

1. IMPROVING GOVERNMENT PERFORMANCE

The Federal Government's performance needs to improve. The past Administration, Congress, and the General Accounting Office concluded that we still have much work to do to improve the management and performance of the Federal Government.

True Government reform must be based on a reexamination of the role of the Federal Government. The President has called for an "active, but limited" Government: one that empowers States, cities, and citizens to make decisions; ensures results through accountability; and promotes innovation through competition. Thus, the Administration will reform and modernize Government on the basis of three objectives to make Government:

- Citizen-centered, not bureaucracy centered;
- Results-oriented, not process-oriented; and
- Market-based, actively promoting not stifling, innovation and competition.

This task will not be easy and it will take time. The agenda for management reform outlined in the discussion below and in the following chapters of the President's Budget is just the first step in the process. As a next step, in the next few months the Administration will announce a more comprehensive Government reform and management agenda that will expand on the initiatives discussed below, and address other key reforms.

Section III, "Creating a Better Government," of this budget is a Government-wide Performance Plan with an integrated view of the goals and descriptions of program activity as contemplated by the Government Performance and Results Act of 1993 (GPRA). Rather than examining performance only in individual organizational units (such as departments and agencies), the functional presentation in the chapters that follow groups together similar programs. The Government-wide

Performance Plan contains a significant number of key performance goals that serve as a window into the agencies' 2002 Performance Plans, which will be sent to Congress following the transmittal of the budget.

Good beginnings are not the measure of success, in Government or any other pursuit. What matters in the end is performance. Not just making promises, but making good on promises. This will be the standard for this Administration—from the farthest field office to the highest office in the land—as we begin the process of getting results from Government.

Making Government Citizen-Centered

Use the Internet to Create a Citizen-Centric Government: The explosive growth of the Internet has transformed communications between customers and businesses. It is also transforming communications between citizens and Government. The President believes that providing access to information and services is only the first step in electronic Government (e-gov). Citizen-centered Government will use the Internet to bring about transformational change: agencies will conduct transactions with the public along secure web-enabled systems that use portals to link common applications and protect privacy. This will give citizens the ability to go online and interact with their Government and with their State and local Governments that provide similar information and services around citizen preferences and not agency boundaries.

Create an E-Government Fund: The budget proposes \$20 million in 2002 as the first installment of a fund that will grow to a total of \$100 million over three years to support interagency e-gov initiatives. OMB would control the allocation of the fund to support information technology (IT) projects in the e-gov arena.

Projects that operate across agency boundaries will build off the foundation of essential building blocks, including: *www.firstgov.gov*, the online information portal that provides 24 hours a day/seven days a week access to all Government online information, searchable by topic rather than by agency; and the development of a Public Key Infrastructure to implement digital signatures that are accepted across agencies for secure online communications.

The fund will also further the Administration's ability to implement the Government Paperwork Elimination Act of 1998, which calls upon agencies to provide the public with optional use and acceptance of electronic information, services and signatures, when practicable, by October 2003. In recent years, funding for interagency e-gov initiatives has been obtained, as authorized by law, by passing the hat among agencies to support activities of interagency councils. The e-gov fund will accelerate the improvements this Administration will make to provide for interagency e-gov innovation.

Making Government Results-Oriented

Link Budget and Management Decisions to Performance: The Government's budget decision-making process allows elected officials—the President and members of Congress—to set broad priorities for Government programs and their managers through resource allocation. Choices are framed by the assessments of these officials about the country's needs for education, defense, energy, health, and a host of other national needs, within a framework of the resources available.

Making spending choices and allocating the appropriate resource level is an important step, but it is also important for spending to produce meaningful results. Performance information is necessary to determine the value and success of Government programs in achieving their goals. Passage of GPRA elevated the importance of good information on program performance, and at the same time signaled dissatisfaction with the performance information that has been available in the past.

The initial years of GPRA implementation have focused on developing a performance

management framework, accompanied by a growing increase in the use of this performance information to support budget decisions. However, a systematic integration of budgeting with program performance has yet to occur, and GPRA has not been fully harnessed to improve management and managerial accountability. Bringing about a better linkage between performance and budget information will be a priority of this Administration. As a first step, department and agency heads have been directed to ensure that their 2002 Performance Plans, which will be submitted to Congress in April, also include performance goals for Presidential initiatives and for Government-wide and agency-specific reform proposals.

