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THE GOVERNMENT PERFORMANCE AND RESULTS ACT: SENSIBLE GOVERNMENT FOR THE NEXT CENTURY

HEARING

BEFORE THE

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTH CONGRESS

FIRST SESSION

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THE GOVERNMENT PERFORMANCE AND RESULTS ACT: SENSIBLE GOVERNMENT FOR THE NEXT CENTURY

WEDNESDAY, FEBRUARY 12, 1997

HOUSE OF REPRESENTATIVES,
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT,
Washington, DC.

The committee met, pursuant to notice, at 10:05 a.m., in room 2154, Rayburn House Office Building, Hon. Dan Burton (chairman of the committee) presiding.

Present: Representatives Burton, Shays, Horn, Mica, Davis (VA), Shadegg, Sanford, Sununu, Sessions, Pappas, Snowbarger, Barr, Condit, Sanders, Maloney, Barrett, Norton, and Holden.

Staff present: Kevin Binger, staff director; Dan Moll, deputy staff director; John Rowley, general counsel; Jonathan Yates, counsel; Kristine Simmons and Jane Cobb, professional staff members; Judy McCoy, chief clerk; Teresa Austin, assistant clerk/calendar clerk; Mark Stephenson, minority professional staff; and Jean Gosa, minority administrative staff.

Mr. BURTON. We have the most important members of the committee here, so far, so we'll go ahead and start. Good morning, and welcome to the first Government Reform and Oversight full committee hearing of the 105th Congress. I am pleased that the first order of business on our full committee oversight agenda is the Government Performance and Results Act, or GPRA.

We will, henceforth, be calling this the Results Act for simplicity purposes. I want everybody to understand what we're talking about when you talk about GPRA. People probably think it's some kind of a disease, and we don't want that to happen, so we'll call it the Results Act. For some of us this is familiar territory and for others it's brand new. But for all of us on both sides of the aisle and at both ends of Pennsylvania Avenue, the Results Act is the key to reforming government now and into the next century.

The Government Performance and Results Act requires agencies to set performance goals and eventually tie their budgets to their performance. This is a sound business practice that we should have been employing for a long time. This act has the force of law to make agencies do what they should be doing anyway, knowing what their mission is and fulfilling that mission in the most efficient, cost-effective manner possible.

The subtitle of this hearing is Sensible Government for the Next Century. And that is exactly what the Results Act is about—a government that makes sense and is based on performance and re-

sults. I hope this hearing will send a signal to the administration and to American taxpayers that this committee is very serious about using the act to make sure citizens are getting what they expect and pay for from Federal programs.

Throughout the 104th Congress, Chairman Steve Horn of the Government Management Subcommittee worked diligently to oversee the results process. Mr. Horn's efforts have taken the important first step of educating Members of Congress and the American people about this act. It is essential that members of this committee and the other committees in Congress begin to understand what the Results Act is and what role they must play if it is to be implemented successfully.

Agencies are required under the law to consult with Congress on their strategic goals and plans, which must formally be submitted to Congress in September. Every committee in the House and Senate needs to take an active and immediate role in the consultative process. The key to the Results Act is that it requires a cooperative effort among agencies, Congress and, most importantly, the people that are affected by these Federal programs.

To highlight the importance with which the House leadership regards this Results Act, we will be pleased, before too long, to welcome the House Majority Leader, Richard Armey, to speak. Mr. Armey will be here, probably, in about 10 or 15 minutes, so I will save his introduction for that time. We're happy to have him and we regret that his minority counterpart, Richard Gephardt, was unable to join us due to a scheduling conflict.

Following the majority leader, we will welcome the Acting Comptroller General of the General Accounting Office, Mr. James Hinchman, who will explain the requirements of the Results Act and how we in Congress can use it as a vital oversight tool. Finally, John Koskinen the Deputy Director of the Office of Management and Budget, will testify regarding the priority the administration has placed on the Results Act implementation and the general readiness of agencies to comply with the act.

Since Mr. Armey is not yet here, I would like to now recognize Mr. Waxman, who isn't here, he's detained at another meeting—the ranking member of the subcommittee. Mrs. Maloney, I think, has his statement and one of her own. So we'll now recognize Mrs. Maloney for her own statement.

[The prepared statement of Hon. Dan Burton follows:]

STATEMENT OF
THE HONORABLE DAN BURTON (R-IN)
CHAIRMAN
HOUSE COMMITTEE ON GOVERNMENT REFORM
AND OVERSIGHT

"The Government Performance and Results Act:
Sensible Government for the Next Century"
Full Committee Hearing
February 12, 1997

Good morning, and welcome to this first Government Reform and Oversight full committee hearing of the 105th Congress. I am pleased that the first order of business on our full committee oversight agenda is the *Government Performance and Results Act,* or "GPRA." For some of us GPRA is familiar territory, and for others it is brand new. But for all of us, on both sides of the aisle and at both ends of Pennsylvania Avenue, GPRA is the key to reforming government now and in the next century.

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The subtitle of this hearing is *"Sensible Government for the Next Century,"* and that is exactly what the GPRA is about: a government that makes sense and is based on performance and results. I hope this hearing will send a signal to the Administration, and to American taxpayers, that this Committee is serious about using the Act to make sure citizens are getting what they expect, and pay for, from federal programs.

Throughout the 104th Congress, Chairman Steve Horn of the Government Management Subcommittee worked diligently to oversee the GPRA process. Mr. Horn's efforts have taken the important first step of educating Members of Congress and the American public about GPRA. It is essential that Members of this Committee and the other committees in Congress begin to understand what GPRA is and what role they must play if it is to be implemented successfully.

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Before we proceed to Mr. Armey's testimony, I would like to recognize the distinguished Ranking Minority Member, Mr. Waxman, for an opening statement.

* * * * * * *

Thank you, Mr. Waxman. Before I recognize the Chair and Ranking Member of the Government Management Subcommittee for opening

statements, without objection I would like to request that other Members of the Committee submit their opening statements for the record so that we may proceed to the Majority Leader's testimony this morning.

Now I would like to recognize the Chairman of the Government Management Subcommittee, Mr. Horn, who held a number of hearings on the GPRA in the 104th Congress and will continue to be a leader on this issue in the 105th Congress.

* * * * * * *

Thank you, Mr. Horn. Finally, let me recognize the gentlelady from New York, Mrs. Maloney, who served as the distinguished Ranking Minority Member of the Government Management Subcommittee in the 104th Congress.

Mrs. MALONEY. Thank you very much, Mr. Chairman, and thank you for holding this hearing on the Government Performance and Results Act. The Results Act is landmark legislation which has enjoyed wide bipartisan support since its passage in 1993.

The act is approaching a critical period of implementation, and I am hopeful that bipartisanship will continue. The Results Act is that latest in a series of laws, such as the Chief Financial Officers Act and the Inspector General Act, meant to improve performance and reduce waste, fraud and abuse in the Federal Government.

It is intended to improve the efficiency and the effectiveness of the Federal Government and to begin a cultural change in the Federal workforce by forcing the agencies to focus on results. Mr. Chairman, I am pleased you are holding this hearing at a time when government is getting fewer and fewer resources yet being expected to do at least as much as it always has. Improving the efficiency and effectiveness of the Federal Government is more important than ever.

I would just like to add that I am pleased that you are starting the committee work on this important piece of legislation. It happens to be the very first piece of legislation that I managed on the floor of the House of Representatives in 1993. And it was also a cornerstone in Vice President Gore's Reinventing Government, which has worked so far to make government more effective and cost effective and productive, even as we have moved, really, to the smallest workforce in many years, since President Kennedy was in office.

It will force our agencies to plan better, to come forward with their priorities, and it will allow us to analyze their results. And I—it's a sensible, important bill. I look forward to working with you on oversight of it. The importance that you place on it is underscored by the fact that the Majority Leader, Mr. Armey, will be here. And I look forward to his testimony. In appreciation of time restraints, I'll put my formal remarks in the record. Thank you.

Mr. BURTON. Without objection, your remarks will be entered into the record.

And I'd just like to say to Mrs. Maloney that, as you can see, we are reaching out to the minority right off the bat because this is one of your pet projects. Now, I'd like to recognize the chairman of the Government Management, Information, and Technology Subcommittee, a good friend and a very fine legislator, Mr. Horn, who held a number of hearings on the Results Act in the 104th Congress. And I'm sure he'll continue to be a leader in this Congress as well. Mr. Horn.

Mr. HORN. Thank you very much, Mr. Chairman, for holding this hearing and your generous comments. I welcome this hearing as a beginning step in what I think can be a sea change in the way our government works. The Government Performance and Results Act may be landmark legislation, in that it can simplify and de-mystify our processes of government.

It does this by forcing Federal agencies to explain what they intend to do with the tax dollars we give them and by measuring whether the agencies then live up to their word. The goal of this law can be summed up in one word: accountability. That is, this law creates the ability for government to actually account for the

money it raises in taxes and then spends on a vast array of programs.

That goal may seem elementary to many Americans. Families and businesses go through the exercise on a routine basis. But for the Federal Government this is a startling and even wrenching exercise. Under this law, every Federal agency must ask itself some basic common sense questions: What are we doing? Should we be doing it? Can we do it better? Can we do it cheaper?

Under this law, every Federal agency must establish clear, realistic and understandable goals, and they must establish effective ways to measure performance. Instead of focusing solely on the bare minimum requirements of complying with the law, they will be expected to produce real results, and they will have to produce real balance sheets that can be verified by outside auditors and understood by ordinary taxpayers.

The Government Performance and Results Act has the potential to produce enormous change, particularly as it is connected with other landmark laws such as the Chief Financial Officers Act. These laws, for the first time, put a premium on good management. They are the beginning steps in reversing the Federal Government's long legacy of inattention, indifference, and, at times, incompetence in managing the Nation's affairs.

But Mr. Chairman, I also want to note that there's another important fundamental change underway, and it's demonstrated by this hearing. That change is the commitment we're making here in Congress to give real life and energy to these laws through vigorous oversight of Federal agencies. The fact that the Majority Leader, Mr. Armey, is here today is an illustration of that commitment.

Tomorrow, the Subcommittee on Government Management, Information, and Technology, which I chair and Mrs. Maloney serves as the ranking Democrat, will continue this process with our opening hearing on the 25 high risk Federal agencies identified by the General Accounting Office. The subcommittee will hold extensive hearings on these programs and agencies over the next 2 years.

In short, Mr. Chairman, there's a lot of work to do. I'm grateful for your support of this effort, and I thank you.

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

Government Performance and Results Act

February 12, 1997
Opening Statement
Representative Steve Horn

Mr. Chairman, thank you and I will be brief so that we can get right to the witnesses. I welcome this hearing as a beginning step in what I think can be a sea-change in the way our government works.

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In short, Mr. Chairman, there is a lot of work to do. Thank you.

Mr. BURTON. I thank Mr. Horn. I'd just like to say to all the Members who are here, including the new Members, that we will introduce all of you and tell of your backgrounds this afternoon, at our organizational meeting, but because of time constraints this morning and because of other meetings that are being held, we'll hold your very important introductions until later.

Our next witness, pending the arrival of the majority leader, is the distinguished Acting Comptroller General of the General Accounting Office, James Hinchman. GAO has done some outstanding work tracking the implementation of the Results Act to date. We look forward to Mr. Hinchman's testimony this morning on the requirements of the act and how it can serve as an essential oversight tool for Congress.

Mr. Hinchman has with him an associate. And Mr. Hinchman, if you'd like to introduce him at this time, I'd appreciate it.

Mr. HINCHMAN. Thank you, Mr. Chairman. It's a pleasure to be here this morning.

Mr. BURTON. Before you start your statement, would you mind standing and being sworn in?

Mr. HINCHMAN. Of course.

Mr. BURTON. This is a common practice we have here. Would you raise your right hand?

[Witnesses sworn.]

Mr. BURTON. OK. You may proceed, Mr. Hinchman.

STATEMENT OF JAMES HINCHMAN, ACTING COMPTROLLER GENERAL OF THE UNITED STATES, ACCOMPANIED BY CHRIS MIHM, ASSISTANT DIRECTOR, FEDERAL MANAGEMENT ISSUE AREA, GENERAL ACCOUNTING OFFICE

Mr. HINCHMAN. As I said, thank you, Mr. Chairman. It is a pleasure to be here this morning. With me is Chris Mihm, Assistant Director in GAO's Federal Management Issue Area. And we and GAO, as a whole, are honored to be a part of this important hearing on the Government Performance and Results Act and its implementation.

I have a prepared statement. With your permission, I would like to summarize it briefly, and, if that's acceptable to you, request that that statement be put in the record.

Mr. BURTON. Without objection.

Mr. HINCHMAN. GAO has, over the past year or so, Mr. Chairman, done a great deal of work examining management issues throughout the Federal Government, much of it for this committee. This work includes our executive guide on implementing the Government Performance and Results Act. It also includes the work we now have underway, to report to you by June 1 on the status of GPRA implementation.

Three important conclusions come out of this work. And I want to summarize them for you briefly. First, we need better management in the Federal Government. Our work has consistently shown that Federal agencies have significant management problems that undermine their ability to function efficiently and effectively. Missions are unclear. Planning is inadequate. There is too little goal-setting and performance measurement. And too little of what there

is is not results-oriented. Financial management systems do not work. Information technology is badly managed, as well.

The public will not accept, and we cannot afford, these poor management practices, particularly in these days of budget constraint. Part of the solution to the Federal Government's fiscal problems must be more efficient and effective management of its programs and activities, and I think there is growing and broad consensus both in the government and among the students of its institutions that this is so.

Second, Congress has put in place a sound statutory framework for addressing these management problems. Much of that work has been done under the leadership of this committee. This framework includes the Chief Financial Officers Act, the Paperwork Reduction Act of 1995, the Clinger-Cohen Act; and its cornerstone, its centerpiece, is the Government Performance and Results Act.

At the request of this committee, we studied management reform in State governments, in foreign governments, in other public sector institutions, for lessons that can assist in the successful implementation of the Results Act. The results of this work are in our executive guide, and they confirm the soundness that the course that the Congress has established.

Effective management in all of these institutions defines clear missions and outcomes, measures performance in achieving outcomes to gauge progress, and uses performance information to make changes that will improve results. Our work shows that this is the process that has worked for those successful public sector institutions that have reformed their management, and it is precisely the process that the Results Act mandates.

Third, and finally, Congress has an important role to play in the implementation of the Results Act. For every agency, one of the first steps in the implementation of the Results Act is consultation with Congress about its mission and strategic plan.

These consultations provide the opportunity for Congress to work with the executive branch to ensure that missions are focused, that goals are results oriented, and that they have been clearly established. In our work we have found that planning efforts that produced focused missions and results oriented goals virtually always drive improved efficiency and effectiveness.

We have also urged in the past that congressional committees of jurisdiction hold regular oversight hearings of major departments and agencies. Our work for this committee underscores the importance of sustained leadership in assuring successful implementation of results oriented management in the public sector.

These hearings can be used to reinforce Congress's commitment to improve management in the Federal sector and ensure that agencies continue to pursue the reforms mandated by the Results Act. As I said a moment ago, Mr. Chairman, these are the three correlessants of the large body of work that we have done for this committee. They support the direction in which Congress has set the government in the Results Act. And the test now before us is to assure that it is effectively implemented. With that, let me conclude, Mr. Chairman, and take any questions that you or other members of the committee may have.

[The prepared statement of Mr. Hinchman follows:]

United States General Accounting Office

GAO

Testimony
Before the Committee on Government Reform and Oversight
House of Representatives

For Release on Delivery
Expected at
10:00 a.m., EST
Wednesday
February 12, 1997

MANAGING FOR RESULTS

Using GPRA to Assist Congressional and Executive Branch Decisionmaking

Statement of James F. Hinchman
Acting Comptroller General of the United States

GAO/T-GGD-97-43

Mr. Chairman and Members of the Committee:

I am pleased to be here today to discuss how Congress can use the Government Performance and Results Act (GPRA) as it seeks to reduce the cost and improve the performance of the federal government. There is a broad consensus within the federal government, and among students of its institutions, that part of the solution to the federal government's fiscal problems must be better management of its programs and activities. The American people also are rightly demanding that government operate in a more efficient and businesslike manner. However, improving management in the federal sector will be no easy task, but GPRA can assist in accomplishing it.

As its title indicates, GPRA's focus is on results. In crafting GPRA, Congress recognized that congressional and executive branch decisionmaking had been severely handicapped by the absence in many agencies of the basic underpinnings of well-managed organizations. Our work has found numerous examples of management-related challenges stemming from unclear agency missions; the lack of results-oriented performance goals; the absence of well-conceived agency strategies to meet those goals; and the failure to gather and use accurate, reliable, and timely program performance and cost information to measure progress in achieving results.

