should be placed on various potential improvements to it.

With the exception of the section of the questionnaire asking about OMB's PART, most of the items on the questionnaire were asked in three earlier surveys. The earliest survey was conducted between November 1996 and January 1997 as part of the work we did in response to a Government Performance and Results Act (GPRA) requirement that we report on implementation of the act. The second survey, conducted between January and August 2000, and the third survey, conducted between June and August 2003, were designed to update the results from each of the previous surveys.[1] The 2000 survey, unlike the other two surveys, was designed to support analysis of the data at the department and agency level as well as governmentwide.

[1]For information on the design and administration of the three earlier surveys, see GAO, *The Government Performance and Results Act: 1997 Governmentwide Implementation Will Be Uneven*, GAO/GGD-97-109 (June 2, 1997); *Managing for Results: Federal Managers' Views on Key Management Issues Vary Widely Across Agencies*, GAO-01-592 (May 25, 2001); and *Results-Oriented Government: GPRA Has Established a Solid Foundation for Achieving Greater Results*, GAO-04-38 (Mar. 10, 2004).

Similar to the three previous surveys, this survey covered the CFO Act agencies and the sample was stratified by whether the manager or supervisor was Senior Executive Service (SES) or non-SES. The management levels covered general schedule (GS), general management (GM), or equivalent schedules at levels comparable to GS/GM-13 through career SES or equivalent levels of executive service. Similar to our 2000 and 2003 surveys, we incorporated special pay plans, for example, Senior Foreign Service executives, into the population and the sample to ensure at least a 90 percent coverage of all managers and supervisors at or comparable to the GS/GM-13 through career SES level at the departments and agencies we surveyed.

One purpose of this survey was to update the information gathered at the departmental and agency level for the survey done in 2000. Similar to the design of the 2000 survey, stratification was also done by the 24 CFO Act agencies with an additional breakout of five selected agencies from their departments—Forest Service, Centers for Medicare and Medicaid Services (CMS), Federal Aviation Administration (FAA), Internal Revenue Service (IRS), and Federal Emergency Management Agency (FEMA). The first four agencies were selected for breakout in our 2000 survey on the basis of our previous work, at that time, identifying them as facing significant managerial challenges. FEMA, which was an independent agency at the time of our 2000 survey, became part of the Department of Homeland Security (DHS) when the department was created. The intent of this survey was to cover the same set of entities examined in the 2000 survey with the addition of DHS, which was created in 2003, in order to examine possible change in managerial perceptions of performance measurement and use over time at the department and agency level between 2000 and 2007. The PART section was included to obtain feedback from managers that would help inform the transition and management agenda of the next administration.

Most of the items on the questionnaire were closed-ended, meaning that, depending on the particular item, respondents could choose one or more response categories or rate the strength of their perception on a 5-point extent scale ranging from "to no extent" at the low end of the scale to "to a very great extent" at the high end. For the PART questions about improvement priorities, the 5-point scale went from "no priority" to "very great priority." On most items, respondents also had an option of choosing the response category "no basis to judge/not applicable."

We sent an e-mail to members of the sample that notified them of the survey's availability on the GAO Web site and included instructions on

how to access and complete the survey. Members of the sample who did not respond to the initial notice were sent up to four subsequent reminders asking them to participate in the survey. The survey was administered from October 2007 through January 2008.

During the course of the survey, we deleted 199 persons from our sample who had either retired, separated, died, or otherwise left the agency or had some other reason that excluded them from the population of interest. We received useable questionnaires from 2,943 sample respondents, or about 70 percent of the remaining eligible sample. The eligible sample includes 42 persons that we were unable to locate and therefore unable to request that they participate in the survey. The response rate across the 29 agencies ranged from about 55 percent to 84 percent.

The overall survey results are generalizable to the population of managers as described above at the CFO Act agencies. The responses of each eligible sample member who provided a useable questionnaire were weighted in the analyses to account statistically for all members of the population. All results are subject to some uncertainty or sampling error as well as nonsampling error. As part of our effort to reduce nonsampling sources of error in survey results, we checked and edited (1) the survey data for responses that failed to follow instructions and (2) verified the programs used in our analyses. In general, percentage estimates in this report for the entire 2007 sample have confidence intervals ranging from about +1 to +6 percentage points at the 95 percent confidence interval. Percentage estimates in this report for individual agencies have confidence intervals that range from +3 to +18 percentage points. An online e-supplement GAO-08-1036SP shows the questions asked on the survey with the weighted percentage of managers responding to each item.

As part of our analyses of the 2007 survey data, we identified a set of nine items from the questionnaire that inquired about uses of performance information that we identified in a previous GAO report.[2] Using those items we developed an index that reflected the extent to which managers' perceived their own use of performance information for various

[2]See GAO, *Managing for Results: Enhancing Agency Use of Performance Information for Management Decision Making*, GAO-05-927 (Sept. 9, 2005). See the online e-supplement GAO, *Government Performance: 2007 Federal Managers Survey on Performance and Management Issues, an E-supplement to GAO-08-1026T*, GAO-08-1036SP (Washington, D.C.: July 24, 2008) for the wording of the items. The nine items constituting the index are questions 8a, 8c, 8d, 8e, 8k, 8m, 10d, 10m, and 11b.

managerial functions and decisions as well as that of other managers in the agency. To obtain this overall index score of reported use of performance information, we computed an average score for each respondent across the nine items we identified. By using this average index score, which yields values in the same range as the 5-point extent scale used on each item, we were able to qualitatively characterize index score values using the same response categories used for the items comprising the index.[3] We refer to this index as the "core uses index" in that it indicates managers' perceptions about the extent to which performance information is used across a core set of management decision-making areas.

Because a complex sample design was used in the current survey as well as the three previous surveys, and different types of statistical analyses are being done, the magnitude of sampling error will vary across the particular surveys, groups, or items being compared due to differences in the underlying sample sizes and associated variances. The number of participants in the current survey is slightly larger than the 2000 survey (2,510) and much larger than the 1996–1997 survey (905) and the 2003 survey (503), both of which were designed to obtain governmentwide estimates only. Consequently, in some instances, a difference of a certain magnitude may be statistically significant. In other instances, depending on the nature of the comparison being made, a difference of equal or even greater magnitude may not achieve statistical significance. We note throughout the report when differences are significant at the .05 probability level. Also, as part of any interpretation of observed shifts in individual agency response between the 2007 and the earlier 2000 survey, it should be kept in mind that components of some agencies and all of the Federal Emergency Management Agency (FEMA) became part of the Department of Homeland Security (DHS).

We conducted our work from March 2007 to July 2008, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

[3]For example, index score values between 1 and 2.99 were viewed as covering the two categories of "small" or "to no extent' while values of 3 to 3.99 fit the category "moderate extent" and values between 4 and 5 encompassed the categories of "great" or "very great" extent.

Testimony of Marcus Peacock
Deputy Administrator, Environmental Protection Agency
before the Senate Committee on Homeland Security and Governmental Affairs,
Subcommittee on Federal Financial Management, Government Information,
Federal Services, and International Security

July 24, 2008

Good afternoon Mr. Chairman and members of the Subcommittee. My name is Marcus Peacock and I serve as the Deputy Administrator at the U.S. Environmental Protection Agency (EPA).

I want to thank the Subcommittee for having this hearing. Congress often conducts hearings regarding how the government can improve how it does a particular job, like providing housing or protecting our borders or cleaning up the environment. But this Subcommittee understands that there are similar methods for improving not just one or two Federal programs, but for improving all Federal programs.

The President certainly gets this idea. That's why in 2001 he directed that agencies integrate performance information into their budgeting decisions. This meant agencies had to identify acceptable performance measures for each program and use those measures when budgeting. The ultimate goal was to improve results across the government. The President directed me to lead this cross-agency effort.

The result of the initial work on this initiative was the Program Assessment Rating Tool or PART. The PART is essentially a method for assessing the effectiveness of Federal programs and, more importantly, recommending improvements in those programs. Since its inception, the PART has won a number of awards and has been copied by other governments.

I am often given credit for creation of the PART but I was very fortunate to have three things going in my favor. First, I had support from the top -- from the President. Second, I had a very talented team of staff at the Office of Management and Budget (OMB) who did the hard work of creating and fleshing out the PART. Finally, I had a really smart advisory committee, including Don Kettl, which helped review our work.

In 2005, I moved from OMB to run the day-to-day operations of EPA. In the last three years I have spent a large part of my time improving EPA's performance management systems. A number of my predecessors including Al Alm and Hank Habicht also placed emphasis on improving management systems and hundreds of EPA staff over the last 20 years have worked on this effort. I stand on their shoulders.

We've come a long way, but I would say the biggest problem EPA currently faces is to make sure our performance measures are actually used. You can treat a measurement system like a thermometer or a thermostat. A thermometer just tells you the temperature. A thermostat not only tells you the temperature but gives you a way to change it.

Performance management systems should be thermostats not just thermometers. They should be used to produce change so that we become more effective at serving the public. Metrics for reporting don't mean much. Metrics for managing are vital.

I've found at least five barriers to using performance information:

1. **Lack of fresh and frequent data**. The Federal government has lots of annual measures but annual measures don't work to run the day-to-day operations of a program. Enterprise Rent-A-Car used to have a commercial showing a car driving around wrapped up in brown paper. I always wondered how that car stayed on the road given the windshield was completely covered. I think trying to use annual performance measures to manage day-to-day operations is like trying to drive that car around. With annual measures, you can't really see where you're going.

2. **A focus on money not results**. Washington DC still operates in a culture that asks, "How much did a program get?" rather than "What did the program produce?" That's not a healthy way of looking at things. Think about the incentives inherent in declaring an organization more successful if it spends more money, regardless of the results it achieves.

3. **Too many meaningless measures**. What matters gets measured, but if everything gets measured then it's hard to tell what matters and the measures simply won't get used. Measures need to be meaningful, and able to be objectively evaluated.

4. **Too little access.** The fewer people that have access to performance information the fewer people are able to use it. That's why I believe performance information should be available to the widest possible audience.

5. **Resistance**. People naturally worry about the consequences of not meeting performance targets. They think performance data may be used as a cover to cut funding or punish people. The fact is these systems can be abused, but that is a poor reason to avoid them. An organization cannot become excellent without having a process for measuring its performance. If you can't see what you're doing right, you'll never learn from it.

In conclusion, I'm fortunate that I work at EPA. The employees love the mission of the agency. Most people are interested in improving our results even if that means change. They understand that when EPA works better, public health and the environment improve faster. EPA management initiatives are gobbledygook unless they lead to cleaner air, water, or land.

We need to get to a point where all Federal agencies practice good performance management. Whether the latest and hottest issue is homeland security, or securities regulation, or climate change, a functioning performance management system is invaluable to helping any Federal agency do its job better. We need to get to the point where there is an answer to any Federal employee who asks the question, "How can I do my job better?"

The Challenges of Management Reform for the Next Administration

Statement

Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security
Committee on Homeland Security and Governmental Affairs
United States Senate

July 24, 2008

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Summary

The next administration faces large challenges in managing the government. It must meet them if government is to meet the expectations of the people and the inescapable realities of the 21st century. That, in turn, requires a new management reform strategy that builds on the following points.

1. ***There is no obvious next step in reforming the federal government.*** For the first time since the Eisenhower administration, the next step in management reform is not clear. We know that there is much in government that needs to be changed, but there is no clear road map to guide us.

2. ***We have run the natural course of current management reforms.*** We face a daunting collection of next-generation problems that will require next-generation management reforms. Doing nothing—or doing more of the same—is simply unacceptable.

3. ***The costs for failing to develop the next generation of management reforms will be large and punishing.*** We face a growing array of wicked problems that are large, arise unexpectedly, provide little time to react, and that, if left unsolved, impose enormous costs in human lives, damage to the economy, and injury to public trust in government.

4. ***Simply continuing the reform efforts of the last two administrations will prove inadequate.*** We found first with September 11 and then with Hurricane Katrina that our existing strategies for running the federal government are not up to the challenges of a 21st century world.

5. ***We now need a new reform effort that focuses squarely on promoting collaboration among agencies instead of pursuing more strategies that reinforce existing stovepipes.*** We've found that the most effective efforts to solve big problems, such as the Coast Guard's yeoman service in the terrible days after Hurricane Katrina struck, require a collaborative government focused on results: defining the problem we need to solve; discovering the resources needed to solve it; identifying the agencies that possess the resources; securing their collaboration and focusing it on solving the problem; and judging success by assessing results.

6. ***We already know how to do this.*** Some of government's best managers are already charting the way—and they are proving that collaborative governance works. However, too often, they have to do it the hard way instead of the easy way. That means they have to work far harder to get the job done and some government managers, sizing up the challenge, shy away from the aggressive leadership our problems require. We need to smooth their path if we are to produce the reliable, high-quality government taxpayers demand and citizens deserve.

7. ***The next president should advance this strategy.*** The steps: focusing the Office of Management and Budget on outcomes; driving a robust Office of Personnel Management to create leaders; and establishing a White House performance czar to ensure constant top-level attention to management issues.

8. ***Congress should reinforce this effort.*** The steps: use the Government Performance and Results Act to require agency leaders, every time they testify before a congressional committee, to explain what goals they are seeking for citizens and how effectively there are achieving them; and reinforce sensible risk taking by federal managers by recognizing managers especially successful in achieving national objectives.

We know what the government needs to work better. And we know what steps we need to take. An increasingly complex world and increasingly way citizens will surely punish a government that fails to rise to the challenges of the 21st century with a governance system that works: one that mobilizes government in the public interest and ensures collaboration to achieve results that matter for people

The Management Imperative

Put simply, government management matters. Citizens rightly expect that government's managers will deliver outstanding service in exchange for the tax dollars they pay. Elected officials rightly expect that government managers will execute the policies they create in an accountable, predictable, high-performing way.