Over the coming year, the Administration will take a number of steps to strengthen the linkage between budget decision making and program performance.

- *Formally integrate performance with budget decisions:* Agencies will be asked to submit performance-based budgets this September for a selected set of programs. For the selected programs, agencies will be advised of specific performance targets that are compatible with funding levels, and program managers will be held directly accountable for managing to the targets. In future years, policy officials at all levels in the Executive Branch will be expected to set output targets to match funding levels for selected programs.
- *Develop legislation to enable program managers to be charged for support services, capital assets, and employer benefits:* If program managers are going to be held more accountable for the achievement of output targets, they should be given accurate information on the cost of their programs and flexibility in choosing service providers. At present, program managers do not always have information on, or control of, the full costs of support services, retirement, and other non-direct costs associated with their programs, which can distort budget choices. Legislation will be developed this year to address this problem by changing the way support services, capital assets, and employee benefits are budgeted.

- *Publish detailed performance data:* The 2003 Budget will include more performance information and the 2004 Budget will integrate detailed performance and budget data to establish a stronger, more extensive and public link between the agency budget requests and performance measurement in the President's Budget.

Ensure Financial Accountability: The President believes that Government must ensure a basic level of financial accountability that is expected of any company in the private sector. He is holding agency heads accountable for obtaining and maintaining unqualified or "clean" opinions on their agencies' annual financial statement audits. More than 60 percent of agencies currently receive "clean" opinions; heads of the agencies without clean opinions are expected to attack vigorously the long-standing difficulties and record-keeping deficiencies that prevent clean opinions.

Reduce Erroneous Payments to Beneficiaries and Other Recipients of Government Funds: Financial accountability also requires assurance that Federal funds are being used for their intended purpose and not being distributed due to error. The General Accounting Office identified \$19.1 billion in erroneous payments made last year, and noted that the amount could be considerably larger. The President will direct agency heads to develop more rigorous controls to ensure that Federal funds reach their intended recipients at the correct time and in the proper amount. Further, he will promote the use of recovery audits and other steps to ensure that overpayments are avoided or returned to the Government.

Use Capital Planning to Improve Performance: Agencies invest more than \$40 billion in IT to support some 26,000 information systems. Technology now affects virtually every aspect of the way the Government operates, and IT investments are extremely important to the success of e-gov transforming the delivery of information and services. Agencies will use capital planning and investment control to promote security and privacy in the use of technology and guide the results of this investment, and ultimately for ensuring results from other capital assets as well. The Government can thus achieve outcomes from

IT investments that match agency strategic priorities and provide real benefits for the American people.

Eliminate Duplicative and Ineffective Programs: The Federal Government spends billions of dollars on programs that are obsolete, ineffective, or better performed by the private sector. The Administration will seek to redeploy resources from old priorities to make room for new Administration priorities by reducing or eliminating funding for programs that have completed their mission or that are redundant, ineffective, or obsolete.

Expand the Use of Performance-Based Contracts: Because of expanding missions and declining staff, agencies are increasingly relying on outside contractors. The Federal Government spends roughly \$110 billion a year in service contracts. The increase in the amount and type of contracting creates the opportunity and the necessity to move toward performance-based contracting—where the focus is on the results to be achieved, rather than the manner in which the work is performed or the "effort" involved. Agencies will convert Federal service contracts to performance-based contracts wherever possible, saving an estimated \$8.3 billion over five years.

Incorporate Successful Private Sector Reforms Throughout the Federal Work Force: The current civil service system does not do all it should to reward achievement or encourage excellence. It also limits the ability of agency heads to compete successfully for high-skilled senior talent. In an effort to get closer to the customer, American businesses have increasingly replaced old, hierarchical organizations with flatter, more entrepreneurial ones. To shrink the distance between citizens and decision makers who shape Government programs, the Administration will incorporate successful private sector reforms throughout the Federal work force: flatten the Federal hierarchy; reduce the number of layers in the upper echelon of Government; and use work force planning to help agencies redistribute higher-level positions to front-line, service delivery positions that interact with citizens. The Administration will also seek legislation to provide program managers new and expanded work force restructuring tools. These actions, combined with improved

accountability through better linkage of program performance with budget decision making and other reforms, will make the Federal Government more nimble and responsive. The Government can also be made more effective. These same work force planning tools can help ensure that agencies have people with the right skills in the right places in the right numbers to deliver programs people care about.