In recent years, Congress has put in place a statutory framework for addressing these long-standing challenges and helping Congress and the executive branch make the

difficult trade-offs that the current budget environment demands. This framework includes as its essential elements the Chief Financial Officers (CFO) Act; information technology reform legislation, including the Paperwork Reduction Act of 1995 and the Clinger-Cohen Act; and GPRA. The CFO Act, as expanded and amended by the Government Management Reform Act (GMRA), spelled out an ambitious and long overdue agenda to address the lack of timely, reliable, useful, and consistent financial information in the federal government. The information technology reform legislation is directed at more effective management and use of information technology to better support agencies' missions and improve program performance. GPRA--with its focus on clarifying missions, setting programmatic goals, and measuring performance towards those goals--is the centerpiece of this statutory framework.

In enacting this framework, Congress was seeking to create a more focused, results-oriented management decisionmaking process within both Congress and the executive branch. These laws each responded to a need for accurate, reliable information for executive branch and congressional decisionmaking, information that has been sadly lacking in the past, as much of our work has demonstrated. Implemented together, these laws provide a powerful framework for developing fully integrated information about agencies' missions and strategic priorities, results-oriented performance goals that flow from those priorities, performance data to show the achievement (or not) of those goals, the relationship of information technology investments to the achievement of performance

goals, and accurate and audited financial information about the costs of achieving mission outcomes.

As agreed with the Committee, today I will provide an overview of the major management challenges that our work has shown agencies face. I will then discuss how GPRA can be used to address those challenges and better ensure that agencies are the focused, results-driven organizations that today's fiscal environment requires. I will conclude with some suggestions for Congress to consider about how it can use GPRA to enhance congressional oversight and decisionmaking. My statement is based on a large body of work we have done on management and operational issues across agencies and levels of government.[1] This work includes our Executive Guide: Effectively Implementing the Government Performance and Results Act, which draws on the experiences of leading public sector organizations and suggests a path that agencies can take to implement GPRA.[2] My statement is also based on the work we are completing to meet the requirement in GPRA that we report by June 1 of this year on the act's implementation and prospects for governmentwide compliance.

GPRA seeks to shift the focus of federal management and decisionmaking from a preoccupation with the number of tasks completed or services provided to a more direct

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[1]Some of these products, along with other relevant GAO work, are listed in the "Related GAO Products" section at the end of this statement.

[2]Executive Guide: Effectively Implementing the Government Performance and Results Act (GAO/GGD-96-118, June 1996).

consideration of the results of programs--that is, the real differences the tasks or services provided make in people's lives. As a starting point, GPRA requires executive agencies to complete--no later than September 30 of this year--strategic plans in which they define their missions, establish results-oriented goals, and identify the strategies they will use to achieve those goals. GPRA requires agencies to consult with Congress and solicit the input of others as they develop these plans. Next, beginning with fiscal year 1999, executive agencies are to use their strategic plans to prepare annual performance plans. These performance plans are to include annual goals linked to the activities displayed in budget presentations as well as the indicators the agency will use to measure performance against the results-oriented goals. Agencies are subsequently to report each year on the extent to which goals were met, provide an explanation if these goals were not met, and present the actions needed to meet any unmet goals.

FEDERAL EFFECTIVENESS HAS BEEN UNDERMINED BY MAJOR MANAGEMENT CHALLENGES

Under GPRA, virtually every executive agency must now ask itself some basic questions: What is our mission? What are our goals, and how can we measure our performance? How will we achieve those goals? How will we use performance information to make improvements? The questions that must be addressed to implement GPRA are directly related to the most pressing management challenges that we have identified through our

work. These long-standing management challenges must be successfully addressed if the federal government is to become more effective and better managed.

Clarifying the Agency Mission

Efforts to build an effective and efficient organization must begin with a clearly defined mission--a concrete sense of why the organization exists and what it is to accomplish. Over the years, our work has identified instances where an agency's effectiveness was hampered by the lack of a clearly defined mission.

For example, our work has shown that the Department of Energy (DOE) needs to reevaluate its basic mission.[3] DOE's responsibilities and priorities have changed dramatically over time. The DOE of today is a very different organization from what it was in 1977 when as a newly created agency, its mission was to respond to a perceived national energy crisis. Thus, while energy research, conservation, and policymaking dominated early DOE priorities, national defense and environmental cleanup now overshadow those areas. Meanwhile, new mission areas in science and industrial competitiveness have emerged and are pressing for priority attention. With each new phase, DOE leadership brought a vastly different agenda concerning DOE's basic responsibilities and how the agency should be managed. These shifts have contributed

[3]Managing for Results: Key Steps and Challenges In Implementing GPRA In Science Agencies (GAO/T-GGD/RCED-96-214, July 10, 1996).

to uneven performance in many mission areas. For example, during the time that DOE emphasized nuclear weapons production, it gave little attention to the environmental consequences. In part as a result, environmental cleanup will now cost between $189 and $265 billion by DOE's estimate.

DOE is undertaking strategic planning efforts intended, among other things, to ensure that it is identifying and addressing its critical mission areas and setting priorities for its efforts. Sustained congressional involvement in DOE's planning efforts, and in the similar efforts under way at other agencies, is vital both to ensure that missions are based in statute and to identify cases where statutory requirements need to be modified or clarified.

While progress is needed in better defining the missions of individual agencies, it is equally important to manage and coordinate federal program efforts that cut across several agencies. Our work has shown that program area after program area--such as federal land management, food safety, and early childhood development--suffers from fragmented and overlapping initiatives.[4] Such unfocused efforts waste scarce funds, confuse and frustrate program customers, and limit the overall effectiveness of the federal effort. As Congress provides input to agencies' strategic plans, it can insist that agencies show how their programs are aligned with related efforts in other agencies. Congress can

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[4]See, for example, Federal Land Management: Streamlining and Reorganization Issues (GAO/T-RCED-96-209, June 27, 1996); Food Safety: A Unified, Risk-Based Food Safety System Needed (GAO/T-RCED-94-223, May 25, 1994); and Early Childhood Programs: Multiple Programs and Overlapping Target Groups (GAO/HEHS-95-4FS, Oct. 31, 1994).

also use the planning process to seek opportunities to streamline government by comparing the effectiveness of similar program efforts carried out by different agencies.

Establishing Results-Oriented Performance Goals

As successful organizations define their missions, they also establish results-oriented performance goals that can be used to assess whether they are fulfilling their missions. We are finding that many agencies have a difficult time moving from measuring program activities to establishing results-oriented goals and managing to achieve those results.

The Small Business Administration (SBA) offers an example of goal-setting and performance measurement efforts that could be better focused on mission. SBA was created to help small businesses and strengthen the overall economy by increasing business and job opportunities. However, it had no results-oriented performance goals for its section 8(a) Minority Enterprise Development Program, even though Congress defined the success of this program in its enabling legislation. This legislation defined success as "the number of competitive firms that exit the program without being unreasonably reliant on section 8(a) contracts and that are able to compete on an equal basis in the mainstream of the American economy."[5] We and SBA's Inspector General have pointed

[5]102 Stat. 3856, Nov. 15, 1988.

to the need for SBA to measure the success of the program as defined by Congress.[6] SBA officials are now committed to gathering the information to track how many firms leaving the program are not reliant on section 8(a) contracts--a major first step in determining whether the program is helping small businesses as intended.

The fundamental reason that establishing results-oriented goals is so difficult is that, to set such goals, agencies must move beyond what they control--that is, their activities--to focus on what they merely influence--their results. Many federal services are delivered through third parties, such as states and nonprofit organizations, that may have goals that differ from those of the federal government. Moreover, in some program areas, such as basic scientific research, it can take years before the results, if any, of the federal effort become apparent. And even then, it can be very difficult to identify the extent to which the federal effort led to a given result. The consultation process is a vehicle for Congress and agencies to use to reach an understanding of the challenges confronting particular programs and agreement on what goals are appropriate given those challenges.

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[6]Small Business: SBA Cannot Assess the Success of Its Minority Business Development Program (GAO/T-RCED-94-278, July 27, 1994) and 8(a) Competitive Business Mix Requirements (SBA OIG Audit Report No. 5-3-E-101-021, Sept. 29, 1995).

Designing Strategies to Meet Results-Oriented Goals

Congress rightfully expects that each agency's plans and programs will make efficient use of budgetary resources and that, if reductions need to be made, those resources will be used in a way that maintains, to the fullest extent possible, the agency's ability to carry out its mission. Our work has shown that many agencies are currently struggling to develop coherent strategies for restructuring their organizations, workforces, and operations to meet results-oriented goals.

This need for a coherent strategy is particularly true in the area of information technology. The sound application and management of information technology to support strategic goals must be an important part of any serious attempt to improve agency mission performance, cut costs, and enhance responsiveness to the public. The successful implementation of information technology reform legislation--which among other things, requires that agencies have a strategy that links technology investments to achieving programmatic results--is critical to ensuring the wise use of the billions of dollars the government is investing in information systems.

More generally, we have found that agencies need to do a better job of designing mission-based strategies to improve efficiency and reduce costs. For example, we recently reported that the Department of State does not have a comprehensive strategy to

restructure its operations to adjust to today's needs.[7] State's vast network of embassies and consulates, together with the way they are configured and operated, has remained largely unchanged despite communications and transportation advances, geopolitical changes, and new budget realities. State has not been able to make hard choices about resource priorities for its wide range of locations and functions, or to fundamentally rethink the way that it does business, in order to reduce its operating costs.

Generating Program Performance and Cost Information

Conclusions about what the government is accomplishing with the taxpayers' money cannot be drawn without adequate program performance and cost information. Viewing program performance in light of program costs as envisioned by GPRA--for instance, by establishing the unit cost per output or outcome achieved--can help Congress make informed decisions. Unfortunately, program and cost information has not always been present or reliable enough either to use in decisionmaking or to provide the requisite public accountability for the use of taxpayers' money. With successful implementation, the audited financial statements required by the CFO Act, as expanded by GMRA, will provide congressional and executive branch decisionmakers with the financial and program cost information that they have not previously had. This information is to be provided to decisionmakers in results-oriented reports on the government's program

[7]State Department: Options for Addressing Possible Budget Reductions (GAO/NSIAD-96-124, Aug. 29, 1996).

results and financial condition that, for the first time, integrate budget, financial, and program information. These reports are also to include cost information that enables users to relate costs to outputs and outcomes.

The Department of Defense (DOD) provides an example of persistent management problems--among the most severe in government--that leave an agency without the most basic financial information.[8] Without this information, DOD is unable to properly manage its vast resources, including a budget of over $250 billion in fiscal year 1996 and over $1 trillion in assets worldwide. For example, critical cost data is absent for almost all of DOD's noncash assets, such as inventories, equipment, aircraft, and missiles. The DOD's financial management problems are the products of years of neglect, and building a workable financial management structure in DOD is a correspondingly long-term project. These problems have been candidly acknowledged by the Chief Financial Officer and other DOD leaders. As part of their implementation of the requirements of the CFO Act, they are taking some encouraging steps toward addressing DOD's financial management deficiencies.

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[8]See, for example, DOD Accounting Systems: Efforts to Improve System for Navy Need Overall Structure (GAO/AIMD-96-99, Sept. 30, 1996).

LEADING ORGANIZATIONS PROVIDE A ROADMAP FOR EFFECTIVE IMPLEMENTATION OF GPRA

When it passed GPRA, Congress clearly understood that most agencies would need to make fundamental management changes to properly implement this law and that these changes would not come quickly or easily. As a result, Congress included a pilot phase in GPRA for fiscal years 1994 through 1996. During this phase, selected agencies were to gain experience in the annual goal-setting and performance measurement requirements of the act and provide lessons for other agencies. About 70 federal organizations, including components of most cabinet departments and major independent agencies, participated in this pilot phase.

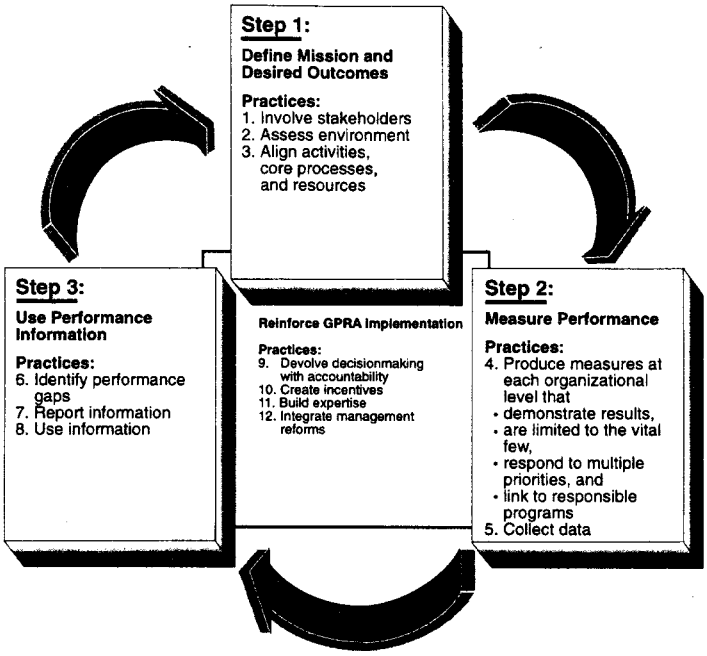
In addition, at the request of this Committee and the Senate Governmental Affairs Committee, we undertook a number of studies intended to help agencies implement GPRA. For example, we were asked to study leading foreign and state governments that were successfully pursuing management reform initiatives consistent with GPRA and thereby becoming more results-oriented.[9] We further were asked whether the experiences of these and other public sector organizations could yield worthwhile lessons for agencies as they attempt to implement GPRA. Our June 1996 Executive Guide is our response to that request. The Executive Guide identifies a set of key steps and

[9]Managing for Results: Experiences Abroad Suggest Insights for Federal Management Reforms (GAO/GGD-95-120, May 2, 1995) and Managing for Results: State Experiences Provide Insights for Federal Management Reforms (GAO/GGD-95-22, Dec. 21, 1994).

associated practices that leading federal and other public sector organizations have used to successfully implement reform efforts consistent with GPRA. Accompanying the discussion of each practice is a case illustration of a federal agency that has made progress in incorporating that practice into its operations.

Taken together, the key steps and practices drawn from the organizations we studied provide a useful framework to assist Congress and the executive branch as they work to implement GPRA. Although each of the leading organizations we studied set its agenda for management reform according to its own environment, needs, and capabilities, they all commonly took three key steps. These steps were to (1) define mission and desired outcomes or results, (2) measure performance to gauge progress, and (3) use performance information as a basis for decisionmaking. In taking these steps, leading organizations also found that certain leadership practices, such as devolving operational authority and creating incentives for managers and staff to focus on results, were central to making the changes needed for the organizations to become more results-oriented. The key steps and associated practices are illustrated in the following figure.

Figure 1: Key Steps and Critical Practices for Implementing GPRA



Source: Executive Guide: Effectively Implementing the Government Performance and Results Act (GAO/GGD-96-118, June 1996).

The experiences of public sector organizations that have implemented public management reforms consistent with GPRA show that, while performance improvements are possible, it takes time for agencies to discard old approaches to management and accountability that focus on activities and to make the transition to a broader focus on results. In fact, at this early stage in the implementation process, we are finding that the agencies making the most progress in implementing GPRA are those that recognize they still have many implementation challenges to solve, while those making the least progress tend to see little difference between the requirements of GPRA and the way they have traditionally done business.

Successful organizations generally find that the significant improvements in performance envisioned by GPRA require major changes in how they do business, including adjustments in policies, organizational structures, program content, and core business processes. Our Executive Guide provides some illustrations. The Federal Emergency Management Agency (FEMA) traditionally carried out its mission by concentrating its efforts on post-natural-disaster assistance. However, spurred by intense external criticism, FEMA stepped back and asked itself the fundamental mission question: What is our purpose? FEMA concluded that its mission was to help to mitigate the effects of disasters before they take place rather than just respond to a disaster after it occurs. As a result, FEMA expanded its efforts. For example, it now works with local governments to strengthen building codes so that buildings are better able to withstand disasters, and it

has launched an effort to increase the number of flood insurance policyholders to help individuals recover from disasters.

The experiences of the GPRA pilot agencies and other federal efforts consistent with GPRA show that improvements in performance--sometimes substantial ones--are possible when an organization adopts a disciplined approach to defining its mission and desired results, measuring its performance, and using information to make decisions. For example, as highlighted in our Executive Guide, the Veterans Health Administration improved services to veterans by more rigorously assessing the results of the medical care it provides to the nation's veterans. In particular, the Veterans Health Administration reported that it used performance information to target the most important improvement opportunities and thereby lowered the mortality rate for cardiac procedures by an average 13 percent over the last 8 years. As another example of reexamining a mission, the Coast Guard shifted the focus of its marine safety program from regulation to one that includes education. This change contributed to a significant decline in the towing industry fatality rate--from 91 per 100,000 industry employees in 1990 to 27 per 100,000 in 1995.