As the new administration sizes up these challenges, it can count on three basic problems. First, there won't be any money. The costs of the wars in Iraq and Afghanistan, coupled with the impending retirement of the baby boomers, will make it essential for the government to wring extra productivity out of every nickel of scarce taxpayer dollars. Second, there will be some large Katrina-style crisis that will require the very best of the government's management capacity. Third, the government will need to tackle a vast range of less sensational but no less important management issues, ranging from the conduct of the 2010 census and the management of defense contracts to environmental cleanup and food safety.

We will need the very best management we can get. However, government is too often ill-prepared for the big crises, sometimes struggling to deal with routine issues, and far too often doing the right thing the hard way. We are moving past the days of doing more with less to an era of even higher expectations, tougher problems, fewer resources, and tighter scrutiny.

The good news is that we have already figured out how to do the hard things we know we must do. The challenge is finding a way to do them more reliably with less wasted money and effort—to find an easier way to do the right thing.

Here's a roadmap to that course.

1. There is no obvious next step in reforming the federal government. For the first time since the beginning of the Eisenhower administration, the next step in management reform is not clear. Consider the strategies of the last generation of presidents: Eisenhower came into office on the heels of the Hoover Commission.[1] Kennedy brought in his "whiz kids" from the private sector.[2] Johnson advanced the Planning Programming Budgeting System for financial reform.[3] Nixon upped Johnson's ante with Management by Objectives.[4] Carter used Zero-Base Budgeting in Georgia and brought it to Washington.[5] Reagan pledged to vastly expand privatization,[6] and George H.W. Bush continued that effort. Clinton was an advocate of Osborne and Gaebler's *Reinventing Government.*[7] George W. Bush gave a campaign speech in Philadelphia on June 9, 2000, which charted his Presidential Management Agenda.[8]

2. We have run the natural course of current management reforms—we now need a next-generation approach for next-generation problems. As we look forward into the new administration, two things *are* clear: the current management reforms have exhausted their natural life, and there is no natural successor in the wings. There is no bestseller, no ideological prescription, no buzzword. This is historic. For the first time in 60 years, there is no obvious "big idea" to chart the new administration's course.

Over the last 125 years, since the Progressive era, there has been a regular cycle to federal government reforms. When old ideas lost their steam, new ones have arisen to take their place.

The new presidential administration in 2009 is precisely at one of the periodic points of change. The existing reforms have run their course. When that has occurred over the last 125 years, new ideas have surfaced in a regular cycle of big challenges, reform, implementation, new challenges, and new reforms. Consider the history, which now puts us at the end of one cycle and at the launch of the next.

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[1] Commission on Organization of the Executive Branch of the Government [Hoover Commission], Report (New York: McGraw-Hill, 1949). Records of the commission (1947-49) are available at http://www.archives.gov/research/guide-fed-records/groups/264.html . A second commission followed in 1955.

[2] David Halberstam, *The Best and the Brightest* (New York : Random House, 1992, 20th anniversary edition).

[3] Bureau of the Budget, Bulletin No. 68-69 (April 12, 1968).

[4] Nixon introduced MBO through two memos from the Office of Management and Budget to federal agencies on April 18 and 19, 1970. For a history, see Chester A. Newland, "Policy/Program Objectives and Federal Management: The Search for Government Effectiveness," *Public Administration Review* (January/February 1976), pp. 20-27.

[5] Peter A. Pyrrh introduced the system at Texas Instruments and helped Carter install it in Georgia. See his *Zero-Base Budgeting: A Practical Tool for Evaluating Expenses* (New York: Wiley, 1973).

[6] President's Private Sector Survey on Cost Control (Grace Commission), *A Report to the President* (Washington, D.C.: Government Printing Office, 1984

[7] David Osborne and Ted Gaebler, *Reinventing Government* (Reading, Mass.: Addison-Wesley, 1992).

[8] Alison Mitchell, "Bush Criticized Gore Record on Trimming Bureaucracy," *New York Times* (June 10, 2000).

- *Reform 1.0 (1881-1913: Garfield, Arthur, Cleveland, Harrison, Cleveland, McKinley, Roosevelt, Taft).* Arthur came into office following Garfield's assassination by Charles Guiteau, who was furious at the president for spurning his demands for a federal job. Arthur championed civil service reform, a centerpiece of the Progressives' reform strategy. The 1883 civil service act, in turn, became the foundation for modern government reforms. Based on the Progressives' ideas, the focus of Reform 1.0 was empowering the government to tackle the challenges of the industrial age without creating government administrators so powerful that they could threaten individual liberty. What flowed from these reforms was a series of new government structures (that both created and constrained power) and new procedures (to make government more efficient and more transparent).
    - *Reform 1.5 (1913-1933: Wilson, Harding, Coolidge).* A burst of reform occurred half way through the Progressive period. Congress and the president joined to create new cabinet departments, establish the Federal Reserve, and design the federal government's first executive budget in 1921. This stage of Reform 1.0 was marked by more aggressive procedural change and the creation of new-era government agencies focused on administrative efficiency.

- *Reform 2.0 (1933-1953: Roosevelt, Truman).* Reform 1.0 ended when the Progressives' government proved unable to deal with the Great Depression. To tackle the economic crisis and then to fight World War II, Roosevelt substantially increased the power of the president and the executive office. The Brownlow Committee famously concluded in that "the president needs help," and Roosevelt followed their advice in strengthening the White House staff.[9]

- *Reform 3.0 (1953-1981: Eisenhower, Kennedy, Johnson, Nixon, Ford, Carter).* Reform 2.0 ended when Congress and Truman worried about the government's capacity to transform wartime government to a peacetime establishment. The Hoover Commission, chaired by former president Herbert Hoover, prescribed a series of steps—restructuring of government agencies and improved management processes—to enhance government's efficiency. The efficiency theme continued through the Eisenhower administration, when a second Hoover Commission met; the Kennedy years, with a focus on bringing the best private sector management techniques into government; and then through the Johnson, Nixon, Ford, and Carter administrations with a series of analytical strategies to improve and strengthen the federal budget process. Reform 3.0 was an echo of Reform 1.0: a search to reinvent the Progressives' focus on structure (like combining the armed services into the Department of Defense, which occurred in the midst of the Hoover Commission's work) and process (including the progressive budget reforms of the Johnson, Nixon, and Carter administrations, all of which sought greater efficiency in government spending).

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[9] The President's Committee on Administrative Management, *Report of the Committee,* 74th Cong., 2d sess. (Washington, D.C.: U.S. Government Printing Office, 1937).

- *Reform 4.0 (1981-2009: Reagan, G.H.W. Bush, Clinton, G.W. Bush).* Reform 3.0 ended when it was clear that further budget reforms would produce little additional impact. Reagan successfully focused a political and managerial strategy on rethinking what government ought to do and on privatizing many existing government operations. The first president Bush continued the effort. Clinton shifted gears with his "reinventing government" effort, focused on making government "work better and cost less," which proved a twin-edged strategy to motivate government workers toward a more citizen-centered service system and to cut the number of government employees. Bush picked up the themes and applied the works better/costs less strategy more directly to his President's Management Agenda, with a mandate for all government agencies to assess the effectiveness of their programs and to tie those assessments to budget decisions. Advocates of each approach would no doubt bristle at being grouped in the same era, but Reagan, Clinton, and Bush led reforms fundamentally of the same piece: new analytical processes to produce greater reforms in government's operation while, at the same time, trying to make government smaller.

- *Reform 5.0 (2009-?).* Reform 4.0 ended with the twin blows of the September 11 terrorist attacks and Hurricane Katrina. Privatization strategies did not help government do what only government could do. Fewer government employees, motivated more toward citizen-centered service, and a management system designed to measure performance failed to ensure the coordination that government needed. Congress and the president joined after the September 11 terrorist attacks to restructure the government, especially in creating the new Department of Homeland Security. That restructuring utterly failed its first test, with Hurricane Katrina, and underlined the conclusion that structure-based reforms (born of Reform 3.0) and privatization/citizen service/performance management reforms (driven through Reform 4.0) could not, on their own, provide the solution to the large and inescapable programs facing the nation. In fact, the creation of DHS proved a 1950-era strategy for 21st century problems, and it was little wonder it fell short. What government most needed was the next-generation Reform 5.0. (I will shortly return to describe what Reform 5.0 needs to look like.)

For the last 125 years, the federal has moved through regular cycles, in which new policy challenges pushed aside old practices and forced new reforms.[10] Consider the time period of each era:

Reform 1.0	32 years
Reform 1.5	20 years
Reform 2.0	20 years
Reform 3.0	28 years
Reform 4.0	28 years

[10] Paul C. Light has charted the periodic nature of government reforms in *The Tides of Reform: Making Government Work, 1945-1995* (New Haven: Yale University Press, 1997).

WRITTEN TESTIMONY
OF JIM DYER
CHIEF FINANCIAL OFFICER AND
PERFORMANCE IMPROVEMENT OFFICER
UNITED STATES NUCLEAR REGULATORY COMMISSION

TO THE

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT, GOVERNMENT INFORMATION, FEDERAL SERVICES, AND INTERNATIONAL SECURITY
UNITED STATES SENATE

IMPROVING FEDERAL PROGRAM MANAGEMENT USING PERFORMANCE INFORMATION

July 24, 2008

Mr. Chairman and Members of the Subcommittee, it is an honor to appear before you today to share our approach for using performance information to improve management of U.S. Nuclear Regulatory Commission (NRC) Programs.

The mission of the NRC is to license and regulate the Nation's civilian use of byproduct, source, and special nuclear materials to ensure adequate protection of public health and safety, promote the common defense and security, and protect the environment.

On May 2, 2008, I was appointed as the NRC's Chief Financial Officer and Performance Improvement Officer. In that capacity, I lead agency budgeting, financial management, and performance management activities. Prior to this assignment, I served as the Director, Office of Nuclear Reactor Regulation, responsible for the reactor safety program, and Regional Administrator, Region III, where I was responsible for implementing NRC programs for reactor, materials and waste licensees in eight Midwestern states.

I am pleased that the Government Accountability Office recognized the NRC for the improvements in recent survey results regarding the agency use of performance information. In order to achieve these improved results, the NRC implemented a comprehensive performance management program and effectively communicated our use of performance information to all our stakeholders, both internal and external to the agency. I believe this is a result of the strong commitment by NRC Commissioners and senior management to continuous improvement; effective implementation of our Planning, Budgeting, and Performance Management process; and an existing atmosphere of openness with employees and external stakeholders concerning our successes and challenges. I also believe that the recent government-wide activities in response to Executive Order 13450, "Improving Government Program Performance," which established Performance Improvement Officers and the Performance Improvement Council, offer the potential for further improvement in NRC performance management.

Planning, Budgeting and Performance Management (PBPM) Process

In response to the enactment of the Government Performance and Results Act, the NRC created its Planning, Budgeting, and Performance Management (PBPM) process in 1997, and we still follow this process today, although the methods we use to accomplish the components of the PBPM process have improved over the years. The PBPM process contains the following four components:

-Setting the Strategic Direction
-Determining Planned Accomplishments and Budgeting Resources
-Executing the Budget and Monitoring Performance
-Assessing Performance and Providing Feedback to Strategies and the Budget

As required by the GPRA, the NRC sets its strategic direction through use of a Strategic Plan developed with input from interested parties, including the NRC staff, external stakeholders, the Congress, and the public. We published our first Strategic Plan in 1997 and have updated the plan three times. Each update restructured our goals, outcomes, and strategies to strengthen and clarify their support of the agency mission. The NRC Strategic Plan for FY 2008-2013, published in February 2008, has been streamlined to focus on two strategic goals necessary to accomplish our mission:

Ensure adequate protection of public health and safety and the environment. (Safety Goal)

Ensure adequate protection in the secure use and management of radioactive materials. (Security Goal)

The current Strategic Plan also describes the NRC's Organizational Excellence Objectives of Openness, Effectiveness, and Operational Excellence, which characterize the manner in which the agency intends to achieve its Safety and Security Goals. It also describes the expected outcomes and strategies for accomplishing each goal as well as strategies for achieving the Organizational Excellence Objectives.

Using the Strategic Plan and performance assessment information from prior years, the NRC develops an annual budget, identifying the planned activities and resources necessary for accomplishment. This process begins with the Commission providing high-level planning objectives for budget development and prioritization of planned activities. Using these planning objectives, the NRC staff then develops the budget to accomplish the desired activities in a manner that develops a performance contract for key programs throughout the agency to complete planned activities on schedule within the allocated resources. This participation in budget development at multiple levels within the NRC encourages a staff commitment to complete the budgeted activities identified in the performance plan.

As part of the budget development, the staff also identifies measures and targets that go beyond those in the performance plan to identify expected performance in the areas of quantity, cost, quality, and timeliness of planned activity products. These measures are included in NRC organizational Operating Plans to establish clear expectations for staff performance. During the budget execution year, performance is monitored in key areas and reported to various levels of agency management up to the Deputy Executive Directors for Operations on a quarterly basis. Recently an agency working group completed a benchmarking project among NRC offices that captured the best practices within the agency for reporting performance. The recommendations

from this working group will significantly enhance the quality of performance information monitoring and reporting for each office's Operating Plan.

In addition to performance monitoring during the execution year, the NRC also conducts periodic assessments of its programs as part of the PBPM process. These assessments vary in complexity based on the importance of the program to the overall agency mission and consider inputs from several sources, including lessons learned activities, Congressional hearings, external appraisals, industry performance indicators, and external stakeholder surveys. Scheduled program evaluations are shown in the Strategic Plan approved by the Commission every 3 years and are used to improve the PBPM process. The most sophisticated program evaluations involve the Reactor Oversight Process (ROP) and Integrated Materials Performance Evaluation Program (IMPEP), for which stakeholder surveys, performance data, and detailed reviews of procedures and performance are integrated into an overall assessment and presented to the highest levels of the agency, including the Commission. The NRC has also initiated application of the Lean Six Sigma evaluation process to assess program and process performance more systematically. The Office of Management and Budget's (OMB's) Performance Assessment Rating Tool (PART) reviews also provide additional input to our overall program assessments. To date, six of the seven programs assessed have received the highest rating of "Effective", and one program received the second highest rating of "Moderately Effective". The NRC has developed specific actions to address the findings of the PART assessments and report on the action item status as part of the Performance Budget. The results of all these assessments are then collected and used to update the Strategic Plan and as input for out-year program budgets.