Making Government Market-Based

Make e-Procurement the Government-wide Standard: Businesses are experiencing significant cost savings by shifting their procurement to the Internet. Savings are derived from reduced transaction-processing costs, more efficient inventory management, and greater competition from vendors lowering prices. In an effort to lower costs and utilize market-based solutions wherever possible, agencies will move to paperless contracting processes in which information from one step of the process is automatically fed to the next step in the process, eliminating the need to re-enter data. Procurement data will be linked to financial systems, making the payment process both faster and more accurate; disposal

of excess Government property will become more effective. Agencies will also expand use of “share-in-savings” approaches, in which market incentives reward contractors who can retain a portion of any savings that result from innovation.

Open Government Activities to Competition: Opening Government functions to competition to the fullest extent possible is the best way to ensure market-based pricing and encourage innovation, while saving the taxpayers an estimated \$14 billion over five years. Since 1998, agencies have been required to inventory their activities that are commercial in nature—that is activities that are not “so intimately related to the public interest as to require performance by Federal Government employees.” In the past, agencies have found that when competitive bidding is employed, they experience average savings of 30 percent when a private contractor wins, and 20 percent when the public sector wins. Consequently, for these activities, agencies will use an open, competitive process (considering both public and private bidders) to choose the providers. The competitive process will be studied so that it can be streamlined.

Table 1-1. Federal Resources by Function
(In billions of dollars)

Category	2000 Actual	Estimate					
		2001	2002	2003	2004	2005	2006
NATIONAL DEFENSE:							
Spending:							
Discretionary Budget Authority	300.8	311.3	325.1	333.9	343.2	352.7	362.5
Mandatory Outlays:							
Existing law	-0.5	-0.4	-0.1	-0.2	-0.5	-0.6	-0.6
Proposed legislation			0.1	0.2	0.2	0.1	0.1
Credit Activity:							
Direct loan disbursements		*	0.1	0.1	0.2		
Guaranteed loans	*	*	0.1	0.5	0.5		
Tax Expenditures:							
Existing law	2.1	2.2	2.2	2.2	2.2	2.3	2.3
INTERNATIONAL AFFAIRS:							
Spending:							
Discretionary Budget Authority	23.5	22.7	23.9	24.4	24.9	25.5	26.0
Mandatory Outlays:							
Existing law	-4.1	-6.7	-3.5	-3.4	-3.4	-3.4	-3.4
Credit Activity:							
Direct loan disbursements	1.6	2.3	2.0	0.5	0.2	0.2	0.1
Guaranteed loans	11.4	11.1	11.5	10.8	10.7	11.6	11.2
Tax Expenditures:							
Existing law	16.6	18.1	18.3	18.9	20.0	21.3	22.6
GENERAL SCIENCE, SPACE, AND TECHNOLOGY:							
Spending:							
Discretionary Budget Authority	19.2	20.9	21.2	21.9	22.4	22.9	23.5
Mandatory Outlays:							
Existing law	*	0.1	0.1	0.2	0.2	0.1	0.1
Tax Expenditures:							
Existing law	3.3	7.7	8.4	7.2	6.6	4.7	3.3
ENERGY:							
Spending:							
Discretionary Budget Authority	2.7	3.1	2.8	2.9	3.1	3.2	3.3
Mandatory Outlays:							
Existing law	-4.0	-3.7	-3.3	-3.2	-3.7	-3.6	-3.6
Credit Activity:							
Direct loan disbursements	1.4	1.9	2.2	2.5	2.7	2.8	2.9
Guaranteed loans	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Tax Expenditures:							
Existing law	2.0	2.1	2.1	1.9	1.6	1.8	1.9
NATURAL RESOURCES AND ENVIRONMENT:							
Spending:							
Discretionary Budget Authority	24.6	28.7	26.4	27.0	27.6	27.6	27.4
Mandatory Outlays:							
Existing law	*	-0.2	-0.1	0.1	0.2	0.1	0.1
Proposed legislation			-*	-0.1	-*	*	0.1
Credit Activity:							
Direct loan disbursements	*	*	*	*	*	*	*
Guaranteed loans			*	0.1	*		
Tax Expenditures:							
Existing law	1.5	1.6	1.6	1.7	1.8	1.9	2.0
AGRICULTURE:							
Spending:							
Discretionary Budget Authority	4.7	5.1	4.8	5.2	5.2	5.3	5.4
Mandatory Outlays:							
Existing law	32.0	20.4	13.2	9.8	8.8	8.8	9.1
Credit Activity:							
Direct loan disbursements	11.0	10.3	10.4	8.9	8.8	8.6	8.9
Guaranteed loans	5.4	6.5	6.8	6.9	6.9	6.9	6.9