GPRA CAN ASSIST CONGRESSIONAL DECISIONMAKING

Congress can use GPRA as the centerpiece of a statutory framework to provide the vital information it needs to better make decisions. The congressional consultations on agencies' strategic plans--which in many cases are beginning now--provide an important

opportunity for Congress and the executive branch to work together to ensure that missions are focused, goals are results-oriented and clearly established, and strategies and funding expectations are appropriate and reasonable. The experiences of leading organizations suggest that planning efforts that have such characteristics can become driving forces in improving the effectiveness and efficiency of program operations. The GPRA strategic planning process thus provides Congress with a potentially powerful vehicle for clarifying its expectations for agencies and expanding the focus on results expected from funding decisions.

In testimony before this Committee and the Senate Governmental Affairs Committee last March, the former Comptroller General suggested several key GPRA-related questions that Congress could ask agencies to help support congressional decisionmaking. These questions centered on determining how well agencies are measuring outcomes and how GPRA performance goals and information are being used to drive daily operations.[10] These and similar questions directly related to the management challenges that I have discussed today can elicit important information needed for the making of more informed congressional decisions. The key steps and practices for effective implementation of GPRA identified in our Executive Guide suggest additional topics for Congress to pursue to ensure that agencies become results-oriented organizations that generate the information Congress and citizens need to assess whether the results are satisfactory.

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[10]Managing for Results: Achieving GPRA's Objectives Requires Strong Congressional Role (GAO/T-GGD-96-79, Mar. 6, 1996).

Over the longer term, we have advocated that congressional committees of jurisdiction hold annual or at least biennial comprehensive oversight on each department and major independent agency. The plans and reports that agencies are to develop under GPRA and the audited financial statements that are to be prepared under the CFO Act, as expanded by GMRA, should serve as the basis for those hearings. In addition, broad accountability reports, which for the first time would present in one place a full range of financial, program performance, and management information, could be used to shape those hearings.

Consistent with GMRA, the Office of Management and Budget (OMB) worked with six agencies to pilot the development of consolidated accountability reports for fiscal year 1995. By integrating the separate reporting requirements of GPRA, the CFO Act, and other specified acts, the accountability reports are intended to show the degree to which an agency met its goals, at what cost, and whether the agency was well run. We have endorsed the concept of an integrated accountability report and are pleased that OMB has expanded the pilot efforts to allow additional agencies to produce reports for fiscal year 1996. These reports have the potential to provide Congress with comprehensive "report cards" on the degree to which agencies are making wise and effective use of tax dollars.

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In summary, Mr. Chairman, GPRA, the CFO Act, and the information technology reform legislation can be extremely valuable tools to help Congress and agencies address long-standing managerial problems that have been a source of frustration to everyone. Sustained congressional attention to this statutory framework, in a variety of formal and informal settings, is needed to underscore for agencies the importance that Congress places on the successful implementation of these laws. In particular, Congress needs to continue to send the unmistakable message that it is serious about GPRA, intends to use it as a basis for decisionmaking, and looks forward to being actively involved in the consultation process. Strong bipartisan support will enhance that message. Both Congress and the executive branch have a vested interest in successfully implementing GPRA. Successful implementation will provide Congress and the agencies with the management framework and the information needed to focus on program results, make the hard financial decisions dictated by the current fiscal environment, and improve the capability of the federal government to deliver services with the effectiveness and the efficiency the American people deserve and rightly demand.

This concludes my prepared statement. I would be pleased to respond to any questions you or other Members of the Committee may have.

Mr. BURTON. Well, thank you, Mr. Hinchman, for that very concise summary of your views. Let me just ask a couple of questions. Then I'll yield to my colleague, Mr. Horn, and then to Mrs. Maloney.

Can you give us an example of how the Results Act can be helpful in addressing the problem of overlapping Federal programs—for instance, job training?

Mr. HINCHMAN. Yes. I think that there are many examples—one to which I would return is food safety. The General Accounting Office did a review and we established that there are 35 laws affecting food safety in this country, administered by 12 agencies, and that there is a lack of coordination among those agencies and overlapping jurisdiction in those laws.

The Results Act provides a framework in which agencies can focus on the results of their efforts, and by focusing on results, to identify these areas of overlap and inconsistency, because they have to focus on the impact that these laws have on the safety of the food supply. The strategic planning process provides a framework in which they can begin to coordinate their efforts and bring greater rationality to the administration of those food laws.

And I think we are seeing the consequences of that in the proposals which are now before the Congress to bring greater rationality to the administration of those food safety laws.

Mr. BURTON. Let me ask you, Mr. Hinchman, if I can impose upon you and Mr. Mihm. The majority leader has arrived, and he is under severe time constraints.

Mr. HINCHMAN. Of course.

Mr. BURTON. And so if I could get back to questioning you?

Mr. HINCHMAN. It would be a privilege to yield to him.

Mr. BURTON. OK. Thank you. We'd like to now welcome the good-looking, dynamic leader of the Republican party, Mr. Armey. I don't know if that's a tan or whether I embarrassed you, Mr. Leader.

Mr. ARMEY. Right.

Mr. BURTON. But he's a person who's been interested in this area for a long time. He's been very concerned about reforming government to make it more effective, more business-like, and obviously, he's somebody that we all admire in the Republican party, and I think a lot of our Democrats, as well. So Mr. Armey, we would love to hear from you this morning.

STATEMENT OF HON. RICHARD ARMEY, HOUSE MAJORITY LEADER

Mr. ARMEY. Well, thank you, Mr. Chairman. I appreciate your accommodating me in my new role as chief disrupter of committee hearings. And I want to thank our colleagues in the GAO for their graciousness with allowing me to pop in as I do. It is, of course, an exciting thing for me to see these hearings on what I call the Results Act.

And Mr. Chairman, I would ask that my longer statement be made a part of the record. Mr. Chairman, I would ask unanimous consent that my——

Mr. BURTON. Without objection. Thank you, sir.

Mr. ARMEY. All right. That was a wise move, if you don't mind my saying. [Laughter.]

Mr. Chairman, the Results Act is a law sponsored by Republicans and Democrats alike and was signed into law by President Clinton in August 1993. It is the right tool to give us a more honest glimpse of how our Federal Government works. This law will focus on all existing Federal programs, and, for the first time mandated by statute, measure government performance and report on results.

It is not an ideological law. It represents an opportunity for both Democrats and Republicans, the Congress and the executive branch, to work together to improve the way Washington works. Whether you want a smaller, more limited government, or whether you want a larger, more activist government, we can all agree—nobody wants government to waste money through inefficiencies, ineffectiveness, fraud, or bad management.

I expect the 105th Congress to be viewed as the implementation Congress. With 1997 a critical implementation year for this new law, our success or failure with the Results Act could play a large part in defining this Congress. The Results Act gives us a common sense tool to analyze and solve problems between the Congress and the executive branch—a way to help us report to our shareholders and taxpayers on their inventory and the effectiveness of their expenditures in government.

In 1996, the Federal Government spent $1.56 trillion. Eighty-five million families paid taxes in 1996. Washington is, therefore, spending $18,355 per tax family in our Federal Government. It is time to take stock of this spending. And I might add, Mr. Chairman, I just finished my own taxes last night, and I'm $10,000 over that number and I wonder if I can get a refund. [Laughter.]

But it is good, at this time when we're all aware of how much we are giving to the government in taxes, that we put focus on this. And by that way, I relate this to my own life. If I pay good money to add insulation to my home, I'm going to be sure to check the electric bill to see if I've saved any money.

The Results Act brings this common sense to the government. It is the ultimate common sense tool to help us ask whether our taxpayer-funded programs are working. We all want safer streets, cleaner air, and better schools for our children. Often, however, we disagree on how to get there. In any given legislative cycle, we, in the Congress, pass laws after negotiation and debate. We think problems are solved when we pass a law.

In reality, the solution has only begun. We only win when, in fact, our streets are clean, safer, our air is, in fact, cleaner, our children are, in fact, well-educated. We must become more active participants in the implementation of the programs we enact. As the Congress and the Clinton administration prepare to make difficult decisions to balance the budget for our children and our Nation's future, we need credible, objective information about programs and whether or not they are really working.

My testimony summarizes several areas where Federal jurisdiction overlaps and is calling out for better congressional oversight, such as education, Federal food safety, drug treatment, rural water treatment and job training. Let's focus on our own lives for a moment.

If we found that services we were paying were not resulting in what we wanted, we'd take action. You and I don't rely on blind

faith and continue paying in such instances. Take, for example, a child's medical care. When you take your child to the doctor, you take extra care that the doctor is qualified and capable. You monitor each stage of your child's treatment.

This is how we must approach Federal programs, scrutinizing their implementation at every stage and making sure we get the desired results. If an education program was created to ensure that every third grader can read, improving literacy rate should be one measure of the program's effectiveness. The Results Act can be such a common sense approach to help Congress and the executive branch review our existing Federal Government with a focus on achieving the best results for the money we are contributing.

The Results Act was passed out of frustration by the 103d Congress and signed into law by a Democrat President. This frustration was born out of our not knowing the government's ability to really affect critical issues in our world today: saving lives, preventing crime, and getting vital help to the American people.

Indeed, during this consideration of the Results Act, the Senate Governmental Affairs Committee pointed to a recent poll which showed that the Americans believe that 48 cents our of every tax dollar is wasted. The committee noted that this could explain the apparent inconsistency between the public's desire for a wide range of government services on the one hand, and its disdain for the government and higher taxes on the other.

The committee viewed the Results Act as a way to make clear what taxpayers are getting for their money. The Results Act should foster an atmosphere in Federal service where employees better understand what they do and the results their agency are trying to achieve. This law was enacted to ensure that every employee's work would be value added to public service.

I commend you, Mr. Chairman, for holding this hearing today, and for continuing the momentum that your predecessor, Bill Clinger, started on this important law. I commend our colleague, and your subcommittee chairman, Steve Horn, for continuing to devote his attention to something that will yield long term results and better government for taxpayers.

I commend the GAO and others, who have encouraged the Congress to seriously—to take seriously the enactment of this law, as well as the OMB for working seriously with Congress to enact this law. And I should point out, it was a topic of conversation between myself and Frank Raines when he made a courtesy call to me in January. I also commend the Vice President for the reforms he's pursuing that are similarly motivated.

So what is to be done? We need the vital information on actual performance that the Results Act can provide. For the success of this new tool, each congressional committee and each elected Representative must devote more attention to each and every agency's major plans and objectives. For the Results Act to succeed, we all must show a new willingness to re-examine pet projects with an ear toward objective, credible information about the results of these programs.

Good intentions are not enough; we must pay close attention to the warning signs of operational disaster or excessive confusion in a department or agency charged by us to perform specific tasks.

Specifically, Congress can use the Results Act in a variety of formal and informal settings, both immediately and in the long-term. Starting now, and moving through August, committees should be working with their executive branch departments to clarify what we want from programs, how that will be accomplished and how we expect to measure progress.

Agencies are required by the law to consult with Congress as they prepare their 5-year strategic plans due in late September. Once results-oriented and measurable program goals are adopted, it is equally important that committees followup, through oversight hearings, GAO reviews and other means, to assess whether these goals are being met. Such program by program assessment should provide a road map to determine how limited Federal tax dollars can be applied most effectively in the future.

In conclusion, the Results Act provides this Congress, the public and the President a management tool that has been widely used in making private business more effective. The American people and our children's children deserve a government that is accountable for results, a government that is a wise steward of their hard-earned money, and a government that directs resources to key priority areas, while ensuring the maximum impact for each and every Federal dollar spent. With your help, we might just give our children such a better government. And incidentally, we may just belie Armey's axiom that nobody spends somebody else's money as wisely as they spend their own.

And with those comments, Mr. Chairman, I want to thank you for the opportunity to be here. And I guess I'm at your disposal, like the plumber.

[The prepared statement of Hon. Richard Armey follows:]

Testimony on Government Performance and Results Act
by Dick Armey, House Majority Leader
February 12, 1997
House Government Reform and Oversight Committee hearing

Good morning and thank you for allowing me to testify about the Government Performance and Results Act (GPRA), or as I call it, **the Results Act**. The Results Act is a law sponsored by Republicans and Democrats alike and was signed into law by Bill Clinton in August, 1993. It is the right tool to give us a more honest glimpse of how our federal government works. This law will focus on all existing federal programs and, for the first time mandated by statute, measure government performance and report on results.

It is not an ideological law. It represents an opportunity for both Democrats and Republicans, the Congress and the Executive branch, to work together to improve the way Washington works. Whether you want a smaller, more limited government or whether you want a larger, more activist government, we can all agree -- nobody wants government to waste money through inefficiencies, ineffectiveness, fraud or bad management.

I expect the 105th Congress to be viewed as the implementation Congress. With 1997 a critical implementation year for this new law, our success or failure with the Results Act could play a large part in defining this Congress. The Results Act gives us a common sense tool to analyze and solve problems between the Congress and the Executive branch -- a way to help us report to our shareholders, the taxpayers, on the effectiveness of their government.

In 1996, the Federal government spent $1.56 trillion[1]. 85 million families paid taxes in 1996[2]. Washington is spending $18,355 per tax family in our federal government. It is time to take stock of this expenditure.

Let's relate this to our own lives. If you or I paid good money to add insulation to our homes, don't you think we'd check the electric bill to see if we had saved any money? The Results Act brings this type of common sense to the government. The Results Act is the ultimate common sense tool to help all of us ask whether our taxpayer funded programs are working.

We all want safer streets, cleaner air, and better schools for our children. Often, however, we disagree on how to get there. In any given legislative cycle, we, in the Congress, pass laws after negotiation and debate. We think problems are solved when we pass a law. In reality, the solution has only begun. We only win when our streets are, in fact, safer; our air is, in fact, cleaner; our children are, in fact, educated. We must become active participants in the implementation of the programs we enact.

SPECIFIC EXAMPLES WHERE THE RESULTS ACT COULD HELP

As the Congress and the Clinton administration prepare to make difficult decisions to balance the budget for our children and the nation's future, we need credible, objective information about programs

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[1] Budget of the United States, Historical Tables, FY 1998, submitted by President Clinton.

[2] Joint Committee on Taxation, November 26, 1996, *Estimates of Federal Tax Expenditures for Fiscal Years 1997-2001.*

and whether or not they are working. There are many examples of where Congress, with the aid of objective information on whether existing programs are working, could improve upon the status quo:

Education. Taxpayers are spending $120 billion each year on some 760 federal education programs that are in 39 different federal agencies. Are they making a difference?

Federal Food safety. There are 35 laws for federal food safety programs, administered by 12 different agencies. Do they coordinate with one another? Do they duplicate efforts in some areas while leaving a gap somewhere else?

Drug Treatment. In the past 4 years, drug use among teens has doubled. Since 1988, we have tripled federal spending on drug treatment, while the enrollment in these federal programs has actually dropped. Are those entering the program better off than had they entered private sector treatment programs?

Rural Water Treatment. There are 8 agencies administering 17 programs assisting rural areas in constructing, expanding or repairing water and wastewater facilities. Each of those federal grants or loans have different requirements, processes and timetables. According to GAO, many rural areas end up hiring consultants just to help them apply for and administer federal loans. If we spent more time reviewing these programs, I bet this Congress could better assist the ultimate consumer of this government service, and we'd probably save money too.

Job Training. Taxpayers spend $20 billion for 163 job training programs that are spread out over 15 different agencies. GAO reviewed 62 of these programs and found that fewer than 50% of the programs collect information on whether the participants ever obtain jobs after receiving federal service, and only 26% of the programs even collect information on the wages that participants earn.

Let's focus on our own lives. If we found that services we were paying for were not resulting in what we wanted, we'd take action. You and I don't rely on blind faith and continue paying in such instances. Take, for example, a child's medical care. When you take your child to the doctor, you take extra care to ensure the doctor is qualified and capable. You monitor each stage of your child's treatment. This is how we must approach federal programs; scrutinizing their implementation at every stage and making sure we are getting the desired results.

If an education program was created to ensure that every third grader can read, improving literacy rates should be one measure of the program's effectiveness.

The Results Act can be such a common sense approach to help the Congress and Executive branch review our existing federal government with a focus on achieving the best results for the money we are contributing.