Staff Performance Accountability

In addition to contributing to programmatic performance improvement, the NRC also uses performance information for individual performance evaluations and accountability. The Office of Personnel Management (OPM) guidance for Senior Executive Service (SES) Appraisals now requires that at least 60% of the appraisal be based on program performance. This guidance is being implemented beyond the SES. Individual performance plans for agency managers and staff include performance measures and targets for their responsible programs and activities that are aligned with the agency goals and outcomes. Performance is recognized and rewarded according to the achievement of these performance measures. NRC has also initiated assessments where offices are appraised on their contributions to the success of other offices. The results of these assessments are integrated with Operating Plan results to provide input to the individual SES member performance evaluations.

Communicating Performance

As part of our efforts to be open and transparent, the NRC emphasizes communicating our performance plans and results to our internal and external stakeholders. It is important that agency performance be transparent to NRC managers, staff, and stakeholders so that successes and best practices can be communicated and that performance problems are identified and corrected. The Strategic Plan, Performance Budget, and the Performance and Accountability Report (PAR) are effective means of communicating to the Congress, OMB, NRC staff, and other stakeholders the strategic direction of the NRC and the resources and activities necessary to achieve the mission of the agency. Commission meetings concerning NRC Program Performance Reviews are some of our best attended public meetings, as are the licensee performance review public meetings near sites. NRC offices post their Quarterly Operating Plan results on their internal websites, routinely discuss performance results with staff

during the periodic meetings and in newsletters, and recognize the contributions of staff performance to the agency mission through the awards process.

As required by current law, the NRC also provides periodic reports to Congressional oversight committees on the status of selected licensing and regulatory activities. These reports generate added levels of focus and attention by the Commission, senior managers, and staff to key programs of greatest interest to Congress.

The Association of Government Accountants (AGA) and the Mercatus Center analyze and report on Federal agency PARs regarding performance results and clarity of understanding for the general public. Both organizations have prompted agencies to improve the reporting of performance and financial results. The NRC's FY 2007 PAR received the Certificate of Excellence in Accountability Reporting (CEAR) award for the 7th straight year from the AGA and a ranking of 4th out of 24 agencies by the Mercatus Center, which rates Federal agency PARs according to how well they inform the public.

Challenges

While the NRC has made improvements in performance management, we recognize that we still face a number of challenges to manage our performance effectively.

The NRC has experienced a period of significant growth in the past few years due to the renewed interest in commercial nuclear power as a source to meet future electricity demands in the United States. This has resulted in agency reorganizations, human capital challenges, and implementation of new regulatory activities and processes throughout the agency. This growth and change has increased the complexity of performance monitoring by adding new programs, new organizational relationships, and an increased level of work within the agency. Performance monitoring and feedback to our programs and performance through the PBPM process will be even more important in the near future if we are to make gains in efficiency and effectiveness that we expect as we mature in this new environment.

The current system of performance monitoring and assessments that I described earlier is an extremely labor intensive process. We need to modernize the methods for accomplishing the PBPM process to utilize the latest information technology advancements. Improving our budget structure and integrating costing information with program performance in a timely manner will facilitate improved management decisions.

Our current performance metrics emphasize quantity and timeliness over quality because of the ease of measurement. Feedback on the quality of some NRC products is provided by our independent advisory committees, but they review a small subset of our work. Often quality problems are identified due to schedule delays because of the required rework and reanalysis to support the regulatory decision in an acceptable manner. We need to develop methods for more timely measurement of the quality performance of our programs.

Performance Improvement Council

On November 13, 2007, the President issued Executive Order 13450, "Improving Government Program Performance", which states that it is the policy of the Federal government to spend taxpayer dollars effectively and to increase effectiveness each year. The Order directs each agency to appoint a Performance Improvement Officer (PIO) responsible for implementing agency performance improvement initiatives and for OMB to establish a Performance

Improvement Council (PIC) made up of agency PIOs. To date, I have participated in two PIC meetings and found them to be a valuable source for potential solutions to NRC performance management challenges. The PIC enables agencies to share best practices for improving the use of performance information. Presentations by other agencies on their experience with such subjects as Lean Six Sigma evaluations for staff relocation challenges and expeditious closeout of contracts offered me insights on dealing with these issues at the NRC. The recent survey by OMB of agency PIOs on key issues to be addressed may further improve the value of the PIC to government agencies.

Conclusion

The progress made by the NRC in improving performance management through the use of performance information is the result of our continuous efforts to improve implementation of the Planning, Budgeting and Performance Management Process over a number of years and our commitment to openness with both our staff and external stakeholders including Congress and the public. There are still improvements to be made in this area, particularly with recent agency growth and advancements in information technology. I believe that continued improvements to our processes and performance are possible through effective benchmarking both within the NRC and from external input from the Congressional oversight, the OMB Performance Improvement Council, and public feedback.

I want to thank you again for allowing me the opportunity to address NRC use of performance information to improve our programs. I look forward to answering any questions you may have.

HOLD FOR RELEASE
UNTIL PRESENTED BY WITNESS
July 24, 2008

Statement of

Scott Pace
Associate Administrator for Program Analysis and Evaluation,
National Aeronautics and Space Administration

before the

Senate Subcommittee on Federal Financial Management, Government Information,
Federal Services and International Security
Committee on Homeland Security and Governmental Affairs
United States Senate

Good afternoon, Chairman Carper, Dr. Coburn, and Members of the Subcommittee. Thank you for inviting me here today to discuss NASA's use of performance information in its management and decision-making.

I am NASA's Associate Administrator for Program Analysis and Evaluation. The NASA Administrator holds my office accountable for providing objective studies and analysis in support of Agency policy, program, and budget decisions. In particular, the Office of Program Analysis and Evaluation is directly responsible for the planning and programming portion of NASA's planning, programming, budgeting, and execution process. More relevant to today's hearing, I am also the Agency's Program Improvement Officer under Executive Order 13450, and the lead for various Program Improvement Initiatives under the President's Management Agenda. Thus, I have been able to observe the full spectrum of NASA's activities, its performance, where we have excelled, and where we can improve.

From this vantage point, I would like to share some observations on why NASA receives generally good marks on performance, and continues to receive strong bipartisan support from Congress – for which we are very appreciative. NASA is fortunate in being charged by the Administration and Congress with missions well suited to performance management – and having a performance-oriented culture that values "mission success" as a central tenet. Through hard experiences, both good and bad, NASA has sought to put the right tools and governance processes in place to ensure better accountability, transparency and oversight. It is through the *process* of meeting these requirements that NASA helps *ensure* mission success. In short, processes are not ends in themselves, but means for accomplishing the missions assigned to us by the Administration and Congress.

In NASA's experience, the best tools for creating accountability and transparency are those that provide consistent external reporting requirements, and provide flexibility in the design of internal measurement techniques tailored to our unique missions. Consistent external reporting helps focus the Agency on the most important metrics, and flexibility helps to avoid the trap of imposing simple "one size fits all" performance answers that can mask more than they reveal. While NASA's system

is generally working well, we are not without challenges, and need the support of Congress in maintaining our commitment to the efficient and effective execution of Agency missions.

As I mentioned earlier, one of our advantages is that NASA has a deeply rooted performance culture. It is embedded in the nature of our mission, and the need for mission success. Every mission we fly is unique. Space is unforgiving, and the right events must happen at every step of the journey to achieve mission success. Having good metrics allows us to track our performance to plans and, more importantly, to make the correct decisions. The consequences of mission failure are severe, and in the worst case, can include loss of life. Programmatic failures – cost and schedule – are similarly critical, as they consume resources entrusted to us that could have been used for other public purposes. For all these reasons, the need for performance management has been long internalized at all levels in NASA, by engineers, managers, and institutional support personnel, all of whom must work together to make our missions succeed.

Second, the nature of NASA's mission is well suited for effective performance management. Our mission is very concrete, and our goals readily flow down to every level of the Agency: fly each Space Shuttle mission safely until retirement; complete the International Space Station; launch scientific missions; conduct groundbreaking scientific and aeronautics research; develop the next generation launch vehicles, that will return us to the moon, Mars and beyond. Performance against concrete goals is measurable, traceable – and thus actionable. Our budget is aligned to our goals. We have well-established program and project management policies, driven by the need to deliver a wide portfolio of missions, of many sizes, and to many destinations. Our programs are typically milestone-driven, and we often face "hard deadlines," such as planetary launch window constraints. Our schedules are complex and must be integrated; many organizations must come together successfully to fly each mission. As an Agency, we are comparatively small and compact, and key, strategic, *informed* conversations can still be held at the highest levels of the Agency (while delegating as many decisions as possible to the lowest possible levels).

NASA's performance management system rests on two foundations: good data, and good governance. Data that are not coupled with decision-making are just that: numbers. Getting the right data at the right time to the right decision-makers is a perennial management challenge. Since the loss of *Columbia*, we have invested heavily, not only in improving the quality and timeliness of performance data, but also in establishing a disciplined governance process up and down the management chain. At the top of the Agency, three governance councils -- the Strategic Management Council, Program Management Council and Operations Management Council -- have specific oversight responsibility on three dimensions of performance: our strategic performance, our program execution performance, and our institutional performance. In addition, a Baseline Performance Review provides a monthly assessment to senior management of both program execution and the institutional elements supporting execution. Lines of accountability are clear, and open discussion, informed by data, is the norm. Agency leadership understands that performance measurement is a management tool that can be used to drive "good" behaviors, and routinely uses that tool to effect change through questioning, debate, and continual attention. We are also mindful of the time and "transaction costs" associated with collecting performance data, and strive to eliminate internal redundancies whenever possible, to ask only for data that is required for decision-making, and to match the reporting requirements to the mission size and risk.

We are currently focused on aligning all of our external reporting to a single set of external measures. We are currently linking internal performance indicators directly to these external measures and commitments, e.g., Government Performance and Results Act (GPRA) and Program Assessment

Rating Tool (PART) metrics. It is perhaps not surprising, given our Agency's strong mission focus, that a key challenge has been to develop a framework for assessing our institutional performance as rigorously as our mission performance. This is not to say that our institutional performance is poor – we could not achieve our current mission success rate if it were – but rather that we are less practiced at defining and measuring level-of-service and institutional efficiency type performance.

I could describe our process in much greater detail, but the real demonstration of performance management is in mission success. We currently have 56 robotic science spacecraft operating throughout – and beyond – the solar system. We continue to conduct groundbreaking scientific and aeronautics research. The International Space Station is nearing completion, with seven assembly flights remaining and two contingency logistics flights, which will be flown if they can be safely accomplished before Shuttle retirement in FY 2010. We are also looking toward a final Space Shuttle mission to repair the Hubble Space Telescope this October.

I cannot overemphasize the importance of our Return to Flight efforts following the loss of *Columbia*, both as a technical and a management achievement. This process exercised NASA's new governance – and performance management – system to its fullest, both in the nature and quality of the discussions held and decisions made, and the complexity of the challenge. We learned that a mission-driven organization needs a "checks and balances" organizational model that creates the appropriate level of management tension for the successful execution of high-risk endeavors. It is important for engineering to maintain technical purview over requirements and any deviations independent of the program, and for Safety and Mission Assurance to independently assess the acceptability of any residual risk. Likewise, verification compliance is the responsibility of both Engineering and Safety and Mission Assurance. The NASA Chief Engineer joined the NASA Chief, Safety and Mission Assurance, as mandatory voting members, in the Shuttle Flight Readiness Review. Any dissenting position by the NASA Chief Engineer or the NASA Chief, Safety and Mission Assurance is appealed to, and can only be overturned by, the NASA Administrator. Each Chief also has representatives as mandatory voting members on all program-level decisions, with the commensurate appeal process in place to elevate disagreements to higher levels of NASA management as they may arise.

The success of a performance management system can also be found in crises averted. I can think of two recent cases in our science portfolio, Stratospheric Observatory For Infrared Astronomy (SOFIA) and Kepler, in which complex, risky development projects found themselves in great difficulty. The issues were monitored in our performance management system, the data presented, and decisions worked their way up to ultimately be made by the highest levels of Agency management. In both cases, projects were put on notice, corrective action plans developed, and the projects placed back "on track." The related management decisions were real, and substantive, and included engagement at high levels with university, international and contractor partners, reorganization of work and work agreements, and risk mitigation. This is how a performance management system *should* work, by triggering decisions, and actions and not struggling to understand what was happening.

In the risky business of space development, we will continue to face challenges. Nine projects have breached cost and/or schedule thresholds in FY 2008 against performance baselines that NASA has

STATEMENT OF DANIEL A. TUCKER

DEPUTY ASSISTANT SECRETARY FOR BUDGET
DEPARTMENT OF VETERANS AFFAIRS

FOR PRESENTATION BEFORE THE
SENATE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT, GOVERNMENT INFORMATION, FEDERAL SERVICES, AND INTERNATIONAL SECURITY

JULY 24, 2008

Mr. Chairman and members of the subcommittee, good afternoon. I appreciate the opportunity to be here today to discuss how the Department of Veterans Affairs (VA) uses performance information to improve service delivery to veterans and strengthen accountability for results.