Table 1-1. Federal Resources by Function—Continued
(In billions of dollars)

Category	2000 Actual	Estimate					
		2001	2002	2003	2004	2005	2006
Tax Expenditures:							
Existing law	1.0	1.1	1.1	1.2	1.2	1.3	1.3
COMMERCE AND HOUSING							
CREDIT:							
Spending:							
Discretionary Budget Authority	5.1	0.7	-0.3	-0.1	-0.4	-0.5	-0.5
Mandatory Outlays:							
Existing law	-1.3	-2.5	6.7	4.7	4.0	4.2	2.9
Proposed legislation			-0.1	-0.1	-0.1	-0.1	-0.1
Credit Activity:							
Direct loan disbursements	1.3	1.7	1.6	1.6	1.6	1.6	1.6
Guaranteed loans	218.7	231.3	250.8	263.2	272.8	282.4	290.0
Tax Expenditures:							
Existing law	242.5	254.7	266.7	277.8	289.5	301.2	314.8
TRANSPORTATION:							
Spending:							
Discretionary Budget Authority	15.2	18.9	16.8	17.8	18.2	18.6	19.0
Mandatory Outlays:							
Existing law	2.1	2.2	1.8	2.0	2.0	1.9	1.9
Credit Activity:							
Direct loan disbursements	0.3	0.4	0.7	1.1	1.5	2.0	2.2
Guaranteed loans	0.9	0.6	0.4	0.2	0.2	0.2	0.2
Tax Expenditures:							
Existing law	2.1	2.2	2.4	2.5	2.7	2.8	3.0
COMMUNITY AND REGIONAL DEVELOPMENT:							
Spending:							
Discretionary Budget Authority	12.2	11.0	10.4	10.7	10.9	11.1	11.3
Mandatory Outlays:							
Existing law	-0.8	-0.6	-0.3	-0.7	-0.7	-0.8	-0.9
Proposed legislation			-*	-0.1	-0.1	-0.2	-0.4
Credit Activity:							
Direct loan disbursements	1.9	2.2	1.9	1.8	2.0	2.0	2.0
Guaranteed loans	1.4	2.8	2.4	2.0	1.8	1.8	1.9
Tax Expenditures:							
Existing law	1.2	1.4	1.9	2.4	2.4	2.6	3.1
EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES:							
Spending:							
Discretionary Budget Authority	44.4	61.1	65.4	67.1	69.0	70.7	72.3
Mandatory Outlays:							
Existing law	10.3	9.1	14.3	14.5	14.8	15.3	16.2
Proposed legislation			0.1	0.3	0.4	0.4	0.4
Credit Activity:							
Direct loan disbursements	16.4	19.1	16.6	17.5	18.4	19.4	20.4
Guaranteed loans	26.6	29.5	30.7	32.4	34.2	36.2	38.2
Tax Expenditures:							
Existing law	36.0	37.8	38.8	40.4	43.2	45.0	47.5
HEALTH:							
Spending:							
Discretionary Budget Authority	33.8	38.9	41.0	45.7	46.9	48.1	49.4
Mandatory Outlays:							
Existing law	124.5	138.7	152.4	168.9	183.6	199.7	216.6
Proposed legislation		2.5	10.7	13.7	14.6	4.3	0.1
Credit Activity:							
Guaranteed loans	*	*	*	*	*	*	*

Table 1-1. Federal Resources by Function—Continued

(In billions of dollars)