THE RESULTS ACT COULD CHANGE HOW WASHINGTON WORKS AND THINKS

The Results Act was passed out of frustration by the 103rd Congress and signed into law by a Democrat President. This frustration was borne out of us not knowing the government's ability to really affect critical issues in our world today -- saving lives, preventing crime and getting vital help to the American people.

Indeed, during its consideration of the Results Act, the Senate Governmental Affairs committee pointed to a recent poll which showed that Americans believe 48 cents of every tax dollar is wasted.[3] The Committee noted that this could explain the apparent inconsistency between the public's desire for a wide range of government services, on the one hand, and its disdain for government and higher taxes on the

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[3] Report (103-58) on the Government Performance and Results Act, Senate Governmental Affairs Committee, June 13, 1993.

other. The Committee viewed the Results Act as the way to make clear what taxpayers are getting for their money.

Veterans Committee recent example. At a recent briefing on the Results Act for veterans advocates held by the House Veterans Affairs Committee, one veterans service organization noted how both the Veterans Affairs Department and the Housing and Urban Affairs Department have similar programs to provide the same service to veterans. He hoped that the Results Act would expose to Congress and the public the redundancy of these programs, identify which was more efficient and divert a portion of the money poorly spent to the better program, while making a deposit of the balance to deficit reduction. If this is the future of the Results Act, it is promising indeed.

If we enact a program to improve environmental quality, and we learn that billions of dollars have been spent writing a gazillion pages of regulations, only to see air and water quality get worse, we should take note and take action to change course. We might not know how to make things better immediately, but we need to recognize and stop when we are making things worse.

The Results Act can help identify where resources are being diverted from the objectives we intended. If we appropriate billions for airport or highway development, yet find we have produced mountains of litigation instead, we must better understand the problems and redirect efforts accordingly.

The Results Act should foster an atmosphere in federal service where employees better understand what they do and the results their agency are trying to achieve. This law was enacted to ensure that every employee's work would be value-added to public service.

The Results Act is one of several major reforms that are being implemented across the federal government right now. These government reforms (including: The Chief Financial Officers Act of 1990, the Government Management Reform Act, the Information Technology Management Reform Act of 1996 and the Federal Acquisition Streamlining Act) were enacted in order to improve the effectiveness of agency programs. It's up to Congress to ensure that these major government reforms come alive and are implemented as we intended.

I commend you, Mr. Chairman, for having this hearing, and for continuing the momentum that your predecessor, Bill Clinger, started on this important law. I commend our colleague, and your subcommittee chairman, Steve Horn, for continuing to devote his attention to something that will yield long term results and better government for taxpayers. I commend GAO, CRS, the National Association of Public Administration and others who have encouraged the Congress to take seriously the enactment of this law. I commend OMB for its efforts to take the Results Act seriously, as it was a topic of conversation between Frank Raines and I when he made a courtesy visit in January. I commend the Vice President for the reforms he is pursuing that are similarly motivated.

So what's to be done?

NEXT STEPS FOR THE IMPLEMENTATION CONGRESS

We need the vital information on actual performance that the Results Act can provide. For the success of this new tool, each congressional committee and each elected representative must devote more attention to each and every agency's major plans and objectives. For the Results Act to succeed, we all must show a new willingness to reexamine pet projects with an ear towards objective, credible information about the results of these programs. Good intentions are not enough; we must pay close attention to the warning signs of operational disaster or excessive confusion in a department or agency charged by us to perform specific tasks.

Specifically, Congress can use the Results Act in a variety of formal and informal settings, both immediately and in the long-term. Starting now, and moving through August, committees should be working with their executive branch departments to clarify what we want from programs, how that will

be accomplished and how we expect to measure progress. Agencies are required by the law to consult with Congress as they prepare their 5 year strategic plans due in late September.

Accurate information and proper measurements must be incorporated immediately into the planning that the executive branch is doing to implement the Results Act. For that, I encourage you to use GAO, and any other resource, that will help you ensure credible and critical measurements are put in place so as to prevent any "gaming" of the new law.

Committees should also be finding ways to involve all stakeholders, similar to the example I cited with House Veterans' Affairs Committee. These citizens and groups need to understand and become part of the process of designing agencys' strategic plans.

Once results-oriented and measurable program goals are adopted, it is equally important that committees follow up -- through oversight hearings, GAO reviews, and other means -- to assess whether these goals are being met. Such program-by-program assessments should provide a road map to determine how limited federal tax dollars can be applied most effectively in the future.

If successful, the concepts of the Results Act -- focusing on mission, goals, measurement and accountability for results -- will become woven into the natural fabric of congressional and executive branch decisions. If successful, we won't talk *about* the Government Performance and Results Act; we will talk about results.

Last year, the Comptroller General told the Congress,

> *"Given that the changes envisioned by GPRA do not come quickly or easily...strong and sustained congressional attention to GPRA implementation is critical. Without it, congressional and executive branch decision-makers may not obtain the information they need as they seek to create a government that is more effective, efficient and streamlined. Authorization, appropriation, budget and oversight committees all have key interests in ensuring that GPRA is successful, because once fully implemented, it should provide valuable data to help inform the decisions that each committee must make."*[4]

In conclusion, the Results Act provides this Congress, the public and the President a management tool that has been widely used in making private businesses more effective. The American people, and our children's children, deserve a government that is accountable for results, a government that is a wise steward of their hard-earned money and a government that directs resources to key priority areas and ensures the maximum impact for each and every federal dollar spent. With your help, we just might give our children a better government. Thank you.

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[4] Statement of Charles A. Bowsher, Comptroller General of the U.S.; testimony on March 6, 1996 before the Senate Governmental Affairs and House Government Reform and Oversight Committee; *Managing for Results*; GAO/T-GGD-96-79.

Mr. BURTON. Well, thank you. We're always pleased to hear your remarks, and, in particular, Armey's axioms, because we don't hear them anyplace else. [Laughter.]

But they're always very wise and well thought out. Did I understand you to say that in the Senate Oversight Committee hearing, someone estimated that 48 cents out of every tax dollar is wasted?

Mr. ARMEY. I think there was a poll that showed the American people believe that 48 percent out of every tax dollar is wasted, cited in the committee by one of the Senators.

Mr. BURTON. So the American people feel very strongly that we're wasting a ton of money up here?

Mr. ARMEY. Well——

Mr. BURTON. Let me just ask you, I think our committee has become aware of the Results Act and the need to push very hard for more business-like management in government. But a number of other committees have oversight responsibilities. And I was wondering how the leadership on our side and, hopefully, the other side plans to stimulate them, raise their antennae, if you will, so that they will be a participant in trying to make sure that we literally force some of these agencies to accept business-like practices?

Mr. ARMEY. Well, I appreciate your inquiry. Obviously, as you know, the government is a very, very big organization, and we can most effectively, I believe, do this oversight if we divide that labor among the competing committees by definition of their jurisdiction.

GAO, once again, has been extremely helpful here. They are preparing, on a staff by staff basis—the committee staffs—for the process and procedures they should undertake. And I can just tell you that it is a high priority of this leadership.

We will, in fact, do everything we can to encourage every committee. I would think that each committee—it seems almost a process of natural selection, that committees end up with people that have an acute interest in the jurisdictional areas of the committee, so that the committees, themselves, would find their own interest. We work hard to report a bill out of committee, and we take a great deal of satisfaction when we see that signed into law.

And we do that because we have serious intentions for what good can be done in the lives of the American people. For us in our separate committees to have the opportunity to go back and revisit the implementation of that law, to see that our intentions were, in fact, met, I should think would be a welcome opportunity for every committee, and I'm going to encourage them to utilize that opportunity to the fullest capacity.

Mr. BURTON. I thank you, Mr. Leader. I think that statements from leadership that they utilize their committees to stimulate the various agencies will be helpful. We'll do our part, and if we can get the others to help it would be great. Mr. Horn.

Mr. HORN. Thank you, Mr. Chairman and Mr. Leader. I want to commend you, not only for your historic Base Closure Act, which was a good way to get results out of an executive branch that had never closed anything, but also thank you for that fact that you included the Debt Collection Act, which I authored and Mrs. Maloney was co-author, into the omnibus appropriations bill. Very frankly, that would not have become law without you making a decision and getting it on a train that was leaving the station.

And following up on what the chairman opened up on, we know Congress is a fragmented institution. We know there are very jealous jurisdictional lines that many have. Now, as one Member of Congress, to get this effort moving, I would be delighted to see on one of the walls in your offices, a matrix in which you've got authorizing committees, appropriation subcommittees, area to be changed. And that the majority leader's office coordinate that effort. And very frankly, if you don't, it won't happen. It will get lost on the cutting room floors of several committees you and I can think of.

So I know you hate to take on any power. You want to devolve everything out of Washington, but may I suggest you save a wall and coordinate this operation.

Mr. ARMEY. Well, let me, first of all, on the—we are developing a matrix, and I have—I'm not sure I want to hang it on my wall, but I would certainly make it available. But you are absolutely right. I would see this not as an exercise of power by the majority leader, but as an exercise of service. And I would be more than happy to undertake that.

I wonder, Mr. Chairman, if I could just take a moment. Mr. Horn raised the question of base closing, and I just saw something last week, that this gives me an opportunity to cite one of my colleagues. Base closing was about bang for your buck, the effective use of dollars. I set up efficiency criteria, defense preparedness criteria by which judgments would be made. And I should mention that, as I reflected back on that, the chairman of the relevant subcommittee of armed services was one Mr. Dellums.

Mr. Dellums had, at that time, many bases in his district that he could have—he could have put many obstacles in the way of that legislation, but he saw it for what it was—an honest effort to have a fair appraisal of the true effectiveness of deployment of resources in the Nation's defense—and he was one of the first people to hold hearings. He didn't vote for it, and I understand that. But I always felt that this was a commendable effort made very early that is perfectly consistent with what we are doing here.

I saw a report the other day—and I have not talked to Ron Dellums about this—but it turns out, pursuant to base closing, every base in his district has been closed. And I think we ought to pay a little regard to our call. He must have known that risk, but he said, "this is a necessary thing to do in the questions of efficiencies and effectiveness in government. It's a fair and honorable process." And he did not stand in the way of it.

But if we would all be willing to be that objective and that committed to an objective that is more important and more dear than ourselves and our own destinies in our own districts, I think we could get a great deal of effectiveness. So if I may tip my hat to Mr. Dellums in this. As a matter of fact, I think, Mr. Burton, you were on that subcommittee, at the time, if I'm not mistaken.

Mr. BURTON. I believe I was.

Mr. HORN. If I might comment on that. It was also the ranking Republican had a base closed in Charleston. It was rather ironic. Both of the key people on that committee had major facilities closed.

I might add, as a humble freshman in that exercise, after you had passed the law, we now have every base in Long Beach, CA closed. We were once headquarters of the Pacific fleet. They moved to Hawaii, and you saw what happened to them. But we are now free to look with a very objective eye to the Pentagon.

Mr. ARMEY. I appreciate that. And Mr. Horn, if you don't mind, I get nervous about my standing with my colleagues if these discussions of base closings go on for too long. So—[laughter.]

Mr. BURTON. Are you finished, Mr. Horn? Mrs. Maloney.

Mrs. MALONEY. Thank you, Mr. Chairman. Mr. Majority Leader, the Results Act says, "When developing a strategic plan, the agency shall consult with the Congress."

And Mr. Armey, can you tell us what consulting with Congress means to the Republican leadership and what do you see as the role of the minority in the process? And also, the Results Act, if it is going to work, do you think it's a fair statement that we need a true consensus of the agencies' plans and Congress's intent from both sides of the aisle?

Mr. ARMEY. Yes. I think these are very important questions. I think underlying your point is a very important point I'd like to speak to right now. It is absolutely imperative, if this is to work, for all Members of Congress, majority and minority, to be involved. I am discussing with Mr. Gephardt a liaison role from his staff to this process as I have established for my staff.

We would expect that consult be taken as a rigorous discussion between the agency and the committee, and the committee as a whole, regarding what are the goals defined in the agency's report and the extent to which they comply with and agree with the intent of Congress at the time the law was passed, or any amendments made thereto.

In the end, each of these programs is created by an act of Congress. Both the majority and the minority participate in that process. We all have a stake in what is actually done in the implementation, and we ought to work together. I would encourage you to work with Mr. Burton and encourage you to come discuss this with me. I do believe we must be inclusive in this process, in particular, and I am devoted to that effort.

Mrs. MALONEY. Thank you. Do you think that the implementation of the Results Act in Congress may strengthen the case of those who advocate a 2-year budget cycle, focusing on appropriations 1 year and oversight the next?

Mr. ARMEY. No. I really hadn't thought about that. I may, now that you've prompted me, I'll go give some thought to that. I don't know what discussions might have been made regarding that point at the time it was enacted. And it's possible that could happen. I don't know.

But I do think that the focus should be—I think we should be very focused on this in terms of the bang for the buck measurement that we get, the consistency of defining the activities of an agency with respect to a law relative to the intent of Congress when the law was passed.

And my own view would be that if the case is going to be made for 2-year budgeting, it will have to be made on a far broader basis than that.

Mrs. MALONEY. I would like to join the comments of my colleague, Mr. Horn, in complimenting you on your leadership on the Base Closing Commission Act. This was a problem that Congress confronted for years. We could never agree. You came up with a unique and original approach, and we solved the problem.

I truly believe that if you never do another thing in your life, you will have made a tremendous contribution to public policy enactment in this country. And to really pay you a very large compliment, I was so impressed with that bill and the accomplishments of it, that I copied it. I took your bill, and I copied your bill on another very important issue before this Congress that we confront, which is campaign finance reform.

And we have a tremendous division between the Republican party and the Democratic party on how to control the role of money and spending of money in campaigns. And we can't seem to agree. I've only been here—this is my third term, and Mr. Horn and I have probably both been on around 15 different task forces on campaign finance reform.

So I copied your bill. And I would like to know whether you would consider having an approach of your bill on campaign finance this year if the Republican—because even though we're bipartisan—but if we cannot agree on a campaign finance proposal, would you support your bill creating a commission, if a Republican campaign finance plan fails, a Democratic campaign finance plan fails, would you then support a commission to move this process forward?

For years we could not close bases in this country. We all agreed. Bases had to be closed. And you came up with an idea to take what everybody agreed on and move it. We face the same problem now. Whether it's the President or Mr. Gingrich or Mr. Gephardt, everyone says they are for campaign finance. We cannot agree. Would you support moving the Armey commission idea forward for campaign finance, so we could get it off of the discussion table and onto the floor for a serious vote, to try to move forward in this critical area of our country?

Mr. ARMEY. Well, let me just respond by first pointing out that the base closing commission is one of the great ironies in my life, because I ordinarily do not believe in Congress referring its work to commissions. And I like to console myself by reminding people that the Base Closing Commission was created to keep Congress from continuing to meddle in other people's business.

Now, insofar as Congress has its own responsibilities, I think they should do this without a commission. I believe that we can, if we will work together, through a congenial legislative process, I think we can, in this Congress, between ourselves and the Senate, on both sides of the aisle, and the White House, come up with campaign finance reform.

And I would prefer to see us do our own work. Now, what I've also learned is don't rule anything out. But the first thing I want to do is—before I go to a commission—is I want to have clearly irrefutable evidence that it is, indeed, in fact, impossible for us to do our job ourselves.

Mrs. MALONEY. May I add that the true genius of your last bill on base closing was that it was not just a commission that came

back with a report, your bill forced a vote. Your bill was not just a commission. It forced a conclusion or a step toward a conclusion of a particular problem.

And if we cannot reach a conclusion, I would like to join you in moving forward with a commission approach, so, at least, we can get a product that can pass on the floor and move the project further in an area where everyone agrees something needs to be done.

Mr. ARMEY. Well, let's—if you don't mind—let's stay in touch on that while I—and I hope you will understand—I feel my obligation is to, first, encourage the Congress, in every way, to take care of this important job on its own.

Mrs. MALONEY. May I underscore that I would go to a commission only after the Republicans can't pass it, the Democrats can't. Let's go forward with a commission.

Mr. BURTON. Yes. The gentlelady's time has expired. I understand that Mr. Shays of Connecticut has decided to pass, so we'll go to Mr. Mica of Florida.

Mr. SHAYS. I have other questions I could ask you, but—[laughter.]

Mr. BURTON. Mr. Mica.

Mr. MICA. Mr. Chairman, just one quick question, Mr. Armey, I heard your testimony and read this written testimony, and—you know—you cite part of the problem: education. We have 760 Federal education programs and 39 different agencies, food safety programs administered by 12 different agencies, rural water—8 agencies—job training—15 different agencies—I tried to consolidate our international trade efforts, which are disorganized and disjointed among 19 Federal agencies.