In addition to serving as VA's Deputy Assistant Secretary for Budget, I am also the Department's Performance Improvement Officer (PIO). I was named the PIO in December 2007 in response to *Executive Order 13450: Improving Government Program Performance*. In this capacity, I represent VA on the interagency Performance Improvement Council led by OMB. I also have established a Performance Improvement Council at VA comprised of senior career officials responsible for planning, performance, and financial management throughout the Department. VA's council addresses a variety of performance management activities in the Department, including, but not limited to, the review, analysis, and development of performance measures to be included in the budget; setting aggressive but achievable performance goals; and monitoring progress toward achievement of the milestones included in the Performance Improvement Initiative within the President's Management Agenda.

Since the passage 15 years ago of the Government Performance and Results Act (GPRA), we have seen a major transformation in the manner in which performance information is used in budgeting, program management, and human resource management throughout VA. Our efforts to more fully utilize performance information continue to evolve and we still have a number of challenges to overcome. Nevertheless, VA has made noteworthy progress in using performance information to better justify our request for resources, monitor our programs throughout the year to help ensure key goals and objectives are achieved, and document our accomplishments and challenges in a transparent manner to veterans, our stakeholders, and the general public.

Development and Implementation of Improved Performance Measures

In response to GPRA and other performance management initiatives, the Department has placed increased emphasis on developing a balanced set of program performance metrics linked to our strategic goals and objectives. These measures cover program outputs, efficiency, and outcomes.

The initial step in our annual budget and performance planning process is a reevaluation of the performance measures included in our Congressional budget justifications. We analyze each measure to ensure it is still appropriate and meaningful, develop new or improved metrics that present a better gauge of program outputs, efficiency, or outcomes, and eliminate those for which performance levels have been maximized. We use customer feedback to ensure that the performance metrics we employ are measuring those things most important to veterans and their families. The customer data we collect on how satisfied they are with the benefits and services we provide, including the timeliness of our service, are used to make appropriate adjustments to our program operations. At the same time we review our performance measures, we also reevaluate the strategic targets associated with these measures to ensure they represent the highest level of performance we can reasonably expect to achieve.

Program Assessment Rating Tool (PART) reviews have highlighted where further emphasis is required to ensure appropriate efficiency and outcome measures are developed and implemented. Following each PART review, we constructed a program improvement plan, which we update twice a year, that includes specific actions we need to take in order to make sure each program has a meaningful set of metrics and data collection vehicles in place that can be used to assess program results. The primary benefit of the PART reviews has been to encourage agency leaders, program managers, and staff to place increased focus on developing relevant performance measures and to implement data collection mechanisms to ensure performance information is captured and analyzed on a regular basis.

Consistent with the President's Management Agenda initiative on the strategic management of human capital, VA implemented a new performance appraisal and awards system within the last 3 years that is directly linked to the Department's mission, goals, and objectives. This five-tier system ensures that higher performing employees are recognized compared to those whose performance is not as high. The performance standards for all senior executives contain objective and quantifiable measures that are based on organizational performance indicators.

Use of Performance Information in Budgeting

After the passage of GPRA, the Department began an extended effort to overhaul our Congressional budget justifications to more fully incorporate and utilize performance information. Prior to GPRA our budget submission made only brief references to program performance and the information was not effectively integrated into our request for resources. Today our budget request for every program and support function contains a wealth of information on strategic goals and objectives, historical and projected performance levels, the means and strategies we will use to achieve our performance goals, and information on data quality.

VA's budget formulation process routinely includes discussions involving the Secretary, Deputy Secretary, and other senior leaders about program performance goals. Performance information is a critical component of the process we use to determine our request for resources.

This has been a long process and our journey is not yet complete. However, our congressional budget submission has matured to the point that our request for resources is now justified not only by the kinds of activities we will conduct, but more importantly by the results we expect to achieve. It is this integration or linkage between resources and results that is clearly the most important transformation of our budget formulation process in the last 15 years.

VA employs a variety of mechanisms in the budget execution process to monitor performance throughout the year to help ensure that our key goals are achieved. The most important of these tools is our Monthly Performance Reviews (MPR). Initiated in late 2001 and chaired by the Deputy Secretary, these monthly reviews involve senior leaders throughout VA and center on a comparison of actual versus planned performance in the areas of financial performance, program performance, major construction projects, and critical information technology projects. These meetings play a vital role in keeping the Department focused on its highest priorities and on achieving key performance targets. They also provide a forum for discussing challenges and developing strategies for resolving them. A series of follow-up action items are identified at each monthly review and this helps ensure goal achievement by the end of the year.

A shining example of VA's effective use of performance information to improve service delivery to veterans relates to increasing access to our health care services. In April 2006 there were over 250,000 patients waiting more than 30 days for their desired appointment date for medical care. Senior leadership made reducing the waiting list a priority for all of our health care facilities and they continually monitor progress toward achievement of this performance goal. This focus on results is responsible for a decrease in the patient waiting list to 51,000 by June 1, 2008, a drop of about 80 percent from the total only a little more than 2 years ago.

Every quarter we prepare a report for our relevant authorizing and appropriations committees in Congress on actual versus planned performance for each of our major operating elements. This report is patterned to a large degree on the types of information presented in our MPRs. It includes key information on financial performance, program performance, and workload trends for our major programs. The performance measures highlighted in this quarterly report are a subset of those presented in our budget request and discussed at our MPRs.

Performance Reporting

Wherever possible, we compare and benchmark our performance with other public and private organizations. This helps us better understand where we need to improve in order to reach our goal of providing world-class benefits and services to veterans and their families. We do this most frequently with performance information for our medical care program. Many of our measures of performance are also used by other public and private health care organizations.

VA's medical care program has been consistently recognized during the last few years as the nation's leader in providing high-quality health care. For example, VA's health care system is the benchmark for nearly 300 measures of disease prevention and treatment in the U.S. In addition, customer satisfaction with the Department's health care system consistently ranks higher than the private sector as measured by the American Customer Satisfaction Index survey conducted by the National Quality Research Center at the University of Michigan. In December 2007 the Congressional Budget Office (CBO) issued a report highlighting the success of VA's health care system. In this report—The Health Care System for Veterans: An Interim Report—the CBO identified organizational restructuring and management systems, the use of performance measures to monitor key processes and health outcomes, and the application of health information technology as three of the major driving forces leading to high-quality health care delivery in VA.

On November 15 each year we publish our annual Performance and Accountability Report (PAR). This report presents a detailed description of how well VA performed relative to the performance goals established at the beginning of the year. The performance measures and goals presented in our Congressional budget justifications are the same ones for which we document final results in the annual PAR. It also includes the Department's Consolidated Financial Statements and a description of what actions we are taking to resolve the major management challenges identified by our Office of the Inspector General and the high risk areas noted by the Government Accountability Office.

One of our guiding principles when preparing the PAR is to document our successes and remaining challenges in a clear, transparent manner. We identify

our accomplishments as well as discuss the areas for which improvements are still required.

VA's commitment to transparency in performance reporting has been highlighted by the Mercatus Center of George Mason University. This independent research organization conducts an extensive evaluation of all agency performance and accountability reports and annually publishes a report of their findings. They rate and rank the reports based on how transparently agencies report their successes and failures, how well agencies document the tangible public benefits they produce, and whether agencies demonstrate that leadership uses annual performance information to devise strategies for improvement. The Mercatus Center has ranked VA among the top rated reports all 9 years they have conducted their analysis. For the last 2 years, the Mercatus Center has presented an award to VA for achieving the highest score in the federal government in transparency in reporting. One of their comments on our PAR was that the ". . . wealth of valuable information in the report conveys a clear impression that VA thoughtfully scrutinizes its performance and seeks ways to improve."

Challenges in Implementing Performance-Based Management

As all agencies have, VA has encountered a number of challenges in implementing performance-based management tools. We have successfully overcome some of these while others remain.

One of our major accomplishments is institutionalizing a performance culture in the Department. For many years one of the primary focus areas during budget execution was how much money had been spent on programs and whether or not resources were obligated in a timely fashion. This situation has changed dramatically. While VA still appropriately focuses on the timely obligation of funds, this is now accompanied by an emphasis on the results we are achieving with the resources appropriated by Congress. This stems from our gradual movement away from a focus on inputs toward a more meaningful discussion of program outputs and outcomes.

Education and training were critical to this successful shift in emphasis. My office conducted numerous training sessions with program managers throughout the Department to help them understand GPRA and its requirements, as well as to offer them guidance on how to develop more meaningful performance measures. We provided guidance on how to better integrate performance information with the budget using these new and improved metrics to justify the request for resources. My office continues to provide advice and assistance to program and staff office representatives to ensure that our various performance management activities are effectively implemented.

The MPR process has also been instrumental in institutionalizing a performance culture at VA. These meetings ensure there is a continual emphasis on program results at all levels of the organization. Most importantly, these monthly meetings are a clear demonstration of the interest and support of VA's top policy officials in using performance measurement to oversee Departmental programs and operations.

One of the key strategies we employed to better focus executives, managers, and staff throughout the Department on the most important program goals was to develop a set of key performance measures. Several years ago we realized that while we had been successful in developing and implementing an improved set of performance metrics, we had created so many measures that it was difficult to identify the indicators that were most important. To address this problem, we worked with senior executives and managers from all of our program offices to identify a set of key performance measures. This is a group of about 25 indicators that we use to measure our progress in achieving program goals considered critical to the success of the Department. These key measures are highlighted in our budget request, they form the foundation of our continual review of performance throughout the year, and they are the focal point of our annual PAR. While we continue to use a variety of other measures as well, our key performance measures serve to highlight the major program operations that are most important to veterans and our stakeholders.

Another challenge we have faced is making performance information readily accessible to staff throughout the organization. Years ago the prevailing mindset was that no individual office or organization should have access to any other organization's performance data. This attitude stemmed from the belief that sharing information would lead to negative repercussions for lower performing organizations. Fortunately we have overcome this challenge. Performance information is now widely shared throughout the Department, including our field facilities. There is now an understanding that by sharing information, the best practices employed by the highest performing components of the agency can be disseminated and used by others, thus leading to improved organizational performance for the Department as a whole.

While we have successfully tackled many of our performance management challenges, we still have others that need further attention. We have a sound set of outcome measures for some of our programs, particularly for medical care, but there are other program areas for which we still need to identify and implement better indicators of the extent to which VA programs improve the quality of life for veterans and their families.

An additional challenge all agencies face is how to more tightly link cost data to different levels of program performance. Agencies' budget submissions currently show the performance that can be achieved with the resources being requested. And while this linkage of resources with results provides decision makers with

valuable information, it does not provide a complete set of data upon which to make critical funding decisions about federal programs. Agencies need to provide Congress with timely and reliable information on how performance would change if resource levels vary. This key step forward in better linking resources with results must be done with some caution, however. As with the development and implementation of all performance metrics, this can be successfully accomplished only if agencies can develop the necessary information systems and analytical tools to produce valid and reliable data.

Summary

Since the passage of GPRA, we have seen Congress highlight performance information to a much greater degree than they had in the past. As with the executive branch agencies, this has been a gradual process that has now evolved to the point that most Congressional hearings on agency budget requests include questions about the results that agencies expect to achieve with the resources they are requesting. This has helped strengthen the role of performance information in budget and program decision making in agencies.

We believe the expanded use of performance information will lead to the delivery of even more timely and high-quality benefits and services to beneficiaries of all federal programs, including those for veterans. Through a sustained commitment to performance based management in both executive branch agencies and in Congress, federal programs will be increasingly successful and will be more likely to produce the results they were expected to achieve when Congress created them.

TC QUESTIONS
July 24, 2008/FFM Hearing on Improving Federal Management by Using Performance Information

PANEL I

QUESTION 1: GOV. O'MALLEY

- Given your experience implementing the Citi-Stat program in your prior role as Mayor of Baltimore and, more recently, the State-Stat Maryland program in your role as Governor, can you provide and discuss examples of positive performance improvements that resulted from these programs?

We conservatively estimate that over the course of the CitiStat program in Baltimore, we were able to account for more than $350 million in tangible savings through operational savings, cost-avoidance, and revenue enhancements that came about through the CitiStat process. Outside of tangible savings, the CitiStat program allowed us to dramatically slash response times for dozens of city services, from filling potholes to cleaning and boarding vacant houses.

In less than two years, the StateStat process has resulted in many positive performance improvements of which to be proud. Just to name a few;

- Eliminated a long-standing backlog of 24,300 DNA samples, waiting to be entered into the State's DNA database representing a 376 percent increase in the number of samples uploaded. This record-level of activity produced 287 matches, 30 percent more "hits" than the prior year.

- Revised the Division of Parole and Probation's assessment instrument to better identify the violent perpetrators most likely to re-commit crimes. Through the Violence Prevention Initiative (VPI), 1,200 of the State's highest risk parolees and probationers now receive an increased level of supervision requiring more frequent meetings with parole and probation agents as well as increased drug testing.

- Closed the maximum security Maryland House of Correction (HOC), shuttering Maryland's most violent and dangerous correctional facility and saving taxpayers millions in annual overtime costs and overhead.

- Reversed over 100 documented facility and programmatic deficiencies at the Department of Juvenile Services' (DJS) Hickey and Cheltenham detention facilities, earning the State's release from a federal consent decree that oversaw these long-troubled facilities.

- Exceeded $20 million in Medicaid fraud recoveries by the Department of Health and Mental Hygiene's Program Integrity Unit, a 54 percent increase over the FY06 level.

- Instituted a new targeted criteria for Program Open Space land purchases to maximize the positive environmental and preservation impacts of State investments in land acquisition.

- What do you think accounted for these improvements?

Each one of the accomplishments mentioned above, and many others not mentioned, were brought about through constant and intense performance monitoring during StateStat. On a regular basis, each agency comes before me and my staff to report on progress. If an agency is not making adequate progress, that is surfaced and discussed at StateStat. If an agency is encountering a roadblock, then problem solving strategies are discussed. Having these conversations at the executive level with all of the key decision makers in the room makes it much easier to achieve progress. Each one of the improvements described above was brought about through this process.