Category	2000 Actual	Estimate					
		2001	2002	2003	2004	2005	2006
Tax Expenditures:							
Existing law	91.1	99.8	108.6	117.8	127.5	136.8	147.1
MEDICARE:							
Spending:							
Discretionary Budget Authority	3.0	3.4	3.5	3.5	3.6	3.7	3.8
Mandatory Outlays:							
Existing law	194.1	216.0	226.4	238.6	252.2	270.8	279.4
Proposed legislation						8.3	12.8
INCOME SECURITY:							
Spending:							
Discretionary Budget Authority	31.6	39.5	42.8	45.1	46.7	48.3	49.6
Mandatory Outlays:							
Existing law	206.5	217.2	228.5	237.0	246.3	258.2	265.5
Proposed legislation			0.3	0.9	1.0	1.2	1.3
Credit Activity:							
Direct loan disbursements	*	*	*				
Guaranteed loans	*	*	0.1	0.1	0.1	0.1	0.1
Tax Expenditures:							
Existing law	147.6	153.4	159.1	165.7	172.3	179.1	187.7
SOCIAL SECURITY:							
Spending:							
Discretionary Budget Authority	3.2	3.4	3.5	3.6	3.7	3.8	3.8
Mandatory Outlays:							
Existing law	406.0	430.0	451.6	473.5	498.0	524.3	553.0
Tax Expenditures:							
Existing law	24.8	26.0	27.3	28.4	29.7	31.3	33.0
VETERANS BENEFITS AND SERVICES:							
Spending:							
Discretionary Budget Authority	20.9	22.5	23.5	24.0	24.5	25.1	25.7
Mandatory Outlays:							
Existing law	26.3	23.0	28.1	29.7	31.3	35.4	34.1
Proposed legislation			*	—*	—0.1	—0.1	—0.1
Credit Activity:							
Direct loan disbursements	1.5	1.7	1.7	1.9	2.0	2.0	2.0
Guaranteed loans	20.2	29.5	29.0	29.6	30.2	30.8	31.5
Tax Expenditures:							
Existing law	3.3	3.5	3.7	3.9	4.0	4.3	4.5
ADMINISTRATION OF JUSTICE:							
Spending:							
Discretionary Budget Authority	27.1	30.0	29.8	31.9	32.3	32.8	33.5
Mandatory Outlays:							
Existing law	1.0	0.7	1.5	1.1	2.5	2.5	2.5
GENERAL GOVERNMENT:							
Spending:							
Discretionary Budget Authority	12.4	14.0	14.8	15.0	15.4	15.7	16.0
Mandatory Outlays:							
Existing law	1.0	2.3	1.8	1.8	2.0	1.8	1.8
Proposed legislation			*		1.2	*	*
Credit Activity:							
Direct loan disbursements	*	*	*				
Tax Expenditures:							
Existing law	67.7	71.3	74.8	78.3	82.1	86.0	88.7
NET INTEREST:							
Mandatory Outlays:							
Existing law	223.2	206.4	188.1	175.2	161.5	144.6	127.1
Proposed legislation			*	*	*	0.1	0.1

Table 1-1. Federal Resources by Function—Continued
(In billions of dollars)

Category	2000 Actual	Estimate					
		2001	2002	2003	2004	2005	2006
Tax Expenditures:							
Existing law	0.5	0.5	0.5	0.5	0.6	0.6	0.6
ALLOWANCES:							
Spending:							
Discretionary Budget Authority			5.3	5.4	5.6	5.7	5.8
UNDISTRIBUTED OFFSETTING RECEIPTS:							
Mandatory Outlays:							
Existing law	-42.6	-47.7	-51.8	-60.7	-62.4	-56.2	-57.8
Proposed legislation			2.4	0.3	-8.2	-2.7	-4.6
FEDERAL GOVERNMENT TOTAL:							
Spending:							
Discretionary Budget Authority	584.4	634.9	660.6	685.1	702.7	720.1	737.9
Mandatory Outlays:							
Existing law	1,174.0	1,204.4	1,255.4	1,289.2	1,336.6	1,403.0	1,444.0
Proposed legislation		2.5	13.4	15.2	8.9	11.2	9.6
Credit Activity:							
Direct loan disbursements	35.5	39.6	37.3	35.9	37.5	38.6	40.2
Guaranteed loans	284.9	311.6	332.0	346.0	357.6	370.1	380.0

* \$50 million or less.

Notes: Tax expenditure proposals are presented in Table S-10.

The Administration proposes to reverse the misleading budget practice of using advance appropriations simply to avoid spending limitations and is requesting sufficient appropriations in 2002 to cover normal funding, instead of requesting advance appropriations for 2003. This increases budget authority by \$22.7 billion in 2002 only.