My legislation was referred to 11 committees of jurisdiction. It's almost impossible to change the bureaucracy. You've got two problems. One, which I just outlined, all the committees and their vast jurisdiction. Second, the bureaucracies have now become effective lobbying forces for the status quo and view the members as only passing stars in the constellation, something to be ignored.

What about a bureaucracy closure commission, where we take your same example, which has been cited now in reference to do something with campaign reform, but for dealing with the problem we have with closing down some of the bureaucracy and the duplication?

Mr. ARMEY. Well, again, let me remind you that this is within the authority and the responsibility of the Congress. I believe that what we may learn from the effective implementation of the Results Act will help us to gather the information by which we can make the justifiable case for consolidation of efforts, where we see so many duplications. But you know, again—I mean—this ridiculous position of having, apparently, one as sort of a place in the sun for a commission.

And turning around and saying I'm not all that big on commissions. I think we should do that job. That is our job. And I think we are capable of doing that job.

Mr. MICA. Without a bureaucracy closure commission?

Mr. ARMEY. Without it.

Mr. MICA. Thank you, Mr. Chairman.

Mr. BURTON. Mr. Sanders.

Mr. SANDERS. Mr. Armey, I'm very impressed by the discussion today. Mrs. Maloney wants to emulate your efforts for campaign finance reform. Mr. Mica wants to emulate your efforts for bureaucracy reform. Do you want to write a new Constitution for the United States while you're here? [Laughter.]

I mean, it seems to me, everyone is very impressed.

But I would just say I think that regardless of one's political persuasion and disagreement about the role of government in civil life, I don't think any sensible person feels good about government waste, and we can all acknowledge that there is bureaucracy, inefficiency, and waste, and we want to, all of us, make the government more efficient.

But maybe picking up on Mr. Mica's question, next year when Congress is presented with a governmentwide performance plan for fiscal year 1999, how do you anticipate that plan will be used in Congress?

In other words, where do we go with it? Will it, for example, be referred automatically to all committees with jurisdiction over agency and program authorizations? How do you feel that the plan will be used?

Mr. ARMEY. Well, first of all, let me just say this—and I mentioned this in my testimony—this is not an ideological discussion. And I think that one of the reasons base closing got enacted was it was clearly understood to be non-ideological.

So we're talking about efficiency. The first thing we must do is to undertake a period of discovery. And it's almost as if we're taking an inventory of the government, what is there, gaining information. Now, as we gather that information, I would think we would distill from that, in our separate committees of jurisdiction, amendments to the law, a revision of the law, very likely some program consolidations or closures.

One of the things I might say, I was laughing this morning. I had some experience with this when I was with the university. Mr. Horn, you may have encountered this, too. I remember as a department chairman receiving this elaborate set of instructions from the dean about how I was to define my goals and come up with empirical bases for measuring achievement of those goals and so forth.

It's not easy, and it's not going to be something that is going to be heartily welcomed by everybody that's all of a sudden steamed at this new effort. So we'll have to encourage people to do a thorough job, and that's where the consultation comes in.

We will have to be encouraging to them, because they are going to feel a bit overwhelmed. In many cases, people will feel overwhelmed by it. So we'll have to sort of lend a guiding hand.

Mr. SANDERS. But what I'm hearing you say is that you see this going through the normal legislative process?

Mr. ARMEY. Yes. I have to say, Mr. Sanders, I am a big fan of regular order.

Mr. SANDERS. Mm-hmm.

Mr. ARMEY. I'm an economist by trade, and I will tell you pursuant, of course, to Adam Smith, that all economic progress comes from division of labor, and division of labor works best when people mind their own business. So that for everything that we see, there would be a legitimate jurisdiction and a committee of jurisdiction.

And we should then have that profession and that expertise and that interest that has resulted in people joining these committees, brought to bear on these discoveries so that they could be measured up and evaluated in a very sober and business-like fashion.

Mr. SANDERS. OK. Thank you very much.

Mr. BURTON. We'll now recognize your colleague from Texas, Mr. Sessions.

Mr. SESSIONS. Thank you, Mr. Chairman. Mr. Armey, it's great to see you here. As a freshman of this committee, I must confess through the last few years, I didn't know that I would be sitting on this side of the bar and you on that side. It's good to see you.

Yesterday, we had a press conference where there were fewer people there than here today, and so I'd like to take this opportunity to let you know about my thoughts on this Government Performance and Results Act. Because I think that throughout the media and, perhaps, in bureaucracy, there is a sense of fear of this act.

And I had an opportunity, yesterday, to really say that I thought it was essential that bureaucrats and the management of the Federal Government look at this as really a cleansing opportunity, an opportunity to have dialog from not just at the upper end of management, but down to the lower ends, to where they could talk about not only the things that are measurable and within their control, but also an opportunity to look strategically at how they are going to guide their departments in the era of lowering and lessening budgets.

What I'd like to hear from you is whether this serious discussion that's going to begin and whether it's near term, whether we're going to send the correct signal—which I think is correct—of this is an opportunity to begin a serious dialog with the managers of government, with the expectation that they will present these strategic views and that we will be able to work hand in hand.

I think that's what it is, but I'm interested in hearing what you have to say about that, sir.

[The prepared statement of Hon. Pete Sessions follows:]

STATEMENT OF THE HONORABLE PETE SESSIONS
CONGRESSMAN, 5TH DISTRICT OF TEXAS

GOVERNMENT REFORM AND OVERSIGHT HEARING
GOVERNMENT PERFORMANCE AND RESULTS ACT
WEDNESDAY, FEBRUARY 12, 1997

Thank you, Mr. Chairman.

First, let me say what an honor it is to serve on this committee. I look forward to working under your stewardship, and I expect us to go far in our quest to reform the federal government.

Your choice for our first hearing subject which loudly and clearly demonstrates your commitment to a better, leaner federal government. The GPRA is the cornerstone of numerous management initiatives, all of which, if zealously implemented, will bring about a new era of efficiency to the services we provide to the American taxpayer.

The first element of GPRA requires agencies to draft mission statements. This legislation actually forces federal entities to take a long, hard look at what they do, how they do it and whether they should be doing it at all. I don't expect a flurry of agencies coming to tell us that they should be eliminated, but at least we have them asking the questions.

Another step in the process that is GPRA, is the creation of a strategic plan - a plan that sets performance measures, sets concrete goals, and defines the process of achieving those goals. Finally, agencies will be measuring results, rather than simply outputs. We can point to the Coast Guard, a government entity that was charged with making our seas safe. But for many years it measured the regulations it enforced. Today, it measures the number of lives saved and it is saving more lives than ever. This process works.

Finally, GPRA allows us to look to performance measures as a way to set the budget of the federal government. It's just this simple - agencies who meet their performance measures will get more money, and agencies who fail to meet their goals will get less money.

Congress, as you will hear today, has an integral role to play in the implementation of GPRA. But that's just because we are one of numerous stakeholders expecting better performance. We are just some of the many customers being served by the federal government. And, because we're expecting better quality service - bigger bang for our back - it is incumbent on an agency to seek out our expectations when it is setting its goals.

Before I ran for Congress, I spent many years in the corporate world. I've managed a large number of employees, I've met a budget and I have exceeded optimistic performance goals in the leanest of times. I know it can be done. And if I can contribute to this process, I will have gone a long way to doing what I was sent here to do. And that is to bring this government back to a realistic size. Reduce government, make it leaner and more focused. With smaller budgets and slower economies, that's the government we need.

Mr. Chairman, thank you. I welcome the gentleman from Texas. We need to bring a bit of Texas common sense to the process of reforming government. I look forward to questioning the witnesses. I yield back the balance of my time.

Mr. ARMEY. Well, let me just say, first of all, I understand that fear. I related earlier as a department chairman receiving these complex papers from my dean. And I tell you, my first reaction is, what is the dean up to? Deans are not very trustworthy people. [Laughter.]

Every chairman knows that. So there is a tendency to be defensive. And now we have the GAO working, I think, very actively here. The OMB is enthusiastic. I mentioned my discussions with Frank Raines. But we ought to—I always believe that we ought to take a service model, not a power model. And we ought to make it clear to folks that we're not here to hold a hammer over your head, but to work in partnership with you toward that end of fulfilling what we most often find to be our mutual shared objectives.

I always kind of laugh. You know, one of our favorite whipping boys in American political discourse is the bureaucrat. And I can say "bureaucrat" with as much disdain in my voice as any, but when you get right down to it, these are decent, hard-working men and women that are trying to accomplish something. And often, they are drawn to this agency because of their concern for this area of what von Mieses called human action, just as we were drawn to this committee because we had that concern.

And if we undertake our relationship with these folks as one that is encouraging and not threatening and so forth, we can put at ease a lot of those concerns. Now, I must say, after 20 years of being a professor, I never got to the point where I accepted that deans were people that were operating in my own best interest.

So it's a tough job. I'm sure deans were frustrated, too, with my doubt and skepticism along the way. But I think we need to understand that we do not come off hammering. Now, when we find people who are reluctant to move forward and, therefore—perhaps, even, we will encounter some that are recalcitrant about it, I think we have to be assertive.

But I think there's a far, far difference in the effectiveness of your demeanor when you understand to be assertive with somebody, as opposed to being angry at someone. And most people, I think, do understand that most agencies, I believe, of the Federal Government owe their existence to an act of Congress, and I'm sure they understand that they can get caught up in consolidation, and recalcitrance might encourage that.

So I think we just need to go forward on a business-like basis with a good deal of respect and appreciation for each other, and I think we can do a good job.

Mr. SESSIONS. Thank you. Well, it makes me feel good to know that as our leader, you're expecting the best from someone we have no control over but someone that we do have oversight functions with and that we can work hand in hand.

Mr. Chairman, just really the bottom line to our press conference yesterday was that I was setting the expectation and the hopeful expectation that what these strategic plans will result in is something that is measurable, something that is realistic, and something that represents the true nature of the business or the work that these agencies are involved in.

And I believe if they will come hand in hand and work with us—but it's up to them to make sure that their plan, their strategic

plan and their direction is given to us, then we'll be able to work very comfortably together.

I thank the majority leader for taking his time today, and I agree with everything you said, sir. Thank you.

Mr. BURTON. Thank you, Mr. Sessions. I guess Ms. Norton doesn't have any questions? Is that correct? Mr. Barr.

Mr. BARR. Thank you, Mr. Chairman. Mr. Armey, the timetable for implementation of GPRA and GPRA, itself, I think, is really an important beginning, but it's really fairly modest in terms of the long-term goal that we have before us. As Mr. Mica pointed, just the proliferation of agencies that are overlapping in their jurisdiction and so forth.

Is it your view—it is mine, but I'd be interested on the record, Mr. Armey, if it's your view that the time table set out for implementation of GPRA ought to be adhered to really is the minimum requirement that we ought to have, and that this Congress ought to resist efforts, which are starting already in the executive branch, to soften it and postpone some of the requirements?

Mr. ARMEY. Well, yes, it is. First of all, the time table is set out in the law. And—I hate to harken always back to my years as a professor——

Mr. BARR. I think you take great delight in doing it, as a matter of fact. [Laughter.]

Mr. ARMEY. I don't remember a semester when I didn't have a host of students who found 100 reasons why they couldn't get their term paper in on time. And you just have to learn that's the deadline. I was particularly impressed with the one young man that had three dead grandmothers in the same semester. [Laughter.]

That didn't upset me so much as their dying again the next semester. [Laughter.]

Mr. BARR. That's a very dysfunctional family, apparently.

Mr. ARMEY. But again, I think a firm insistence that, you know, deadlines are there and they must be met. And again, we will have a process of discovery. You know, one of my great anticipations about the implementation of this law is, what will we discover. What will we find out? What can we learn?

That will, undoubtedly, generate the basis by which we can get together on both sides of the committee room and write laws to improve and make more effective the public—could I say—apparatus, for accomplishing the goals of the Congress and the President.

Mr. BARR. I appreciate that and I appreciate your stating on the record how important that you think it is to adhere to the time table and the requirements that are currently in there, and that we ought to resist efforts to soften them or postpone them.

Thank you, Mr. Armey.

Mr. ARMEY. Thank you.

Mr. BURTON. Mr. Majority Leader, we want to thank you for taking time out of your very busy schedule to be with us. Your remarks were very cogent. We appreciate it, and thank you for being with us.

Mr. ARMEY. Well, let me thank you. And again, if I can thank the gentlemen behind me from GAO and OMB for their graciousness in letting me go. Gentlemen, I hope I didn't say anything that was too amusing. [Laughter.]

I did the best I could.

Mr. BURTON. Well, those Armey axioms are pretty interesting. Thanks a lot. Could we have Mr. Hinchman and Mr. Mihm up here, and, also, could we have your opening statement, Mr. Koskinen, now? The reason for that, if it's possible—it would help expedite the hearing and make sure that everybody on the panel gets a chance to question both of you, simultaneously, if necessary, so we can speed things along.

So right now, we'll recognize you, Mr. Koskinen, for your opening remarks, and then we'll go to questions. Oh, pardon me. Before we do that.

[Witness sworn.]

Mr. BURTON. Please have a seat.

STATEMENT OF JOHN KOSKINEN, DEPUTY DIRECTOR FOR MANAGEMENT, OFFICE OF MANAGEMENT AND BUDGET

Mr. KOSKINEN. Thank you, Mr. Chairman. I seem to spend most of my time testifying on panels with GAO and, in fact, these gentlemen.

So this works out just fine. I'm pleased to appear before this committee to discuss the importance of the Government Performance and Results Act and to give you an assessment of our progress in meeting its requirements. I will be brief to allow time for questions and ask that my written statement be included in the record.

Mr. BURTON. Without objection.

Mr. KOSKINEN. Thank you. GPRA became law 3½ years ago and it will soon take effect governmentwide. This was bipartisan legislation that the administration strongly supported. This committee played an important role in passing this act, and we look forward to continue working with you and others in the Congress as we carry out this law in the months ahead.

On behalf of the administration, Mr. Chairman, let me thank you for holding this hearing, which signifies the importance we all attach to this very significant legislation. Let me also express our appreciation for the excellent work GAO has done in this area over the past several years. We have found it to be of great assistance, and have enjoyed our working relationship with them.

At its simplest, GPRA can be reduced to a single question: What are we getting for the money we are spending? The answer to this question is important to all of us in government and to the American public as well. Regaining public confidence requires that the government not only work better, but that it be seen as working better.

Let me summarize briefly those aspects of GPRA implementation that are our most immediate focus. The basic foundation for what agencies do under GPRA is their strategic plans. Agencies are required to send their strategic plans to Congress and OMB by this September 30th. When developing its strategic plan, an agency is to consult with Congress and consider the views of stake holders, customers, and other interested parties.

Since last year, OMB has been encouraging agencies to begin their congressional consultations. OMB issued guidance over 18 months ago on the preparation and submission of strategic plans. In the summer of 1996, as a followup, OMB conducted a com-

prehensive review of the agencies' strategic planning efforts and the status of their plans. The reviews' objectives was to gauge how the agencies were doing and identify any concerns with the plans themselves or the process being followed.

Generally, the agency plans reflected a serious effort and allowed us to conclude that agencies should be able to produce useful and informative strategic plans by this fall. Their review also revealed several challenges, including the need to ensure clear linkage between the general goals and objectives of these strategic plans and the annual performance goals to be included in the annual performance plans. We also expect to see increasing inter-agency discussions on performance goals and measures for cross-cutting programs, and increased involvement by the senior leadership of the departments in the completion of the strategic plans.

The first of the agency annual performance plans, as opposed to strategic plans, for fiscal year 1999 will be sent to OMB this September with the agency's budget request. These annual plans will contain the specific performance goals that the agency intends to achieve in the fiscal year. A subsequent iteration of the annual performance plan is sent to Congress concurrently with the release of the President's budget next year at this time. The agencies and OMB gained valuable experience in preparing annual performance plans through the pilot project phase of GPRA.

GPRA also requires that a governmentwide performance plan be annually prepared and be made part of the President's budget, as noted. The first plan will be sent in February 1998, and will cover fiscal year 1999. We would welcome your views on those futures that this committee believes would make this governmentwide plan informative and useful to Congress.

As I noted, we expect agencies to provide useful and informative strategic and annual performance plans within the timeline specified by the act. However, as Mr. Armey noted, preparing a good GPRA plan is not an easy task. No one should expect the first plans to be perfect. We should view these plans as the beginning of a process of improvement and refinement that will evolve over several years. Even as these performance plans and measures become more refined, we should always bear in mind that using performance measures in the budgeting process will never be an exact science or even a science at all.

Comparing results across program lines will always require political judgments about relative priorities of, for example, programs for highways and education. And we should not lose sight of the fact that performance information will often be used to adjust the way the programs are managed, rather than to change the resources provided. Accurate, timely performance information is important in all these situations, and that is why the administration is committed to the successful implementation of GPRA.