What lessons can be learned from your experiences that chief executives in the federal government could employ?

The tactics employed by StateStat—regular submission of data, intensive performance review sessions, aggressive follow-up—can be employed within any organization, including local, state, and federal government. It is important to remember that the CitiStat/StateStat model is not something that is specifically tailored to a particular jurisdiction or agency. Rather, it is a governing philosophy characterized by using data to drive decision making and to instill accountability throughout government. Such a philosophy can be used at any level of government.

QUESTION 2: GOV. O'MALLEY

How important is top leadership commitment to programs such as Citi-Stat and State-Stat in Maryland?

When cities, states, and other government entities have visited CitiStat and StateStat sessions to learn about the program, we have stressed that executive commitment to the program is critical to making the process work, particularly in the beginning stages. In the early days of CitiStat when I was Mayor, and with StateStat now as Governor, I personally attended and continue to attend as many meetings as possible to demonstrate my commitment to the process and put our department heads and managers on notice that this is how we are going to govern. By demonstrating this commitment to the stat process, it became so ingrained in each agency that my top aides, who run the meeting when I am not there, were able to speak directly on my behalf.

How do you, as chief executive of the state, convey your commitment to addressing specific performance issues to agency staff responsible for bringing about improvement?

My staff and I have made it abundantly clear that the StateStat process is the vehicle through which we are going to drive progress and success under my administration. A significant amount of time is spent during each stat meeting tracking progress on specific priorities of the administration. Furthermore, agency participation during StateStat sessions goes down several levels of their respective management structure, giving day-to-day operations staff and mid-level managers a forum at which to interact directly with me and my senior staff, a level of direct executive interaction that is rare in most governments.

- Conversely, how important is it to recognize good performance when it occurs?

Recognizing good performance has been a regular component of the stat process. When a particular governmental unit has had a particularly noteworthy accomplishment, they are often invited into a stat meeting to receive personal thanks from me and my staff, often including a reward of tickets to local sporting events. Furthermore, it is the job of each analyst to not only highlight negative trends, but also highlight things that are going well within each agency. This recognition of good performance often evolves into conversations about how effectively we are communicating that success to key stakeholders and the public at large.

QUESTION 3: GOV. O'MALLEY

How important is the timely communication of performance information—both upward to the chief executive as well as downward to agency staff—for bringing about performance improvements?

Since the very beginning of CitiStat, accurate and timely intelligence has been one of the four main tenets of the CitiStat and StateStat process. At both the city and state levels, we found that, to the extent that agencies were collecting performance information, it was usually either on a quarterly or yearly basis at budget time. Throughout CitiStat and StateStat, we have required agencies to report of all their key performance measures on two-week or one-month intervals. This way, our analysts could track data closer to real-time, allowing us to surface negative trends during stat meetings and discuss solutions to reverse them. This type of real-time data reporting and problem solving is not nearly as effective if data is only tracked on a quarterly or annual basis.

What other practices can chief executives employ to encourage agency managers to focus on improving performance and using performance information in their day-to-day management and decision-making?

As mentioned previously, we require agencies to track performance and submit detailed data on templates in two-week or monthly intervals. However, it is important to emphasize to agencies that they are not just going through this exercise for our benefit; rather, this is the information they should be using to manage their own day-to-day operations. It is one thing to compile data and ship it off without actually using it, but quite another to think critically about that information and use it to manage. During stat sessions, one of the most commonly asked questions we ask of agencies is exactly how they are using the information they report to us.

Post-Hearing Questions and Answers for the Record
Submitted to Bernice Steinhardt

United States Government Accountability Office
Washington, DC 20548

October 17, 2008

The Honorable Tom Carper
Chairman
Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security
Committee on Homeland Security and Governmental Affairs
United States Senate

Subject: *Post-Hearing Questions Related to July 24, 2008, Hearing on Improving Federal Program Management Using Performance Information*

Dear Mr. Chairman:

On July 24, 2008, I testified before your Subcommittee at a hearing entitled, "Improving Federal Program Management Using Performance Information."[1] This letter responds to your request that I provide answers to post-hearing questions. The questions, along with my responses, follow.

1. **Can you provide and discuss an example of an agency or program whose performance has improved as a result of using performance information to manage?**

As we have previously reported, agencies can use performance information to make various types of management decisions to improve programs and results.[2] The following example illustrates how the National Highway Traffic Safety Administration (NHTSA), within the Department of Transportation, used performance information to help improve highway safety outcomes.

Over the past 20 years, NHTSA has used performance information to identify, develop, and share effective programs and strategies that increase safety belt usage, and as a result has contributed to an increase in seat belt usage nationally from 11 percent in 1985 to 80 percent in 2004. With a mission to save lives and prevent injuries, NHTSA's evaluation office analyzes information provided by the annual

[1]GAO, *Government Performance: Lessons Learned for the Next Administration on Using Performance Information to Improve Results,* GAO-08-1026T (Washington, D.C.: July 24, 2008).
[2]GAO, *Managing for Results: Enhancing Agency Use of Performance Information for Management Decision Making,* GAO-05-927 (Washington, D.C.: September 9, 2005).

National Occupant Protection Usage Survey, in which safety belt use is directly observed at locations across the country, and the Fatality Analysis Reporting System, a database of all fatal crashes in the United States. From its analysis, NHTSA estimated that safety belts are 50 percent effective at preventing fatalities of front seat occupants in crashes in which these motorists would otherwise die. In an effort to increase usage nationally, NHTSA conducted several small studies in the 1980s and 1990s on how to best increase safety belt usage. NHTSA's research showed that educating the public on the safety benefits of seat belts was not very effective and that laws requiring seat belt use, while somewhat effective, only increased usage to about 40 percent. One of NHTSA's studies, Buckle Up America, revealed that active enforcement combined with media campaigns highlighting enforcement, as opposed to safety, could increase seat belt usage incrementally by 4 to 8 percent a year.

However, NHTSA officials said these studies alone did not influence states to change their expenditures with regard to safety belt use. Building on the findings of these studies, NHTSA then developed and piloted the Click It or Ticket safety belt campaign, which included both a paid media enforcement message along with periods of active police enforcement of safety belt use. The campaign, co-sponsored by the Airbag and Safety Belt Safety Campaign of the National Safety Council, was piloted in three states. Double digit increases in safety belt use were seen in all three states, demonstrating the effectiveness of this strategy in changing motorists' safety belt use behavior. Ultimately, performance information documenting the program's effectiveness in multiple states began to persuade officials from other states to adopt the program. By 2003, 43 states, the District of Columbia, and Puerto Rico had participated in the twice yearly national Click It or Ticket campaign. As a result, the national average for safety belt use is up to 80 percent. NHTSA is now focusing on identifying and developing strategies to target specific segments of the population found to have the lowest safety belt usage rates, such as drivers of pickup trucks.

2. What are some of the ways in which you have seen leaders demonstrate their commitment to achieving improved performance results? Are there practices that seem particularly successful for demonstrating leadership commitment?

We have previously reported that agency leaders can demonstrate their commitment to achieving results by regularly communicating performance information, holding meetings with management to review performance, following up on problems identified during discussions of performance information, and holding managers accountable for addressing problems.[7]

For example, Small Business Administration (SBA) leadership demonstrated its commitment to achieving results by conducting monthly meetings with the associate administrator of each mission and functional office to review that office's performance. The administrator, deputy administrator, and chief operating officer (COO) participated. Each SBA office had performance measures organized along three components of performance—office strategic goals, production goals, and project goals—on a scorecard. Prior to meeting, the COO's staff reviewed the monthly and cumulative performance information for each office and asked each

[7]GAO-05-927.

office to respond in writing to questions or concerns based on the data. This analysis was the basis for the regular performance review meetings. Officials said management's commitment to regularly reviewing performance increased performance ownership among staff and competition among the offices to meet performance targets.

Similarly, FAA management demonstrated commitment through monthly, day-long, agencywide performance review meetings that were led by the administrator and key associate administrators who served as goal leads for each FAA Flight Plan goal area: Increased Safety, Greater Capacity, International Leadership, and Organizational Excellence. At these meetings, officials said that they discussed performance for the agency's 31 key performance metrics and the strategic initiatives supporting each. When a business line was not meeting the performance targets for specific metrics, officials reported on efforts planned or under way to improve performance. For metrics where performance targets had been met, officials discussed the actions that were taken to achieve the targets. Officials said that during this performance review, the administrator identified IOUs, outlining agreed-upon actions to be implemented. Officials said that they provided updates on the status of these IOUs at the following performance review meeting.

3. In light of your survey results showing improvement in the amount and types of performance measures that agencies have at their disposal, why do you think that there has been so little change in managers' use of that information in their decision-making?

In our prior work, we laid out key practices that are associated with the increased use of performance information and could help federal agencies inform decisions and ultimately achieve results.[4] These practices include demonstrating management commitment; aligning agency goals, objectives and measures; improving the usefulness of performance information to better meet management's needs; developing agency capacity to effectively use performance information; and frequently and effectively communicating performance information within the agency. In the absence of these practices, it is less likely that managers will use performance information to make decisions.

In our ongoing work for your Subcommittee, we are conducting case studies of several agencies to gain a clearer understanding of why there has been little change in managers' decision-making despite having more information available, what impediments exist, and how these agencies could improve their use of performance information.

4. OMB has characterized their PART program as a great success and has argued it should be continued in some form by the next administration. However, GAO has testified that PART results have been of limited value to Congress and agency managers. How can the next administration make PART or its successor more relevant and useful to Congress and agency managers?

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[4]GAO-05-927.

We have previously reported that congressional staff have said they would more likely use the PART results to inform their deliberations if OMB (1) consulted them early in the PART process regarding the selection and timing of programs to assess, (2) explained the methodology and evidence used or to be used to assess programs, and (3) discussed how the PART information can best be communicated and leveraged to meet their needs.[6]

In addition, to enhance the relevancy of PART or its successor to agency managers, our testimony indicated that OMB could focus on improving agency confidence in the credibility and usefulness of its assessments for management decision making. By taking a more targeted, strategic approach as we previously recommended, OMB could allow examiners time to conduct more in-depth assessments of selected programs and build their knowledge base about the programs. OMB can also help to facilitate implementation of future initiatives by offering training to agency officials on the reporting requirements of the initiatives and how the information gathered for these efforts might be incorporated into management decision making.

5. In your statement, you discuss how a government-wide strategic plan and key national indicators could help create a more crosscutting perspective on how to address key outcomes for the nation. Would you explain how this information could be useful?

A strategic plan for the federal government, supported by a portfolio of key national and outcome-based indicators, would provide a cross-cutting perspective on the long-term goals of the federal government and a much-needed basis for fully integrating rather than merely coordinating, a wide array of federal activities. Key national outcome-based indicators on a range of economic, environmental, safety/security, social, and cultural issues will help the nation to set objectives, measure progress toward achieving selected national outcomes, assess conditions and trends, and communicate more effectively on complex issues. In addition, key national indicators can also help to inform strategic planning, enhance performance and accountability reporting, and provide for more effective appropriations, authorization, and oversight activities. Given the time and effort required to assess agency and program performance, taking a more crosscutting, strategic approach to such assessments may better use limited resources. Additionally, focusing decision makers' attention on the most pressing policy and program issues and on how related programs and tools affect broader outcomes and goals may better capture their interest throughout the process.

6. How would you characterize OMB's interaction with Congress in this area and is there room for improvement?

We have previously reported that there was insufficient interaction between OMB and Congress in the development of the PART program and most committee staff we interviewed said that OMB generally did not involve them in the PART process[6]. A

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[5]GAO, *Performance Budgeting: PART Focuses Attention on Program Performance, but More Can Be Done to Engage Congress,* GAO-06-28 (Washington, D.C.: October 28, 2005).
[6]GAO-06-28.

lack of early consultation has contributed to both congressional skepticism about the PART and to several areas of disagreement between OMB and Congress. As a result, most congressional staff we spoke with do not use PART information. If the next administration would like to see increased interaction between OMB and Congress to ensure that data collected is useful and used, they could (1) consult Congress early in the process regarding programs to assess, (2) explain the methodology and evidence used or to be used to assess programs, and (3) discuss how the information can best be communicated and leveraged to meet Congress's needs.

7. **We have heard some concerns from agencies that the PART rating process leaves too much room for subjectivity on the part of the OMB examiner. Looking ahead, how could OMB strengthen the credibility of its assessments for use by agencies in their decision-making?**

We have reported that any tool that is sophisticated enough to take into account the complexity of the U.S. government will always require OMB staff to exercise interpretation and judgment. Providing flexibility to assess multidimensional programs with multiple purposes and impacts has led to a reliance on OMB staff judgments to apply general principles to specific cases. Accordingly, OMB staff were not fully consistent in interpreting complex questions about agency goals and results.[7] Our survey results indicate that concerns exist among federal managers regarding the quality of OMB's assessments. To address these concerns and build agency confidence, OMB could further its efforts to increase OMB examiners' knowledge of the programs they are assessing and agency knowledge about how to develop and use the information gathered for PART. In addition, OMB can also preemptively help agency officials better understand the reporting requirements of the initiatives to assist them in providing the information OMB examiners need to assess their programs.

For addition information on our work on results-oriented management, please contact me at (202) 512-6806 or steinhardtb@gao.gov or Elizabeth Curda, Assistant Director, Strategic Issues at (202) 512-4040 or curdae@gao.gov.

Sincerely yours,

Bernice Steinhardt
Director, Strategic Issues

[7]GAO, *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.: January 30, 2004).

SENATOR CARPER QUESTIONS
July 24, 2008/FFM Hearing on Improving Federal Management by Using Performance Information

PANEL II

QUESTION: MR. PEACOCK

1. **Question:** OMB has characterized their PART program as a great success and has argued it should be continued in some form by the next administration. However, GAO has testified that PART results have been of limited value to Congress and agency managers. How can the next administration make PART or its successor more relevant and useful to Congress and agency managers?