As I've said on other occasions, if we are successful over time, GPRA should disappear. If GPRA works as envisioned, government managers will absorb it into day-to-day agency administration and program management. That's why I suggest that the true measure of the success of GPRA will be the extent to which the concepts of management and good business practices set out in this law be-

come the accepted way that the government works, without reference to any particular statutory framework or requirements.

This concludes my brief oral statement, Mr. Chairman. I'd be pleased to take any questions you may have and join in this panel. Thank you.

[The prepared statement of Mr. Koskinen follows:]

STATEMENT OF
JOHN A. KOSKINEN
DEPUTY DIRECTOR FOR MANAGEMENT
OFFICE OF MANAGEMENT AND BUDGET
BEFORE THE
HOUSE COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT
FEBRUARY 12, 1997

Mr. Chairman, I am pleased to appear before the Committee this morning to discuss the importance to the Government and the public of the Government Performance and Results Act of 1993 (GPRA) and to provide an assessment of our progress to date in meeting its major requirements. GPRA was enacted three and a half years ago as the result of a bipartisan effort in the Congress, with the support of the Administration, to increase our focus on the results from government programs and activities. This Committee was one of the leaders in the passage of the Act and we look forward to continuing to work with you and the Congress as we implement this significant legislation.

At its simplest, GPRA can be reduced to a single question: What are we getting for the money we are spending? To make GPRA more directly relevant for the thousands of Federal officials who manage programs and activities across the government, GPRA expands this one question into three: What is your program or organization trying to achieve? How will its effectiveness be determined? How is it actually doing? One measure of GPRA's success will be when any Federal manager anywhere can respond knowledgeably to all three questions.

But having answers to these questions is of great interest to the public as well. As a government, we face major challenges. This is a time of great fiscal constraint. Tight budget resources demand that every dollar count. During a period of much public skepticism about the government's ability to do things right, the government must not only work better, but be shown as working better, if we are to regain public confidence in this institution. We must chart a course that not only sustains our delivery of services to the public, but improves on that delivery while meeting the rightful expectations of its citizens to be treated fairly, responsively, and with good effect. GPRA, if successfully implemented, will support such a result.

Let me now briefly summarize those aspects of GPRA implementation that are our most immediate focus.

Basic Requirements and Timetable

Strategic plans

The basic foundation for what agencies do under GPRA is the agency strategic plan. Agencies are required to send their strategic plans to Congress and OMB by this September 30th. When developing its strategic plan, an agency is to consult with Congress and solicit and consider the views of those parties interested in or potentially affected by a plan. OMB has encouraged agencies to begin this consultation soon.

Our guidance to the agencies on preparing and submitting strategic plans notes that the agency letter transmitting the plan to Congress and OMB should describe the consultation that was done, as well as summarizing any views of those outside the Executive branch that present a contrary view to the basic direction of the plan as completed.

The strategic plan spans a multi-year time frame, and is required to include a mission statement, a set of general goals and objectives, and a description of the linkage between these general goals and objectives and the performance goals that will appear in the annual performance plan. The mission statement sets forth the basic purpose for what an agency does programmatically and operationally. The long-term general goals and objectives define what the agency intends to achieve over the time period of the plan, to further its overall mission. The linkage between long-term goals and annual goals is important because the annual goals are commonly used to measure progress in achieving the general goals and objectives.

OMB issued guidance to the agencies in September 1995 on the preparation and submission of strategic plans. This guidance resulted from an OMB/agency collaboration during the Spring and Summer of 1995. In the Summer of 1996, OMB conducted a comprehensive review of the agency strategic planning efforts and the status of their plans. The review's objective was to gauge agency progress in preparing their strategic plans and to identify any concerns with the plans themselves or the process being followed. Agencies provided OMB with certain key parts of their plan for this review which were in a draft or developmental state.

Generally, the agency plans reflected a serious effort and allowed us to conclude that agencies should be able to produce useful and informative strategic plans by this Fall. The review also revealed several challenges. Last summer, most agencies were only beginning to link the general goals and objectives of their plans with the annual performance goals they would be including in their annual performance plan. Further inter-agency coordination on programs or activities that are cross-cutting in nature was

necessary and the senior leadership in some agencies had yet to become fully involved in the planning process.

Since then, OMB staff have continued to interact with the agencies as these strategic plans have evolved and we will undertake another systematic review of the agency strategic plans this spring.

Annual Performance Plans

Pursuant to the statute, the first of the agency annual performance plans will be sent to OMB this September. These plans will be for fiscal year 1999, and will be submitted with the agency's budget request for that year. The annual performance plans will contain the specific performance goals that the agency intends to achieve in the fiscal year. The statute provides that a subsequent iteration of the annual performance plan is to be sent to Congress concurrently with release of the President's budget.

The agencies and OMB gained valuable experience in preparing annual performance plans through the pilot project phase of GPRA. The statute wisely provided an opportunity for all 14 Cabinet Departments and an equal number of independent agencies to experiment with the implementation of the statute. Over 70 individual pilot projects were established, ranging in size from the entire Internal Revenue Service to small offices and programs within a larger bureau. The performance measurement pilot project phase of GPRA concluded in FY 1996. OMB's May 1997 Report to Congress on GPRA will describe this pilot project phase in greater detail.

In September 1996, OMB initiated a special review of the performance goals that agencies proposed to include in their annual performance plans for FY 1999. This review is still ongoing. The agencies are providing OMB with descriptions of their proposed performance goals, illustrating what will be measured and the nature and type of measurement.

The timing and sequence of these two reviews, one in the summer of 1996 and the other in the fall, was by design. The Summer Review concentrated on strategic plans, which are the starting point for annual performance plans. A strategic plan is like a compass pointing to what an agency seeks to achieve over the long-term. Without such a compass, it is difficult to judge whether the annual performance goals are appropriate.

Our experience with the pilot projects and with Summer Review underscored the importance of having a review focused on the annual performance goals. Gaining an early consensus on these goals will not only help assure that they are appropriate and

relevant but will allow agencies to measure current performance, creating a baseline from which to set future performance levels or targets.

In another joint collaboration with the agencies, OMB is preparing guidance on the preparation and submission of annual performance plans for FY 1999. The drafting of this guidance is largely complete and the guidance will be issued soon and we expect agencies to produce useful and informative annual performance plans for FY 1999.

Government-wide performance plan

GPRA requires that a government-wide performance plan be annually prepared and made part of the President's budget. The government-wide performance plan is based on the agency annual performance plans. The first government-wide plan will be sent to Congress in February 1998, and cover FY 1999. We will soon begin an effort to design this document, determining what should be included and how it should be presented. In this regard, we would welcome your views on those features that you believe would make this document informative and useful to the Congress.

Program Performance Reports

The agency's program performance report is the annual concluding element of GPRA. These reports are required within six months of the end of a fiscal year, and compare actual performance with the performance goal target levels in the annual performance plan. Where a goal was not met, the agency explains why and describes the actions being taken to achieve the goal in the future. The first program performance reports, for FY 1999, are to be sent to the President and Congress by March 31, 2000.

The performance measurement pilot projects are being used as a test of the program performance reports, and the ability of agencies to generate timely and accurate actual performance data. OMB is considering integrating the GPRA program performance report with each agency's audited financial statement and several other periodic reports to create a single agency accountability report. We expect that the OMB Report to Congress in May will further outline proposals for such a single report.

OMB's GPRA Effort

The OMB-led reviews I have previously outlined are part of the Administration's overall effort to ensure successful implementation of GPRA and indicate the great importance we attach to this effort. Two OMB-wide forums dedicated to performance and GPRA preceded the government-wide reviews begun last summer. These forums were used to familiarize all OMB staff with the statute and its requirements and to draw

upon their experience and suggestions for how it might be successfully implemented. The magnitude of GPRA, its encompassing scope, and its integration with the budget dictate that every major organizational component within OMB have some role in its implementation. To advance the concept of OMB-wide responsibility for GPRA, OMB established a GPRA Implementation Group, whose members are from every OMB office and comprise nearly 10 percent of our total professional staff. The Implementation Group meets regularly to discuss and review GPRA implementation tasks and policies.

In many ways, the best training is having to do it yourself. OMB has been working on its own strategic plan for nearly a year, an effort that has involved all parts and levels of the organization. Later this month, OMB will have a day-long "standdown" in which all staff will focus on our strategic plan and the goals we propose to establish for our organization.

Valuable help for our government-wide implementation effort is also coming from several interagency councils which I chair. These are the President's Management Council, whose members are the agency Chief Operating Officers (generally the Deputy Secretary); the Chief Financial Officers' Council; and the President's Council on Integrity and Efficiency, comprised of the agency Inspectors General. Each of these councils has taken leadership for one or more aspects of GPRA implementation, and have developed and disseminated useful techniques and practices to assist the agencies. They are also helping us to develop a unifying framework for bringing together the various laws and initiatives that focus on performance. These include GPRA, the Government Management Reform Act, the Chief Financial Officers Act, the Federal Acquisition Simplification Act, the Federal Managers' Financial Integrity Act, the Inspector General Act, the Clinger-Cohen Act, as well as initiatives originating from the National Performance Review, such as development of customer service standards and performance-based organizations. There is consensus that this integration must be done, and, to the extent practicable, must be meshed into the processes supporting budget preparation, decisions, and execution.

To do this will be a formidable task. But we have no real choice. If managed separately, these various endeavors will lose the synergy and economy of effort that would result from their being fitted together. Failure to coordinate and integrate these laws and initiatives can undercut their effectiveness, create confusion, and introduce frustration and ultimately disinterest among all parties. Put starkly and simply, there are not enough resources within the Executive branch to even try carrying out these activities in a non-integrated way.

Sorting through the complexity of these varying performance initiatives has been difficult, but we are making progress in defining a framework for this integration.

Expectations

As noted earlier, we expect agencies to provide useful and informative strategic and annual performance plans within the timeline specified by the Act. However, preparing a good GPRA plan is not an easy task. Indeed, a plan easily prepared is likely to be a superficial plan. Therefore, no one should expect the first plans to be perfect. We should view these first plans as the beginning of a process of improvement and refinement that will evolve over several years. Measures will be modified, better and more appropriate goals will be defined, performance data will increase in both volume and quality.

Even as performance measures become more refined, we should always bear in mind that using performance measures in the budgeting process will never be an exact science, or even a science at all. Often, an under-performing program will benefit from additional resources, not fewer. Comparing results across program lines will always require political judgments about the relative priorities, for example, of programs for highways and education. And we should not lose sight of the fact that performance information will often be used to adjust the way programs are managed rather than to change the resources provided. Accurate, timely performance information is important in all these situations and this is why the Administration is committed to the successful implementation of GPRA.

As I have said on other occasions, if we are successful, over time, GPRA should disappear. Some may think such a declaration flies in the face of the enthusiasm of this Administration for GPRA. However, if GPRA works as envisioned, government managers will absorb it into day-to-day agency administration and program management. For this to happen, we must guard against creating a separate GPRA bureaucracy in each agency that provides the documents and information required by the statute in an effort that is divorced from this day-to-day management of the agency. That's why I suggest that the true measure of the success of GPRA will be the extent to which the concepts of management and good business practices set out in this law become the accepted way that the government works without reference to any particular statutory framework or requirements.

Conclusion

This concludes my statement, Mr. Chairman. I'd be pleased to take any questions you may have.

Mr. HORN [presiding]. Thank you very much for your testimony. Mr. Hinchman, did you have some other remarks you want to make in general on this? And then we'll throw it open to questions.

Mr. HINCHMAN. Thank you for that offer, Mr. Chairman. I think that the three central conclusions from our work that I described are the important message that we have. I think that they are consistent with what Mr. Armey said and with what my friend Mr. Koskinen said, as well. So I have nothing more to add to that.

Mr. HORN. OK. Mr. Shays. Do you have a question? Ms. Norton. Do you have a question, at all? Mr. Sununu. Do you have a question? You do? OK. Well, let me pursue some of the things, here, just in general.

One of the problems you face when you're developing any strategic plan are the units of measurement, as well as not just relation to the budget, but how do you know we're being successful? How would you generalize, both from the Comptroller General standpoint and the Office of Management and Budget standpoint, where we are on achieving certain reasonable units of measurement?

You're familiar, I think, both of you, with the Oregon experience, when they went out and talked to the citizens, said what programs do you like, how will you know if we got there and achieve those goals, and so forth? What's the—give me a good generalization here as to where you think we are in the Federal Government on this.

Mr. HINCHMAN. We have been monitoring both the pilot projects which OMB is conducting and the implementation in the 24 major agencies that comprise 95 percent of the budget. I think I would make one point. Progress is further in those agencies which are engaged in direct delivery of services. For example, the Social Security Administration, which can measure the effectiveness of its 800 telephone service and the timeliness of its check mailing.

Progress is slower in those agencies which work through third parties, like State and local government, in which the precise goal of the Federal involvement is less clear, at least less specifically defined, and in which—I think we have to say—the agency officials are more concerned about committing themselves to outcome goals over which they have less control.

On the other hand, I have to say that I think we will get—as Mr. Koskinen said—we will get both strategic and annual performance plans from those 24 agencies for fiscal year 1999. And while some will be better than others, basically the framework for outcome measurement is going to be there.

Mr. KOSKINEN. I would agree with that perspective. I would add that our experience over the last three as we've worked with the agencies, is that focusing on missions and goals is complicated, difficult and challenging. But your question goes right to the heart of it. Trying to figure out what are our appropriate performance measures is really the intellectually challenging and stimulating task.

This is true partially because of the wide range of activities in which the government engages. And besides the point Mr. Hinchman, we say that when we get to areas like basic research, and when we get to areas of operations like policy operations, even OMB, for example, trying to figure out how to measure successful

performance gets to be a very complicated process. This is why, as I said in my testimony, I think what we have to expect is that these first plans won't be the last plans. And they should not be the last plans.

We will find with some performance measures that—we'll find over time that they don't appear to be appropriate. They measure the wrong outcomes. We'll find with other performance measures that the data is either very difficult to obtain or too expensive to obtain. And we will find with other performance measures that we get a better understanding of the utility of those measures over time.

I think your reference to the Oregon benchmark project is very appropriate. There they had the same experience. Their measures have gotten better over—with the passage of time. And I would hope that we would understand that the provision of the strategic plans in the fall of 1997 and the provision of the first performance plans in the winter of 1998 will be the start of a dialog and not the end of it, and that we do need a partnership, not only in a bipartisan nature in the Congress, but a partnership between the Congress and the agencies as we continue to review what are the appropriate, most effective performance measures.

Mr. HORN. Let me ask one more generality on this, then I'm going to get down to specific agencies. What have you found were the "performance measures" that really haven't worked out? Can we generalize from what you've seen in changes when you've looked at the way some agencies have used ceratin measurements and just decided, hey, this isn't going to work? Any of those cases you could describe for the committee?

Mr. HINCHMAN. The only point that I would make as generality is the importance of result oriented performance standards, that there is a temptation to look at outputs or ever process measures and to shy away from commitment to measuring actual impact which programs have on the lives of Americans. And that that's a temptation which has to be resisted. I think that we will get better at that over time.

That is certainly the experience of GAO. We have been trying to measure our performance. We currently have a mix of both outcome and output measures. We hope to evolve toward completely—complete use of outcome measures, but it's going to take us some years to do that, I think.

Mr. KOSKINEN. Our review of the pilot showed that the biggest problem at the front end as we're dealing with this is, in fact, the data collection. There may be an agreement that the measure looks appropriate, but the question is can you accurately collect timely data. As I said, going back to something to even something like research, a lot of impacts and outcomes are longitudinal, so you may be spending the money now and you won't see the results of that expenditure over a longer period of time.

As we've told the agencies, that doesn't mean you shouldn't start measuring now, because if it takes 3 to 5 years to see the results, 3 to 5 years from now, if we haven't started, we won't know what the results were. But that's one of the issues—is in terms of programs with a longitudinal impact. Another is a point Mr. Hinchman made earlier, and that is how to obtain data when, in

fact, the services are being provided by third parties, and we're making grants and there are actually intermediaries who are engaged in the activity. And what are appropriate measures—and—that they can effectively collect.

Mr. HORN. In business, one of the measures would be, obviously, client satisfaction, the attitude that the customer can do no wrong. And businesses prosper that way. Now, with government, to what extent have we tried actual surveys of client satisfaction, the taxpayer, in brief, or anybody we serve.

Mr. KOSKINEN. As they say in the trade, I'm glad you asked that question. A major initiative of the Vice President's National Performance Review has been directed in that area, which is focusing on developing customer service standards and then surveying customers to find out how those standards are being met, as well as collecting data. So there are not literally hundreds of standards that have been designed and developed across the government. And many of them depend upon government surveys.

Now, one of the interesting ironies is that when you want to collect survey data, you have to be very careful about Privacy Act and Paperwork Reduction Act requirements that we do not want from the Federal Government, to burden the public with a wide range of data calls and data requests. So that—we are right now in the process of trying to develop the right balance.

But I think you're exactly right. A lot of what we do interfaces directly with the government. Obviously, Social Security Administration, IRS, Veterans Administration, in the Customs Service, in INS. And across the board, part of the effectiveness of that agency has to be the perception and the satisfaction of the customers of those agencies.

Mr. HORN. Has OMB rejected some of the proposed client satisfaction criteria?

Mr. KOSKINEN. At this point, we have not. But as I say, at this point, the statute provides that we're really focused now on trying to get the strategic plans done and begin to focus on the development of the measures. The mechanics of how we collect that data will then be in the performance plan discussions. And we are concerned about that in holding discussions about it.

Mr. HORN. So you're saying it's premature right now to consider this? When is it not?

Mr. KOSKINEN. No. Actually, there are surveys that have been done. And in fact, if you look at annual reports being put out by agencies, you will see what those results are. The Social Security Administration has one of the most effective performance measurement devices.

Mr. HORN. Mm-hmm.

Mr. KOSKINEN. It puts out an accountability report that measures all of its range of activities in terms of standards and goals.

Mr. HORN. Now, is that an in-house or is that contracted?

Mr. KOSKINEN. My understanding is that—well, I do not know the answer to that question.

Mr. HORN. Yes. I think we ought to look at should we contract this out to objective survey people or do we trust a particular agency and is it simply throwing things in the box as you leave the field

office as to whether you were satisfied with the people at the counter, sort of like a hotel does. [Laughter.]

And I'm just curious to what degree we're looking at the credibility of the data and how we go about it.

Mr. HINCHMAN. Let me share one success story from SSA that does rely on external data.

Mr. HORN. Sure.

Mr. HINCHMAN. I had mentioned earlier that SSA runs a very large 800 number information system. They get over 60 million phone calls a year. And when they became more customer focused, they decided they needed to improve that service. They made a large investment in that, and then had the quality of that service tested by an outside firm, which measures, essentially, the quality of 800 service.

Mr. HORN. Right.

Mr. HINCHMAN. And there was a study done by that firm, involved eight respected private sector companies and SSA, and SSA won.

Mr. HORN. Now, was that merely looking at how rapidly that phone was answered?

Mr. HINCHMAN. No.

Mr. HORN. Or was that talking about the end result?

Mr. HINCHMAN. It was about calling people who had used the number and asking them about the quality of the service they received, how quickly the phone was answered, how polite the people who spoke to them were, how knowledgeable they were, how quickly their problems were resolved.

Mr. HORN. Yes. Good.

Mr. KOSKINEN. And in fact, and across the range of those quality indicators, the 800 number at Social Security did not answer the fastest.

Mr. HORN. Mm-hmm.

Mr. HINCHMAN. But nonetheless, the overall satisfaction and quality of the information made it the most effective 800 number in that comparison.

Mr. HORN. Yes. I think that's probably true. I've checked myself every once in a while on Social Security. But an agency we have real problems with, as you know in management—and I must say the President has a choice now when he nominates people. This agency, he needs not a good tax accountant, not a wonderful tax lawyer. What he needs is a manager. And that's the IRS. This is obviously a basket case agency.

And we've had numerous congressional hearings on this. They're going through hearings in Ways and Means. Hopefully, they will be included in the debt collection act that we passed here last year. And they have not yet agreed to that. But I'm told by the chairman, Ms. Johnson of Connecticut, that she will generally follow what was done here. And that's long overdue.

Now, what worries me is when the thousands of citizens I have heard from on this subject all over America, is that this is an agency they are frustrated by, in the sense they can't get through to somebody to solve the problem. And there needs to be some sort of telephone tree that ends up, maybe, with an agent somewhere

that can answer a question. And you know, the airlines have worked on this, lots of different groups have worked on it.

It isn't impossible. Social Security has already done some of it, and we need to take a real good look at that. Because if we were ranking agencies in customer satisfaction, that would be one right at the bottom. And I just wonder what you are doing about it.

Mr. KOSKINEN. Well, I think we might disagree with whether it's a basket case or not. It fairly effectively collects a trillion-and-a-half dollars a year in finances. But in terms of being——

Mr. HORN. But it very ineffectively has $100 million written off. That bothered me. That's what got me started on the Debt Collection Act.

Mr. KOSKINEN. As you know, we worked with you very closely on that act and appreciate your support of it. What has happened is that the issues of management of the IRS are receiving the highest level of attention. The Secretary of the Treasury has set up a modernization management board, chaired by the deputy secretary, Mr. Summers, that is working on a regular basis really as a board of directors with the management of the IRS focused directly on those questions, on its information technology systems.

As you know, we basically—that board made a decision to stop a program for document processing which was going to cost a $1,200,000,000 billion, and it wasn't clear that it was going to, in fact, work. And over $1 billion was not spent as a result of that decision. There is a focus on the 800 numbers, there's a focus on electronic filing, making it easier for people to file their returns.

And one of the great successes they've had is, in fact, increasing the speed with which they provide refunds. But you're right. One of the questions taxpayers legitimately have is they'd like to be able to get advice promptly and effectively. And we are focused on that.

And I think you're also correct that we need to focus on the management internally in the IRS. We've been very successful and very fortunate to recruit a new chief information officer from the State of New York, Art Gross, who, I think, is doing a phenomenal job. And we have high expectations, but also high demands of the need for improvement in that agency.

Mr. HORN. Before I yield to the gentlewoman from Maryland, let me make sure the record shows I said $100 billion, not million. I think I mushed that a little.

But now, I yield to the gentlewoman from Maryland, Mrs. Morella.

Mrs. MORELLA. Thank you, Mr. Chairman. We know that you always operate in the magnitude of billions. [Laughter.]

Gentlemen, particularly Mr. Hinchman and Mr. Koskinen, I wanted to ask you about the Government Performance and Results Act—usually requires agencies to consult with Congress in preparing their strategic plans. From my experience, agencies always check in with OMB first before they move forward beyond that.

And so this happens with testimony before Congress. We find out. And certainly, with the current budget process. So my question to you is, whether agencies must clear through OMB every single document, idea, goal, or mission that is required by the Government Performance and Results Act?

Mr. KOSKINEN. No. That's not required.

Mrs. MORELLA. It's not?

Mr. KOSKINEN. Some people would like to think of us as all-powerful and all-encompassing, but the agencies actually have a lot of dialog with the Congress that does not clear through us. We clear testimony, but not, generally, materials provided. We have, as a I noted in my testimony over a 1½ years ago, sent out guidance to the agencies which we reaffirmed last fall, encouraging them—reminding them of the statutory requirement that they consult with Congress as their plans are developed, and encouraging them to begin—engage in that consultation.

So quite the contrary in terms of resisting that, we think that the statute not only requires it, but that it's an important part of the development of the strategic plan. The statute, I think, wisely contemplates that the agency should consult with Congress. The agency should consult with their stake holders, whether that be State and local governments or the public, in the development of their final plans.

And we are encouraging them to do that. We have spent, as a I noted in my prepared testimony, a significant amount of time over the last 3 years working with them, reviewing their processes, trying to provide them my help, assistance and guidance, drawing to their attention a lot of the good work that GAO has done in terms of the development of strategic plans.

So on occasion, we hear that someone has said, well, gee, OMB won't let us do that. And I'd be delighted if anybody would refer any difficulties they're having getting consultation with their agencies. You can call me directly, because our—we're at the other end of that spectrum. We're encouraging that consultation.

We think the time now is right, that it needs to be done this spring and this summer, so that when those plans come in, as the statute notes, to the extent that the agencies have consulted and they have not reflected in the plans, views of anyone they consulted, their cover letters are supposed to highlight that for both us and for you, so that they—when they publish these plans, which will be submitted not only to the Congress, but available to the public, it will be clear where the agency's plan is going, with the administration's support, and what views are not—have been made that have not been reflected, significant views, obviously, in that plan.

So I think it's an important process, and we support it significantly.

Mrs. MORELLA. And they don't need to OK it with you? That's not mandatory?

Mr. KOSKINEN. No. At this point, they don't have a plan to OK.

Mrs. MORELLA. When they do.

Mr. KOSKINEN. What they need to be discussing with you is what are their proposed goals and objectives. We have—there is one case, actually, in the press, if they start to produce long-term projections about the impacts of what's going to happen to their performance before they've actually reviewed that in the budget process, then we actually do not allow that to happen, only because the reason for the OMB review of budget numbers and numbers, them-

selves, is to make sure that when you get those numbers, they come with the imprimatur and support of the administration.

That—but that's a level of detail that we're not involved in at this point. At this point, the agency should be discussing with you what their views are and your views are of their goals, their missions, their objectives, and, as Mr. Horn stated, what are their performance measures going to look like in terms of categories, not the details or what the numbers are actually going to be.

Mrs. MORELLA. They don't need the clearance. Great. How about, Mr. Hinchman, would you like to get back on this?

Mr. HINCHMAN. We are doing a review for Mr. Kasich of the consultation process required by the act. As you, I think, know, relatively few consultations have taken place so far, perhaps half a dozen or so, I think, most of them initiated by Congress and its staff, not by the agencies. As Mr. Koskinen has indicated, that pace will pick up rapidly over the coming months. We'll begin to get a better idea of how it's going to go as we get into a larger volume of activity.

I would add one other note. I think that we have to recognize that the Office of Management and Budget has a legitimate concern for ensuring that the President's policies are reflected in all the communications that occur between execute agencies and the Congress, and that that concern is not going to go away.

What I think is important is to also recognize that GPRA is basically about improving the management of the government. And a lot of what the government does is about the management of trillions of dollars of assets and billions of dollars in expenditures every year, and that we all have a shared interests beyond the policy issues over which we disagree about making that management process more effective.

And I would hope that these consultations can provide for frequent open dialog about how we can improve that management process and what the goals and outcomes of that management undertaking ought to be.

Mrs. MORELLA. Could I ask one more question, and it's simply that when agencies form their strategic plan and their mission, how do we ensure that the appropriate group is working on the process? I mean, by that I mean, is there any kind of a mechanism that would include a cross-section of employees, managers, budget experts, policy experts, you know, stake holders and others that might be appropriate?

Mr. KOSKINEN. In our guidance to the agencies and in our reviews with the agencies, we have stressed the importance of that point. One of my concerns is that if we're not careful in the implementation of this act, we'll create what I call a GPRA bureaucracy, and that is, in an agency we'll have a group of people off on the side, in a planning office or someplace, who fill in the blanks and provide whatever documents the statute seems to require, without drawing upon the expertise and the perspectives of everyone in the organization.

Mr. Hinchman is exactly right, that this statute is not meant as an abstract exercise in producing neat binders with blue covers. The purpose of this statute is to improve the effectiveness of government operations. And one of our pitches to the agencies has

been, what they should focus on is what data and information do they need to effectively manage their programs, and to the extent that they can work with us to define that data, we will guarantee them that that will be acceptable performance data for the management of those programs and reporting.

Because, again, as I say, it will be counterproductive if we have strategic plans to collect artificial information that no one is actually using in the day-to-day operations of the agencies, because one of the key utilizations of this information is not just to make resource allocations, the most immediate impact of the information is to adjust or change or modulate the way the program is organized or managed.

If we never allocated a budget dollar differently because of GPRA performance, it would not mean that the exercise was for nought. If we do it well, all of that performance information will be reflected in changes in the way we actually manage or operate those programs. So it's critical that we focus on this. And that can only be done effectively, as you note in your question, if the people focusing on this include the senior leadership in the agencies as well as the people on the front lines.

Our responses to the agencies last summer, after our reviews went to the cabinet secretaries, and noted wherever we thought it was important, that those senior political appointees of the agency have to be intimately involved in this process, just as much as the front line workers.

Mrs. MORELLA. So the directions are that they—the assumption is that they will do so?

Mr. KOSKINEN. Yes.

Mrs. MORELLA. And not make——

Mr. KOSKINEN. And we've—we've asked that question of them and encouraged them to broaden the base of their planning effort.

Mrs. MORELLA. Thank you, Mr. Chairman.

[The prepared statement of Hon. Constance Morella follows:]

STATEMENT OF
THE HONORABLE CONSTANCE A. MORELLA

February 12, 1997

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT
"THE GOVERNMENT PERFORMANCE AND RESULTS ACT"

I want to thank Chairman Burton for holding today's hearing on the Government Performance and Results Act. I look forward to hearing from Majority Leader Dick Armey who is spearheading the GPRA implementing team, and from OMB and GAO. Passed by the Congress in 1993, GPRA helps agencies focus their resources on achieving results, tying their budgets directly to performance. We must ensure that GPRA helps federal agencies and employees disrupted by rapid downsizing mandated by the Congress.

This hearing lays the foundation for Congressional involvement as GPRA's implementation continues. I want to ensure that agencies receive the assistance they need in creating their strategic plans, and that their priorities reflect those of the American people. GPRA has the potential o be a catalyst for change in the way Government manages

itself -- we must ensure these changes are positive.

This process, set up by the Government Performance and Results Act of 1993 and to be phased in over a number of years, requires agencies, in consultation with Congress, to: develop long-range strategic plans, develop annual performance plans, measure their performance against goals, and report to Congress on how well goals were met. Ultimately, GPRA envisions that agency budgets would be tied closely to this performance-oriented process.

GPRA, together with the Government Management Reform Act and the Chief Financial Officers Act, should help both Congress and the Executive Branch carry out their responsibilities in a manner most helpful to the American people. I believe that the GPRA process, by concentrating on the results and outcomes of agencies' business, puts the emphasis in the right place.

I am concerned, however, that this process might be viewed as just another exercise or the latest fad, and thus not get

the attention and support that it deserves. To help dispel hese notions, I am looking forward to hearing from today's witnesses, who will provide additional insights into the GPRA process and about how it is actually being implemented -- what is working, what is not working, and why.

I am also concerned that the GPRA process itself might drain already scarce resources. Today I hope to hear your thoughts on how that potential problem can be avoided or remedied.

I look forward to developing a working partnership between the Congress and Federal agencies in carrying out GPRA. GPRA affords us a unique opportunity for the Congress and Federal agencies to work together to provide the most efficient and productive government possible.

Mr. HINCHMAN. If I could just add one note to that, Mr. Chairman. In our work with successful public sector reform efforts, one of the best practices we've identified—and it's reflected in our executive guide—is involving stake holders. And there are both internal and external stake holders. And they all need to be part of the planning process.

Mr. HORN. Before yielding to Mr. Sessions, let me round out what Mrs. Morella has correctly begun. I think your answer is a very good one in terms of what the data—what those data ought to be down the line. And I guess my query is, does OMB plan to have the agencies, when they come in for future budgets, show this performance data as part of the budget review process in OMB, and is it understood that secretaries will sign off on this? I agree with everything you've said, because I've been through this, 35 years ago and 25 years ago.

The University of Toronto was the first to have university-wide planning. I was at the second, in terms of California State University at Long Beach. And we started from the bottom up, just exactly as you're talking about. You've got to really get people involved.

I was amused by my colleague, Mr. Armey's, department chair. That's what most people do. Say, you have them file a report at the end of the night. The people who are there rendering the service are never involved. It's just somebody writing it out, and it's pieces of paper moving around. And your comments lead me to believe you're very alert to that situation and you want involvement. And you want something that works.

And that's what we're talking about.

Mr. KOSKINEN. Right.

Mr. HORN. Now, are you going to include it in the budget process?

Mr. KOSKINEN. As they say in the trade, you bet. Our hope is, ultimately, that we would evolve an accountability report, as we call it. And we've had pilot program experimentation with that, in which we would pull all of the results of agency activities and reviews together in one document. And our hope would be that an agency, ultimately, in the budget process, would come to OMB and, ultimately, to the Congress, saying, these are the results of our activities thus far and our accountability report, and these are our resource requests. And if we get these resources, these are what our performance plan show we will be able to receive with those.

And a year later, they would come in with an accountability report, saying, these are the resources you gave us, these are the results we got, these are the resources we'd like in the next cycle.

Mr. HORN. Mm-hmm.

Mr. KOSKINEN. It will take us some time to get from here to there. But we started in the fall of 1994 with the 1996 budget process, asking for as much performance information as the agencies had in their justifications to us. This last fall, in the 1998 budget process, we told agencies it would be a very effective time to start a pilot program for seeing how much performance information they had. We ran a spring review in 1995, saying for your major key programs, what measures would you use to judge their effectiveness?