   Answer: The next administration might take a series of steps to improve the relevance and use of assessment and other performance-related information to Congress and agency managers. These steps could include the following:

   - *Regularly consult with Congressional and agency officials and staffs on their needs for performance-related information.* A new Administration should take the opportunity early on to engage with Congress and agency managers, as well as stakeholders and the public. This feedback would help the next administration enhance performance presentations for an extremely diverse audience that on the Congressional side includes elected officials and their staffs, multiple committee staffs, the Government Accountability Office (GAO), the Congressional Budget Office (CBO), and the Congressional Research Service (CRS).

   - *Agencies need to solicit and consider Congressional views in the development of their strategic plans.* Interpreting the statutory direction included in the Government Performance and Results Act (GPRA) broadly, the consultation could include the GAO, the CBO, and CRS.

   - *Increase attention on interagency, multi-agency, and cross-cutting functions or activities to improve their effectiveness.* National objectives for things like homeland security, the war against terrorism, food safety, and climate change are achieved through the combined efforts of multiple agencies and programs that deliver value to citizens. Assessments of cross-cutting functions and activities would provide valuable information to sharpen agency focus on key national outcomes.

   However, just as we must continuously improve programs, we must do the same with our performance management systems. Executive Order 13450 to Improve Government Program Performance charges agency leadership with performance management responsibilities and gives the next Administration an opportunity to further enhance the performance management across the Federal government. A link

to the Executive Order is
http://www.whitehouse.gov/news/releases/2007/11/20071113-9.html

One of the primary accomplishments of the EO is establishing a Performance Improvement Officer (PIO) in each agency. Their roles and responsibilities include:

- Continuing to improve agency and performance goals.
- Developing improvement plans and actions for programs.
- Regularly assessing program performance.
- Helping to hold managers accountable for program results.
- Coordinating agency planning and reporting.
- Ensuring performance information is transparent to the public.

PIOs are central to the government's efforts to improve effectiveness and efficiency.

Furthermore, these PIOs meet monthly as part of the Performance Improvement Council (PIC), also established by the EO, to share best practices and work to advance the field of performance management.

We expect the next Administration to continue to enhance government effectiveness by:

- *Continuing to emphasize outcomes and results for the American people.* Frankly, it is generally agreed by most "experts" that Congress (and Washington DC in general) places a higher priority on inputs – how much we spend - than results. Identifying a few targets of opportunity to come together to prioritize outcomes could be a first step. For example, Authorizing and Appropriations Committees could come together with the Administration and stakeholders when key programs are coming up for reauthorization and do a thorough review of program performance results, assessment information, and evaluation findings to inform the reauthorization legislation.

- *Articulating clear outcome goals that identify ultimate objectives that agencies and programs are fully committed to achieve.* While these were enabled by the PART assessment process, clear goals should continue to be established through formalized planning processes, to include the strategic plan required by the GPRA.

- *Developing plans and reports on program performance.* Results should be transparent, and communicated in a format that Congress, agency managers, and the public find useful to meet their needs. Agencies should more carefully disclose activities that are underperforming.

- *Implementing accountability mechanisms to hold agency managers accountable for accomplishing results.* Often, who is accountable for what is not clear, and furthermore, the lack of clear responsibility creates

conflict and inefficiency. A good example of how the Executive and Legislative branches can coordinate accountability mechanisms in a way that is more productive for agency managers dealing with multiple stakeholders is OMB's working relationship with GAO on GAO's "high risk issues" where we collaborate and agree on what performance goals and actions plans are needed to address the high risk challenges. We have recently made these plans available on ExpectMore.gov.

- *Plans to continuously improve programs.* The findings from formal assessments, investigations, audits, or evaluations provide the basis for improving performance. Congress and the next administration should declare that performance improvement is what they are both committed to ensure.

- *Regularly inform and discuss agency and program performance with Congress. Congress must be seen as an active partner with the Executive Branch for ensuring and improving results.* The next administration has an opportunity to develop a more structured, systematic process that regularly engages Congress in review of performance information and improvement plans. When the Administration began in 2001, current Government Performance and Results Act (GPRA) plans and reports were not driving improved program performance. PART was developed to help agency managers focus their attention on improving the performance of their programs. The process provided for a more structured discussion between OMB and agencies on the performance expectations/goals of agency programs – a clear purpose, sound planning, good management practices, and demonstrated results. Importantly, the detailed assessments, key findings, performance results, and improvement actions are all made available to the public and incorporated into budget justification materials as appropriate.

2. **Question:** Since GAO began conducting its survey on performance and management issues more than a decade ago, the results have shown little change government-wide in federal managers' reported use of performance information. Given that the Program Assessment Rating Tool, or PART, was intended to improve performance information for decision-making and includes an assessment of agency's use of performance information, why do you think we're not seeing more significant change?

   Answer: There is an old adage in Washington that agencies tend to respond better to those who control the "purse strings." We will see more significant increases in the use of performance information among Federal managers when they recognize that Congress, other decision-makers and stakeholders demand it and are paying more attention to it. One of this Administration's major contributions has been on implementing performance measurement in a systematic way to improve

organizational effectiveness, i.e. performance management. This focus is evident in Executive Order 13450 and the PART, which has elements that examine the performance focus of a program. Nonetheless, as indicated by the testimony provided by the Environmental Protection Agency, the National Aeronautics and Space Administration, the Nuclear Regulatory Commission, and the Department of Veterans Affairs at the July 24 hearing, the work to establish a performance management culture has just begun. As described in the testimony there are five main barriers to use of performance information:

- *Lack of fresh and frequent data.* The PART focused on top-level objectives for the program. The next logical step is for program assessment to cascade down through the program organization. Managers at different levels of an agency, bureau, or program need different kinds of performance information in order to implement strategic objective successfully. Performance measures that appear in the PART are designed to report, over the past few years, outputs, outcomes and efficiency measures against national program goals. However, long-term and annual measures that report results once a year and appear in the PART don't run day-to-day program operations. Program assessments should looks at how well program managers translate long-term and annual objectives into feasible operating and work plans. Individual managers should be held accountable for achieve these results that will achieve ultimate organizational goals (outcomes).

  Data that is collected is not always organized in a way that policymakers, program managers, field offices, and grantees find useful (e.g., disaggregated by individual grantees).

- *A focus on money (inputs), not results.* Most Federal managers do not believe funding decisions are tied to performance information. The Washington DC culture is focused on how much money a program receives rather than what results the program produced. The more people in both the legislative and executive branch of Government care about performance, the more relevant the information becomes, and the more inclined Federal managers will be included to use it.

- *Too many meaningless measures.* Some managers collect a lot of performance information, but in the end, find little of it useful. This situation needs to be addressed with education, training, and sharing best practices with experienced hands. Creating a system that collects, reports, analyzes, and bases plans on a limited set of performance data is a difficult management system design problem.

  - A similar problem is that information is not conveniently formatted and presented to be useful. For example, large, telephone book-size agency annual performance reports may provide few answers to some simple, straight-forward questions.

- *Too little access to performance information.* While, arguably, more performance data is collected in the Federal government than ever before, the collection may not be producing a corresponding gain in useful information.

- *Resistance.* There is a tendency for Federal managers to believe performance information is to be used to find employees performing unsatisfactorily: they fear the consequences when poor performance is found, which makes them resistant to collecting and using performance information in the first place. GAO notes that some Federal managers don't have confidence in the assessment tool being used. That lack of confidence could also be contributing to resistance.

Overall, the key challenge is to get managers useful performance information with which to better manage their programs, and create a constructive, not punitive, performance management culture. The combination of technology improvements and recent commitments by each federal agency to hold quarterly meetings to review performance results are positive developments, but much work remains.

3. **Question**: One of the explicit reasons for creating PART was to (AND I QUOTE) "identify a program's strengths and weaknesses to inform funding and management decisions." In your opinion, how can the PART process and resulting performance information be most useful to lawmakers engaged in programmatic oversight and policymaking?

   Answer: As suggested in the response to Question #1, the next administration should consult with Congress and its organizations on their needs and priorities for performance-related information, and the administration should use the input to define approaches to deliver timely and useful information that meets their needs as well. The next administration should also seek feedback on how articulation of findings can be improved.

   A number of different means to acquire performance information are useful for Congressional staff engaged in oversight, policymaking, authorization or appropriations including:

   - Program and agency performance data showing important trends on output, outcome, and efficiency data.

   - Program assessments that pull together information from a variety of sources to answer fundamental questions regarding whether a program has a clear purpose/need, good planning, and management practices that lead to positive results.

- Program impact evaluation are also required to answer crucial questions about whether the program or, rather, something else might be causing changes in, say, a health indicator.

  Program impact evaluation results will likely be most informative to lawmakers engaged in programmatic oversight, funding, and policymaking. Unfortunately, far too few impact evaluations can tell us whether or not a program or intervention is making a difference in people's lives. The Center for Excellence in Government cited only 27 studies that met this high standard. Nevertheless, we need to conduct more impact studies to ensure taxpayer dollars are spent effectively and programs are intervening in ways that make a difference in people's lives. Some notable examples have led to program reforms or expansions including DARE, nurse family partnership program, and big brother big sisters. For more examples see http://www.evidencebasedprograms.org/.

- Program audits, GAO or IG investigations can address specific issues such as agency's contracting practices rather than through a program performance assessment.

All in all, independent evaluation, investigation, and audit are all essential government management functions that can provide useful information about agency and program performance. The PART recognized this by treating those as major inputs to the assessment process. Additional work should be done to more clearly link program assessments with these source documents. Subsequent program assessment approaches will also depend on those inputs.

4. **Question**: Wearing both your hats—as the Deputy Administrator at EPA and in your former OMB role—how has PART been helpful to agency-level decision makers?

   First, it greatly improves the quality of the measures senior managers use to track the performance of EPA programs. Many measures have gone from being pure output measures, such as "number of projects completed" to more outcome measures, such as "pounds of pollution reduced." This is especially true in areas that are difficult to measure, such as research and enforcement.

   Second, the PART links the agency's mission to real day-to-day program activities. We can now explicitly lay out why we think our operations in each program help achieve our mission and test those links. In a sense, it has made our Government Performance and Results Act mission and goals more 'real' for line managers and employees. Everyone has a much clearer picture of how they contribute to the Agency's overall performance.

   Third, the PART has emphasized the need for more program evaluation, an area where EPA lags other agencies (see questions 2.6 and 4.5 in the PART). Program

evaluation is necessary to verify that the day-to-day operations of the agency actually have a real effect on human health and environmental quality.

As a former Program Associate Director at OMB the PART provided information that was helpful in making funding decisions. For instance, when my OMB staff reviewed the EPA budget we determined that the Air Toxics program at EPA would be much more effective if it had more monitors, resulting in a budget request for more monitoring.

In my experience, however, the value of the PART in its early days was somewhat undercut by the attitude of some senior officials at agencies within my purview. These officials did not use the PART as a diagnostic tool to improve performance, but looked for ways to inflate the scores of poorer programs to avoid (1) criticism when the results were released to the public and (2) an argument that a program's budget should be cut. Since leaving OMB over three years ago, I understand this misconception of the use of the PART has diminished.

5. **Question**: How can the next administration get agency leaders to buy-into such assessments and use the review process and resulting performance information to improve their management decisions?

   Answer: The effectiveness of program assessments depends heavily on agency and the public's confidence in the quality of the assessment methodology. A number of approaches might be undertaken by the next administration to do this:

   - *Obtain greater agency buy-in on the assessment methodology's standards and criteria.* The likelihood of buy-in can be enhanced when the choice of standards and criteria are informed by best practices that originate within and outside the Federal government. The Performance Improvement Council might be a mechanism that can help the administration to increase agency-buy in.

   - *Continue to tailor the assessment methodology to the purpose and design of the activity being assessed.* While the PART tailors questions for seven specific "program types," experience shows a continuing need to customize the assessment guidance to address specific agency and program activities. In particular, the PART guidance has been revised annually as a continual effort to improve consistency in the application of the tool and to help reduce subjectivity and variability in responses. The PART guidance has also recognized special challenges in performance measurement for particular program types, like basic research and science, and for efficiency.

   - *Design assessment and performance improvement process complement agency processes and procedures.* A good example with positive results was when agencies asked OMB to change the PART assessment schedule

that enable the agencies to use assessment results in their budget formulation processes. Another example is OMB working with Department of Interior to develop a milestones tracking application within PARTWeb, the database designed to manage the PART. This feature, available to all agencies, allows PIOs and program managers to chart progress on improvement actions that result from assessments. Reducing the costs of providing performance information into a centralized performance assessment database and organizing the information in a way that is practical to agencies is critical to improving use and reducing costs. For example, OMB is linking PARTWeb with a shared agency budget and performance system that Department of Treasury, Energy, and Justice will be using.

6. **Question**: What advice do you have for the next administration for engaging Congress in the review of agency performance? And, secondly, based on your extensive experience with creating and implementing PART, is there any advice you would give to a new administration in developing and implementing an information-driven, performance-based management initiative?

   Answer: The next administration should engage Congress as an active partner to ensure and improve agency performance. This includes addressing the kind of information Congress needs to review performance and the way performance information and improvement plans are communicated, reported, and discussed. Every Federal manager must recognize that Congress is his or her partner in their endeavors. So the next administration could develop processes that systematically engages Congressional Committees in review of performance information and improvement plans. Congress and the Administration need to emphasize that result not inputs are paramount, though inputs must be appropriately managed to achieve results efficiently. For example, during Congressional hearings it would be very encouraging to hear elected officials and agency leaders mention the results achieved relative to goals for the past two or three years; the specific steps being taken to increase program outcomes or to use taxpayer dollars more efficiently; and the prospects that the agency or program will achieve its goals in the future.

   An information-driven, performance-based management initiative is a subject that deserves considerable thought. Here are two pieces of general advice that emanate from the "fresh and frequent data" theme. First, an agency's performance measurement framework needs to pervade all organizations – from the top to the bottom. The PART focused mainly on top-level objectives for the program. Program assessment needs to delve deeper into the program organization. Managers at different levels of an agency, bureau, or program need different kinds of performance information in order to implement strategic objective successfully. Agency PIOs and program managers need to drive this change through effective communication throughout the organization in addition to grantees and outside stakeholders. Performance measures that appear in the

PART are designed to report, over the past few years, outputs, outcomes and efficiency measures against national program goals. However, long-term and annual measures that appear in the PART are not sufficient for running the day-to-day program operations. Program assessments should examine how well program managers translate long-term and annual objectives into feasible operating and work plans that accomplish the detailed tasks that, when executed, collectively achieve ultimate organizational goals (outcomes). Managers should be held accountable for meeting their deliverables. As mentioned earlier, OMB has developed a milestones tracking application for agency use with Department of Interior.

Secondly, a program assessment framework should generate findings that are actionable. This performance improvement element addresses the question, "How can I do my job better?" The PART includes a process for identifying and tracking performance improvement plans or actions, but they are often high level actions, similar to the high level long-term and annual performance measures in the PART. Effective performance improvement engages multiple levels of agency and program management. A systematic approach recognizes that a single high-level action often must be translated into detailed plans and instructions that must be carried-out "on the ground" in order to be accomplished. Linking organizational performance with individual performance is a key challenge PIOs are beginning to address with their Chief Human Capital Officer (CHCOs) counterparts. A program assessment framework that looks at program operations could facilitate PIO involvement with operational concerns.

Agencies have built a tremendous amount of capacity to practice performance management over the past several years. In particular, PIOs have the ability to quickly pull together the appropriate agency personnel to address numerous performance issues that may often cut across agency boundaries (e.g., homelessness or climate change).

7. **Question**: How would you characterize OMB's interaction with Congress in this area and is there room for improvement?

   Answer: There have been occasional interactions with Congress on this topic, but not to the degree that would be most beneficial to both parties. The relationship has much room for improvement. To make it more productive there should be a more systematic opportunity for information sharing, communication, consultation, and collaboration. The next administration and next Congress need to identify who should be primary drivers of improved coordination of efforts. For example, the President's Management Council could work more closely with key Congressional Committees and Members interested in government effectiveness and management issues. For agreed upon priority issues, the approach might be regular meetings between key agency officials and Congressional counterparts to report and discuss the latest performance information, and ensure progress and accountability.

Several Members of Congress have expressed interest in becoming more involved in these program improvement efforts and introduced several constructive bills. The Performance Improvement Council would like to build on these efforts by taking the initiative to regularly meet with interested key Congressional oversight committee staff as a specific way to improve communication and receive feedback on our initiatives. For example, OMB and agency staff reached out earlier this year to receive feedback from several Congressional staff on a template for a two-page agency snapshot that will present budget, financial, and performance information for each agency (forthcoming this January).

8. **Question**: We have heard some concerns from agencies that the PART rating process leaves too much room for subjectivity on the part of the OMB examiner. Looking ahead, how could OMB strengthen the credibility of its assessments for use by agencies in their decision-making?

   Answer: The credibility of assessment can always be improved. That said, Congress and the public should understand that one purpose of assessment information is to improve management *and* decision-making (i.e. assessment information is used for decision-making by officials in both branches of Government). Sometimes, people do not or cannot distinguish the assessment from its use, so when disagreements with decisions arise, the assessment is blamed for the decision, not the policy-maker. Assessments are aimed to provide as objective-as-possible information about problems agencies and program face, and I believe OMB has made the process transparent by making every entire PART assessment available to the public.

   OMB has received feedback from agencies and programs that made it take a fresh look at how to improve the assessment process to and increase consistency in the review and ratings. Some suggested improvements to strengthen credibility are provided below.

   - *Clear assessment guidance.* Ensure that the assessment guidance, especially its standards and criteria, is as clear as possible. As mentioned previously, doing more to tailor the assessment methodology to the purpose and design of the activity being assessment would do much to improve clarity.

   - *Adequate training.* Ensure that both agency and the personnel participating in the assessment are adequately trained on using the assessment methodology. An assessment is very much a technical exercise, so skills are important for doing an accurate job.

   - *Thorough interaction and communication.* Ensure adequate time and resources are available to allow sufficient interaction between agencies, programs, and assessors to address issues thoroughly.

- *Complete consistency checks.* Strengthen OMB's efforts to ensure issues identified in assessment "consistency check" reviews are thoroughly vetted. The current PART process includes a consistency check review. The results of the review could be more thoroughly vetted with agency and OMB staff to ensure more consistency and less subjectivity.

- *Continue use of an assessment appeals process.* The current PART process includes a process where agencies can appeal the assessment findings. Appeals are reviewed by an agency panel consisting mostly of agency senior executives. This process is key to ensuring fairness, consistency, and credibility with the agencies and programs.

Post-Hearing Questions and Answers for the Record
Submitted to Daniel Tucker

The Honorable Thomas R. Carper
Chairman
Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security
Senate Committee on Homeland Security and Governmental Affairs

July 24, 2008

Improving Federal Program Management using Performance Information

Question 1: The GAO created a ranking of federal agencies based on their managers' reported use of performance information. The VA is one of the best in government in this area, ranking number 3 of 29 organizations surveyed. What do you think the VA is doing right?

Response: The Department of Veterans Affairs (VA) has implemented several key initiatives to help build a performance-based management culture. First, we conducted extensive education and training for executives, managers, and staff on the requirements of the Government Performance and Results Act (GPRA). This legislation has been the primary driver of many of the major performance management activities in the Federal government and we wanted to ensure that the purpose and requirements of this Act were clearly understood throughout VA.

Second, we have more effectively integrated performance information into the budget formulation, execution, and accountability processes. For example, our budget request for every program and support function contains a wealth of information on strategic goals and objectives, historical and projected performance levels, the means and strategies we will use to achieve our performance goals, and information on data quality. Our budget request is now justified not only by the kinds of activities we will conduct, but more importantly by the results we expect to achieve.

In addition, we instituted Monthly Performance Reviews (MPR) that focus senior leadership, managers, and staff on monitoring performance throughout the year and taking necessary corrective actions to help ensure goal achievement. The MPRs include a review of financial performance, program performance, and the status of major construction and information technology projects.

And finally, we identified a set of about 25 key performance measures that VA's senior leadership considers critical to the success of VA. These key metrics focus executives, managers, and staff on the most important program goals. The same set of key measures is highlighted in our budget formulation, budget execution, and performance reporting processes and they include a balanced set of both program outcomes and program outputs.

Question 2: Accountability is one of the VA's core values described in its strategic plan. How does the VA ensure that its managers are held accountable for achieving results? Further, how does the VA motivate its workforce to achieve results?

R sponse: The two most important tools that VA employs to help ensure accountability for results are our Monthly Performance Reviews (MPR) and the implementation of a 5-tiered performance appraisal and awards system.

VA's MPR process started in December 2001 and is the primary vehicle that VA senior leadership uses to monitor progress toward achievement of financial and program performance goals. These reviews are chaired by the Deputy Secretary. At each meeting, he identifies corrective actions that are required to help ensure our key goals are accomplished, and follow-up reports are submitted by the responsible organizations to make sure that the necessary corrective actions are implemented. The performance measures that are monitored by senior leadership at the MPRs are also tracked regularly at our regional offices and medical facilities to ensure consistency in focus throughout the Department.

Our 5-tiered performance appraisal and awards system also plays a critical role in ensuring that managers at all levels are held accountable for producing results. Quantifiable performance goals, which are linked to organizational goals, are part of every senior executive's performance standards.

VA's mission is crystal clear—"To care for him who shall have borne the battle and for his widow and his orphan"—and it is the most important motivational force for our employees. VA employees' day-to-day actions are guided by our mission and this plays a vital role in helping the organization achieve results that are important to veterans and their families. VA's extensive use of performance information is also a key motivational element for the Department's workforce. Our employees are fully aware of exactly what needs to be accomplished and this helps drive them toward excellence in customer service.

Question 3: According to the GAO survey, over 70% of VA managers who responded said they use performance information to set program priorities and allocate resources. Please give us some examples of how the VA has made decisions about resources or priorities based on performance information?

R sponse: There are many examples of how VA uses performance information to better inform our budget and program decisionmaking. One example deals with access to VA health care. In April 2006, there were over 250,000 unique patients waiting more than 30 days for their desired appointment date for health care. Senior leadership set specific performance targets to improve access to VA health care by driving down the number of days which patients were waiting for care. All managers throughout our health care system are focused on achieving these targets and progress is assessed twice a month. By making improved access a priority, continually monitoring progress,

and taking corrective action wherever necessary, VA has reduced the number of patients waiting more than 30 days by more than 80 percent during the last 2 ½ years.

A second example relates to maintaining our national cemeteries as national shrines. VA has established performance measures to determine how well it is meeting cemetery appearance standards, such as the alignment and cleanliness of headstones and the condition of gravesites. The appearance and condition of headstones and gravesites are assessed on a regular basis, and the data collected allow VA to identify the gap between current performance and the strategic performance target. VA uses this performance data to prioritize and allocate funding to those cemeteries with the greatest maintenance needs.

Question 4: Each of your agencies has had programs that were assessed by OMB through the PART process. What suggestions do you have for the next administration on how to design and structure a performance assessment such as PART?

R sponse: One of the primary benefits of the Administration's Program Assessment Rating Tool (PART) reviews is that they focused attention on program outcomes, specifically the importance of developing performance measures that deal with program results and collecting outcome data on a regular basis. We believe that this emphasis on program outcomes should be a focal point of whatever program assessment tool is used by the next Administration.

Also it is important that agencies have the opportunity to participate in the development and review of the next program assessment tool. VA has a talented pool of employees who have a wealth of experience in strategic planning, budgeting, and performance measurement, and their collective knowledge and experience should be used to help ensure that the next assessment tool is as meaningful and useful as possible to Congress, the Office of Management and Budget, and VA. Including agency officials in the development and review of the assessment tool will lead to a higher degree of ownership and involvement among agency representatives and should result in a stronger, more effective program review process.

OFFICE OF MANAGEMENT AND BUDGET

Statement of

ROBERT SHEA
ASSOCIATE DIRECTOR FOR GOVERNMENT PERFORMANCE

Before the

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

JULY 24, 2008

Federal employees are achieving amazing feats every day on behalf of the American people. The programs they administer create the conditions for curing disease, housing the homeless, teaching children, reducing crime, creating jobs, and much, much more. In 1993, Congress and the President in their wisdom passed the Government Performance and Results Act (GPRA) to require that agencies measure and improve these efforts. After 15 years, agencies have made great strides to fully meet the high bar set by GPRA. Goals are much clearer today than they were then. Agencies are working to achieve more aggressive targets. More importantly, there are new tools in place to help programs and agencies set goals, collaborate on ways to improve, and be held accountable for doing what is expected of them. The next President will have the advantage of not starting from scratch. The challenge will be making it his own, figuring out how to enable managers to use performance data to improve results and address new challenges and priorities.

Government Performance and Results Act (GPRA), 1993

GPRA laid a strong foundation for performance management in the Federal Government. In the 15 years since its enactment, agencies and programs have improved the quality of their goals and measures. More importantly, they have expanded the use of performance information to make decisions about their programs and identify new strategies to improve.

The very first time agencies were required to craft strategic plans and measure and report performance was after passage of GPRA in 1993. As a result of this law, Federal agencies are required to consult with stakeholders, including the United States Congress, on the agency's mission statement, its long-term strategic goals, and the strategies it will employ to achieve results. Agencies are also required to produce annual performance plans that show how their activities will be employed to achieve annual goals. The law requires Federal agencies to report to Congress and the public their actual performance in an annual performance report.

Executive Order on Improving Federal Program Performance, 2007

To institutionalize much of the progress made over the last 15 years, last November the President signed Executive Order 13450, Improving Government Program Performance. The EO establishes for the first time that it is the explicit policy of the Federal Government to spend taxpayer dollars effectively, and more effectively each year. The Executive Order requires that each agency head appoint a Performance Improvement Officer with responsibility for:

- Developing and improving the agency's strategic plans, annual performance plans, and annual performance reports, as well as ensuring the use of such information in agency budget justifications;
- Ensuring program goals are aggressive, realistic, and accurately measured;
- Regularly convening agency program management personnel to assess and improve program performance and efficiency; and
- Assisting the head of the agency in the development and use within the agency of performance measures in personnel performance appraisals, particularly those of program managers, to ensure real transparency and accountability for greater effectiveness.

Each agency is responsible for ensuring that there is continuity of leadership in this position – that there is a senior career executive who can take on the position in the event of a political vacancy. The Executive Order also established the Performance Improvement Council (PIC) as a forum for collaboration among Performance Improvement Officers about how to improve their programs.

Performance Improvement Council

The Performance Improvement Council (or "PIC") meets monthly and has met seven times since its inception in January 2008. Meetings have included guest speakers such as Senator Wayne Allard and D.C. Public Schools Chancellor Michelle Rhee, both advocates of using performance information to improve performance. The Council meetings focus on topics of particular importance to the PIOs, for example, agencies are collaborating to determine how to report performance results in a compelling way to the public and learning how Lean Six Sigma, a process improvement methodology, could be applicable to various activities performed by the government. Much of the PIC's meeting time has been devoted to improvement in goals and plans to achieve them.

Goals, Plans, Strategies

A key principle of performance management is that, in order to be successful, a program must have a clear goal with measurable targets. In the first year of the Program Assessment Rating Tool (PART) (2003), 55% of programs assessed couldn't adequately measure what they did. Today, only 17% of programs have inadequate measures. There is still room for improvement among all programs. That's why, under the auspices of the

PIC, agencies and OMB undertook a fresh, comprehensive review of all existing measures and targets to ensure they were as clear, outcome-oriented, and aggressive as they could be. Agencies will complete revisions of most of their measures by the fall of 2008.

Furthermore, over the past several years, OMB has worked with agencies to create a central database of program performance information including:

- Assessments for over 1,000 programs (96% of government spending) focusing on program purpose, strategic planning, management, and results.
- Over 4,000 specific program improvement actions (over 1,600 of which have been completed) responding to assessment findings.
- Over 6,000 performance measures tracking program outcomes, outputs, and activities that increase efficiency.

We have recently analyzed this database to show that agency programs have collectively met or exceeded 72 percent of their 2007 targets, and did not meet 28 percent. Program managers are getting better at analyzing and explaining performance trends in their programs - a critical step in using performance information to manage. As program managers improve their understanding of performance results, they will also improve their ability to set meaningful goals. The database is accessible to the public at www.ExpectMore.gov.

Accountability

Another principle of performance management is that program managers should be held accountable for achieving program results. OPM, OMB, and agencies are working together to incorporate into agency senior executive appraisal plans the goals of the programs they manage. It should be clear to all involved what the agency's strategic goals are, how program goals help achieve strategic goals, and how program manager and employee activities contribute to the achievement of agency strategic and program performance goals.

Reporting and Transparency

Transparency is critical to accountability for performance. But just posting a 300-400 page report online is not sufficient. Agencies have struggled with reporting their program or financial performance in a way that is engaging and useful to their stakeholders, including Congress. Agency reporting must be comprehensive, but few have time to pore over long and detailed reports written in dense "bureaucratese" to find the information they need. Agencies can't choose to report only good news – no one would believe that anyway.

PIOs and program managers are reporting more candid results of the agency's performance and the strategies that will be employed (and the funds they require) to improve. Agencies must provide their relevant committees of Congress a comprehensive briefing on their performance at least once a year. That's why the PIC, in partnership

with the Chief Financial Officers Council, has agreed on a three-tier reporting structure to reach diverse audiences. The structure includes:

- **2-Page Snapshot.** All agencies will produce a 2-page Snapshot that provides the reader with an overview of the agency's mission, organization, budget, and performance and financial results with links to more detailed information;

- **25-Page Citizens' Report.** Most agencies have committed to producing a 25-page Citizens' Report in 2008 that provides a view of agency mission, how funds are spent, key goals and performance relative to those goals, and actions they plan to take to build on successes or address shortcomings; and

- **Complete Agency Financial Report and Annual Performance Report.** Agencies will provide complete details on relevant financial and performance data meeting all statutory requirements.

The two-page Budget, Performance, and Financial Snapshot is a critical element of the reporting structure, serving as a gateway into agencies' more detailed performance and accountability information. It will provide key take-away points and internet links to the exact location of the more detailed information. In addition, agency Snapshots will be used to produce the first ever Government-Wide Performance Results Report that will be released to the Congress and the public by January, 2009.

Major Agencies Producing a 2008 25-Page Citizens' Report

Office of Personnel Management	Department of Health and Human Services	Small Business Administration
Department of Energy	Department of Defense	U.S. Agency for International Development
Department of State	National Science Foundation	Department of Homeland Security
Department of Labor	Environmental Protection Agency	Department of the Treasury
Department of the Interior	Department of Housing and Urban Development	General Services Administration
Department of Education	Department of Commerce	Department of Agriculture

Technology can enhance the accessibility of agency and program performance information. Today, for the first time, the public can access in one place (ExpectMore.gov) each major agency's strategic plan, financial statement, performance report, budget justification, and the results of individual program assessments. By September, each agency's home page will link to this information, as well as the Inspector General's reports and detailed plans to address items on GAO's High-Risk list.

Use of information to manage

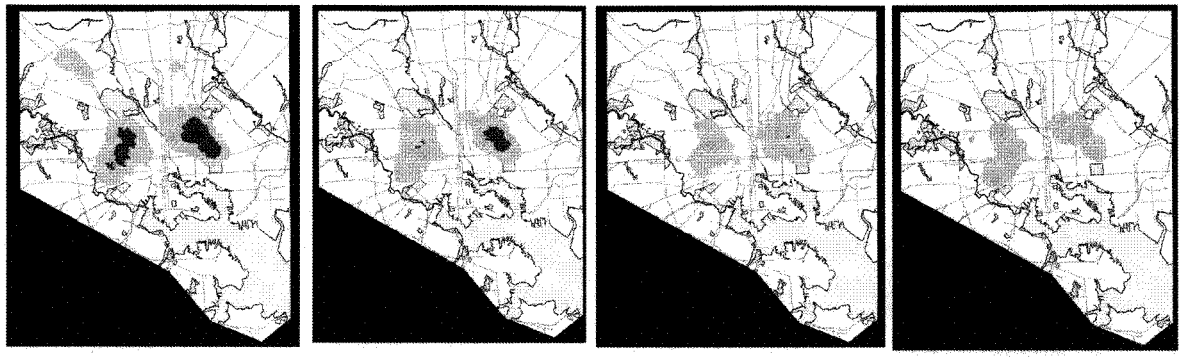
Of course, the collection and reporting of this information is not even half the battle. The analysis and use of the information to improve programs is hard. As required by the recent EO and Performance Improvement scorecard, senior leaders in every major agency are meeting at least quarterly to review performance information and strategize on ways to improve. EPA even posts its quarterly results on the Internet, celebrating successes as much as they candidly admit shortcomings. Even individual programs, like HUD's HOME program, break down different levels of performance for their different grantees, with quarterly updates. HUD headquarters can more easily identify anomalies and quickly address performance or cost issues with field offices. Data quality has also improved. More importantly, State and local HOME grantees use these quarterly snapshot reports to measure their progress and benchmark their performance and efficiency with other grantees in their State (HUD assigns rankings). As a result, funds are better managed and the HOME program is able to provide more affordable housing.

Conclusion

Performance information and the tools to facilitate its use have improved dramatically. The activities described here are all intended to help agencies and programs use it to improve their performance. The Performance Improvement Council is concerned about some evidence that the use of performance information to manage has not increased. The Performance Improvement Council would welcome collaboration with this subcommittee and others on ways to institutionalize and enhance the use of performance information in the Federal government.

The next administration has an advantage over this one: a comprehensive source of information about what government programs do, how well they do it, and what they are doing to improve. Using it to help them get even better will be good for the American people.

Homicide & Shooting Change, 1999-2005



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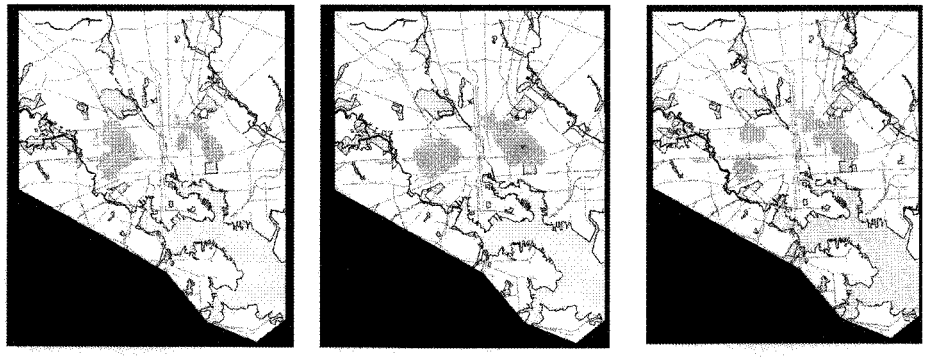

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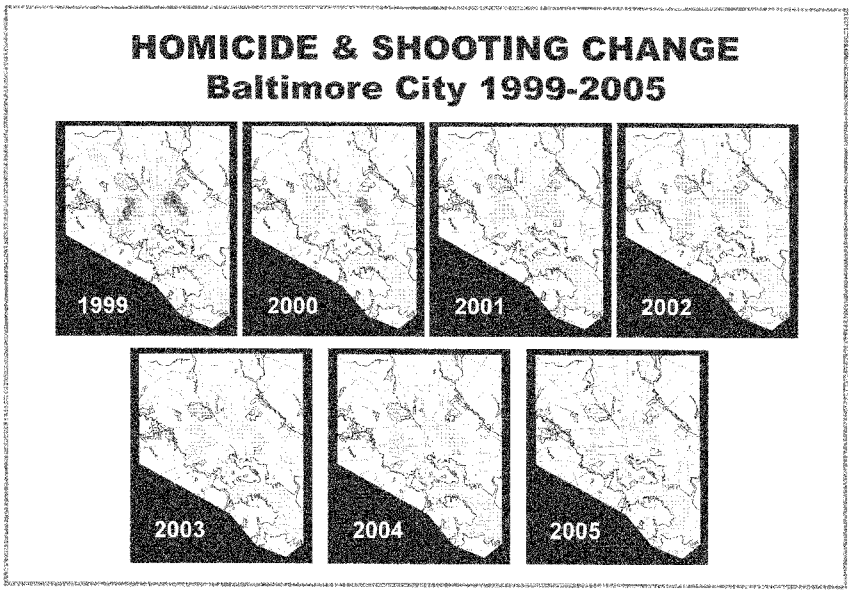
HOMICIDE & SHOOTING CHANGE
Baltimore City 1999-2005
1999
2000
2001
2002
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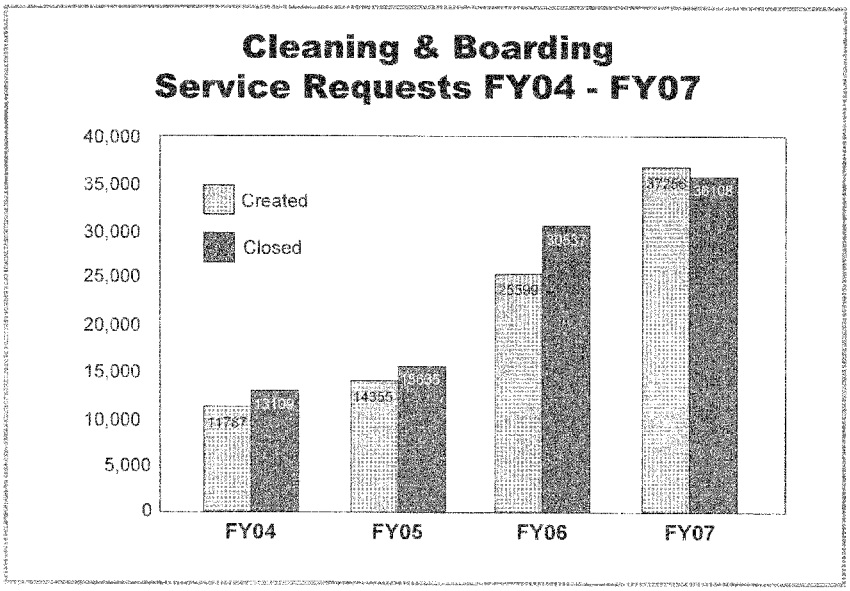
Cleaning & Boarding
Service Requests FY04 - FY07
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35,000
30,000
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20,000
15,000
10,000
5,000
0
Created
Closed
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14355
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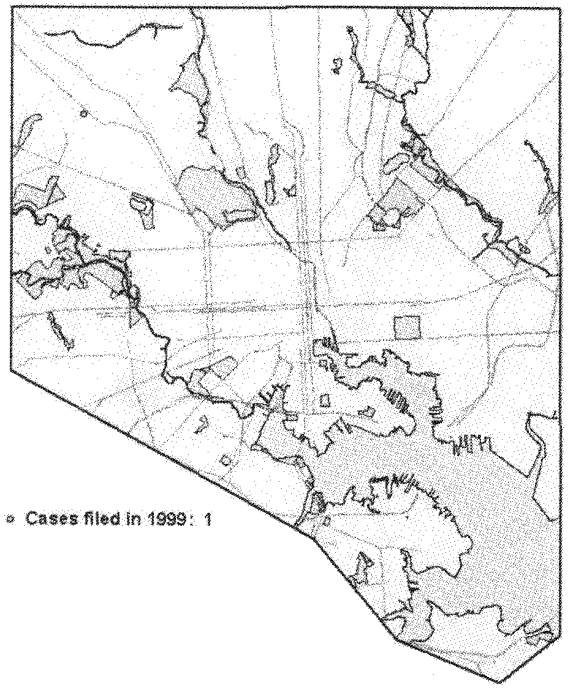
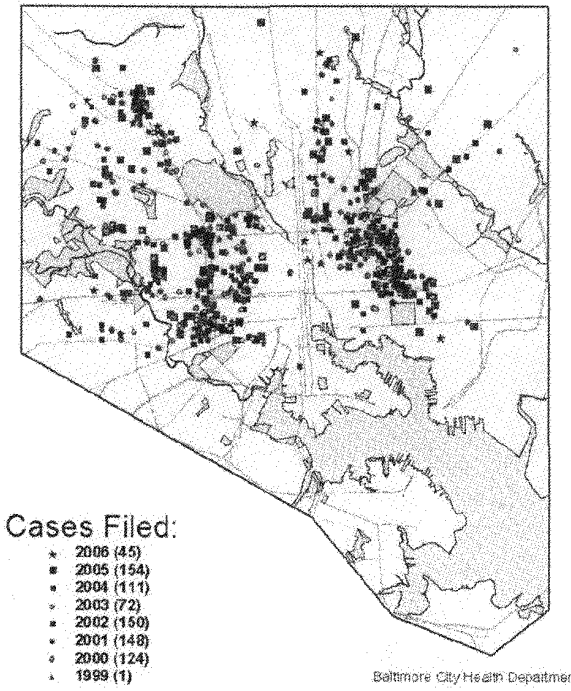
30337
37266
38108
FY04
FY05
FY06
FY07

1999: 1 Lead Court Case Filed



Since 1999: 805 Lead Court Cases Filed