So we've engaged, over the last 2 years, 2½ years, in an on-going dialog, trying to bring to bear the focus of the agencies, not only on the results, but, in fact, as you say, that these should be involved in the explanations as to what they're going to be accomplishing with the additional resources they're asking.

Mr. HORN. Now, does the gentleman from Texas have any questions he'd like to ask?

Mr. SESSIONS. Yes. I would. Thank you.

Mr. HORN. Yes.

Mr. SESSIONS. I would direct to either three of you, is there any indication that you have when you hear back from these agencies that there's some reluctance or some unknowing of about what these strategic directions might be, that you could direct them to their IGs, Inspector Generals, and/or to this report that this committee came out with last year, as a good indication about realistic approaches that need to be made within their agencies, at least as a starting point?

Or do you find that they do understand this as strategic direction and that they've got a good handle on it? So it's just a general question and comment about feedback from these agencies.

Mr. KOSKINEN. You've been doing well, Jim.

Mr. HINCHMAN. Chris, do we have any feedback from the agencies on that issue? Do you know of any? I'm not aware of any.

Mr. MIHM. Mr. Sessions, we haven't heard specifically of agencies referencing the committee report or thinking of going to their Inspectors General for decisions or questions about strategic direction. To the broader issue that you're raising, though, about a lack of strategic direction, that's one of the major challenges to the implementation of GPRA. It's one of the opportunities that GPRA affords, is that we've found an awful lot of agencies where the basic approach of Federal program management has been an adaptive approach over time, where we've had new responsibilities overlaid on existing missions, such that now some agencies have really lost their way.

And in Mr. Hinchman's prepared statement, he talks about a couple of those. And so, there is a real need as agencies go through the strategic planning process, to start first with what is our purpose, what business are we in? And for some agencies, that's going to be quite a struggle.

Mr. KOSKINEN. We have not had any feedback that would indicate a difficulty. We have increasingly encouraged agencies, though—and will again in a review and an assessment we're doing this spring—to take a look at their major, what we call, management challenges. And those challenges come in a lot of different formats and have been drawn to their attention in a lot of different ways. And encourage them to take a look at what are their performance measures going to be for solving or dealing with those management challenges.

And to the extent that they are significant, they should be, we think, reflected in their overall strategic planning effort. But as Mr. Mihm noted, the strategic planning effort deals with, ultimately, the basic goals and missions and drive of the agencies. And a lot of the particular IG reports or other issues are significant, but not clearly sufficient to cover the wide level of activities going on.

I would note, also, in response to your earlier discussion with the majority leader, that I very much appreciate your concern that agencies not come forth with fear and trepidation and concern that nothing good is going to come out of this for them. As Woody Hayes once said when he was coach at Ohio State, why did he like forward passes, "two out of three things that happen to you are bad."

Part of my concern has been that the agencies may, over time, feel that nothing, everything will be bad with measures, that it will only be used as a way of justifying fewer resources. I think to the extent that we can in a bipartisan way and in a cooperative way—a partnership between the administration and the Congress—get everybody to understand our goal here really is to be effective.

We may argue, as noted earlier, about whether the government ought to be doing one thing or another, but we all ought to agree, once the government is in an activity, it ought to be doing it in the most productive way possible. And as I noted in my prepared testimony, we need to have people understand that if an agency is not performing well, the answer may not be fewer resources, the answer may be more resources.

On the other hand, an agency that's continually moving along may turn out to be a lower priority over time, and we may decide that the performance isn't good enough and we won't get increased performance, there just is no way to turn it around with resources or management changes.

But those dialogs need to be held, and I think, as I say, your focus on the positive aspects of it are important, because I think agencies need to understand that this is an important dialog and, at least, on occasion some good things will happen as a result of a dialog, as well as some hard questions being asked.

Mr. SESSIONS. Good. Thank you. Let me just say this, that the work that you do is in the best interest of the taxpayer, should continue. And I think, Mr. Chairman, this committee should do all we can do to reinforce not only the work you're going to do, but to present a positive spin to all managers of the government, that they must comply, but it's up to them what they present.

And then we will get into an oversight, if necessary, of the discussion of the priorities. Thank you, Mr. Chairman.

Mr. HORN. Thank you. The gentlewoman from Maryland.

Mrs. MORELLA. Thanks. Just as a followup, Mr. Koskinen, I was looking at an article here in the Washington Post, which quotes Franklin Raines and states that—OK. "He encouraged agencies to consult with congressional committees but requested that all substantive documents related to strategic plans should be provided to OMB beforehand."

Is that accurate?

Mr. KOSKINEN. Well, they've all, actually, been provided to OMB. I mean, as Mr. Hinchman stated, these plans have been under review with us for the last 2 years as they've evolved. And what we've told the agencies is they need to consult with the Congress, they need to provide the most updated information. And to the extent that they are providing to you, we'd like to know what that information is. But at this point, as I say, they've already submitted the bulk of their material to us. So we have it under review. So it's not an obstacle.

It's not as if the agencies have been off on their own and we've never seen it. We've seen the information and our encouragement to the agencies now is they need to discuss their basic goals and measures and where they're going with you.

Mrs. MORELLA. So they've already—what you're saying is that since they've already presented some of this material to you, they can move forward?

Mr. KOSKINEN. Yes. Right.

Mrs. MORELLA. But they need to present it to you. I mean, it is a requirement.

Mr. KOSKINEN. Yes. It's not an obstacle because they've already done it. But it is part of the normal process, that they would continue to deal with us.

Mrs. MORELLA. It is part of the process that they report it.

Mr. KOSKINEN. I would renew my offer. If there is ever an area where someone feels that an agency is not being forthcoming—and worthy explanation for that, I would be delighted to make sure that we resolve whatever issue there is promptly.

Mrs. MORELLA. Mm-hmm. Mm-hmm.

Mr. KOSKINEN. I'm not aware of any at this point.

Mrs. MORELLA. OK. I see that same statement is quoted here in the memorandum for the heads of executive departments and agencies, "All substantive documents related to strategic plan should be provided to OMB beforehand. And OMB comments ensuring consistency with national program and budget policies should be incorporated before the documents are given to Congress." That's correct, though? Right?

Mr. KOSKINEN. That's correct.

Mrs. MORELLA. Thanks.

Mr. KOSKINEN. And in fact, I'd be happy to put into the record that letter which pursues—is pursuant to the guidance we gave a year earlier encouraging congressional consultation. As noted, our goal is primarily to make sure that when you get engaged in a dialog with the agencies, you're engaging with a dialog with the administration—with the administration's support, that there's—and that's our role in OMB, is not to think up new things, it's basically to make sure that when agencies make presentations to you on major matters like this, that you're not going to find out later on that that presentation is disowned because it doesn't reflect the understanding of the President's priorities or our view of where we're going to be going with it.

But as I say, at this juncture, all of the agencies are sharing that material with us. We're giving them feedback. We expect to have another assessment starting in the next couple weeks with them of where they are. Our problem is less—our concern is less what they're doing with those plans. Our real concern is making sure that they have the consultation with you and that they complete acceptable and useful plans for submission to all of us by next September.

[The information referred to follows:]

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

November 12, 1996

M-97-03

MEMORANDUM FOR HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Franklin D. Raines
Director

SUBJECT: Congressional Consultations on the Implementation of the Government Performance and Results Act (GPRA)

As the deadlines for the submission of the strategic plans and performance plans required under the Government Performance and Results Act approach, I would like to encourage all executive departments and agencies to consult with the relevant Congressional authorizing and appropriations committees on the progress being made towards full implementation of GPRA requirements. GPRA requires such consultations regarding the development of strategic plans, and I suggest also including the development of performance measures in the discussion. Sharing this information with the Congress at an early stage, and actively seeking Congressional input into the process will increase the likelihood that the Congressional authorizers and appropriators will look at program performance as a key factor when making programmatic and budget decisions.

OMB can play an important role in helping departments and agencies prepare for Congressional consultations by:

-- providing a broader Congressional context to agencies, including the interests of the government oversight and budget committees; and

-- helping agencies to ensure that their presentations are generally consistent with those of other agencies.

To make Congressional consultations as useful as possible, departments and agencies should coordinate with their OMB Resource Management Office (RMO) before consultations take place to develop the most effective presentations, and to incorporate any lessons and examples learned from the experiences of other agencies. In addition, all substantive documents related to strategic plans should be provided to OMB beforehand, and OMB comments ensuring consistency with national program and budget policies should be incorporated before the documents are given to Congress.

Finally, a set of briefings for Congressional staff are presently being conducted jointly by the Congressional Institute and the National Academy for Public Administration. These briefings are likely to generate queries from Committee staff on when agencies will be scheduling the required consultation with Congress.

I and my staff look forward to working with you on GPRA implementation during the next year.

Mrs. MORELLA. OK. Thank you. Thank you.

Mr. HORN. As I understand, where we are on this question and answer, the consultation can be oral up here.

Mr. KOSKINEN. Right.

Mr. HORN. And they can talk to us and we can talk to them. But when the chips are down, what they put in writing is cleared through OMB.

Mr. KOSKINEN. That's correct. If they are going to give you a plan, we should have seen it beforehand.

Mr. HORN. Right. Yes.

Mr. KOSKINEN. But—but there's nothing that we——

Mr. HORN. So I don't think any of us are deluded that OMB won't be involved. And I think if Members are concerned about what the agency suggests that was knocked out, we can ask them.

Mr. KOSKINEN. You can ask them.

Mr. HORN. And they have to tell us, just as we do, what did you ask them in money.

Mr. KOSKINEN. Exactly.

Mr. HORN. And then what did they do to you?

Mr. KOSKINEN. And at that point, you'll have exactly the right information you need, which is what the agency suggested and, for whatever reason, we didn't want to put in, and then we can have a dialog about that. Our concern is that if we don't have that process, you'll get agency discussions and you'll move forward with them only to discover after the fact that that's been—turned out to be a problem and the administration is not supporting that position.

But the chairman has it exactly right, that the agencies are encouraged to have those discussions with you, freewheeling. They should be talking with you. And we encourage them to engage you in a dialog in your perspectives of what those goals and missions and objectives ought to be, recognizing that the final plans will be agency plans as part of the administration. But as I say, if you have ideas that are not reflected, the cover letter for those plans should reflect that for you.

So they should say, we had congressional consultations and the Congress said we ought to have a mission statement that looked like that. We have a mission statement that varies somewhat, and now you can take a look at the differences. So the important point is to get all of that out so people understand exactly where everyone is.

Mr. HORN. Let me go back, as the gentlewoman—let me go back to a couple of areas. Mr. Hinchman, you mentioned the report on "consultation" that you are preparing for Budget Chairman Kasich. If you would be good enough to send Mr. Burton and Mr. Waxman, myself and Mrs. Maloney copies of that, we'd be most grateful.

Mr. HINCHMAN. Of course, Mr. Chairman.

Mr. HORN. We'd like to keep up on what's going on here, and there's no use asking you twice. Just copy us. Now, let me ask you, Mr. Hinchman, on the basis of what the General Accounting Office has learned, do you plan to propose any changes to the legislation when you report on June 1, 1997? Do you have a number of changes that will be coming to——

Mr. HINCHMAN. I think that we do not expect to report new changes. I think our view is that the framework in the statute, as I said in my testimony, is sound and that we need to try to make it work. And that it's not time yet to begin thinking about changes in that structure.

Mr. HORN. OK. Now, one of the concerns that we have is on the various pilots. Some of them relate to those agencies that are also on your high risk list, which we will begin discussing tomorrow. For example, the HUD Office of Chief Financial Officer. Apparently, the department cannot get an opinion on its audited financial statements and has serious and pervasive weaknesses in its internal controls that cause it to be on your 1997 high risk theories. And the EPA Superfund program. There's another one.

Mr. HINCHMAN. Mm-hmm.

Mr. HORN. What is your feeling on this in terms of being a pilot when we have so many problems? Is that good, bad? Does that just force them to focus more attention on it and solve the problem? And why haven't they?

Mr. HINCHMAN. I think, in general, we would say that participating in the pilot program has been good for agencies, that those agencies that have been in the pilot program are a few steps ahead of others in achieving effective implementation of the requirements of the act. And I think we will see that when we see the 1999 plans. That is to say that those, in general, those pilot agencies, will do the better jobs of meeting the requirements of the act that time around.

With respect to specific cases like HUD, I don't think that we can expect that participation in the pilot program is going to solve HUD's problems. HUD has made progress, however, and I'm hopeful, I like to think that its involvement in the pilot project has helped focus its thinking on the kind of steps which will lead to progress. Our high risk report will say that things are better at HUD than they were 2 years ago.

But you are right. Things are not OK, and there is more work to be done there.

Mr. HORN. Let me move to the Forest Service. It's also listed as a pilot for performance plan phase. I'm told its cost accounting is abysmal.

Mr. HINCHMAN. Mm-hmm.

Mr. HORN. It doesn't track the cost with associated revenues on a consistent, logical basis as good cost accounting practices dictate.

Mr. HINCHMAN. Mm-hmm.

Mr. HORN. It would seem that the pilot implementation would require better cost accounting. Have you seen any improvement in the Forest Service management lately?

Mr. HINCHMAN. We currently have work underway concerning Forest Service management. I am not in a position, today, to say exactly what the outcome of that will be. There is no question, though, that the Forest Service does have financial management problems. It is not unique in that regard. I think that one of the reasons I talk about the Results Act as being part of a framework of statutes is because I think that solving our information technology and financial management problems is a critical part of solving our general management problems.

And we're going to have to rely on those statutes working together to make the government a well run institution.

Mr. HORN. Do you want to comment on any of these?

Mr. KOSKINEN. I would just echo Mr. Hinchman's comment that I think wherever we've had agencies participating in pilots, it's been a benefit to them as well as to the statute. I think it has helped focus them, not only on improvements, but actually on how to measure those improvements, and that's one of our biggest challenges, is to not just keep coming back every year saying, well, things are a little better.

We need to have actual measures. And I think the application of the statute and through the pilot program is a significant step in the right direction.

Mr. HORN. As you know from the private sector, there have been experiments with looking at a particular corporate culture of a firm, a plant, especially when you've merged maybe three or four unique companies under one conglomerate. Has anybody looked at that from the point of the Federal Government, where you think in these pilots, now, that you have a good cross-section of the government? Do you feel that you have or are there other ones, perhaps, you should convince to be pilots?

Mr. KOSKINEN. Well, the great genius of the act was to allow us to have the pilot program phase and have the agencies as well as us learn. Now what we're doing is turning the whole government into a pilot. In September of this year, everyone is supposed to show up with a strategic plan, has to show up with a strategic plan, and in February, next year, they will all show up with a performance plan.

So that at this point, we're out of the pilot phase and we're into the actual full implementation phase.

Mr. HORN. Mr. Hinchman, back to you. In terms of your testimony, you stated that the Department of Defense is unable to properly manage its cost resources, and that the critical cost data are absent for almost all of the department's non-cash assets such inventory, equipment, aircraft, missiles.

Mr. HINCHMAN. Mm-hmm.

Mr. HORN. I'm just curious how they're doing with implementing the pilot project.

Mr. HINCHMAN. I think that financial management at the Department of Defense remains a very big challenge, and I don't think that we will see that problem fixed in the near term. And obviously, part of a good financial management system includes cost accounting systems. And I think we all share the goal of reaching a point at which financial management, including cost accounting within the government, meets private sector standards. DOD is not there today.

Mr. HORN. We found in our hearing last year of what did you do with the $25 billion, and they said we didn't steal, or nobody stole, but we just can't find it all. Forty-nine accounting systems exist in the Department of Defense. Anything happening to consolidate that? And if you were suddenly made the Chief Financial Officer of Defense, what would you do?

Mr. HINCHMAN. I would begin——

Mr. HORN. Besides go to Australia. [Laughter.]

Mr. KOSKINEN. That's right.

Mr. HORN. What would you do?

Mr. HINCHMAN. I would begin a strategic planning process to determine what the goals of that system need to, and begin developing plans to move toward those goals year by year. I think it's going to be a long-term process.

Mr. KOSKINEN. There is—I would note—that there is a strategic plan in this particular area, to over a reasonably definable period of time, migrate those systems to five basic financial accounting systems. It's not easy. It's been a project underway for some time, but they have begun to make significant progress. But I think Mr. Hinchman is right. This is one of the major challenges in the government, is to, in fact, work with the Department, which is very focused on this, in bringing its financial system up to date.

Mr. HORN. Well, we know they won't be able to give us a balance sheet, I think. Both IRS and Defense, for 4 years now, everybody said they can't possibly meet the law on that. Do you feel that is still true?

Mr. HINCHMAN. I believe that we will have financial statements from the Department of Defense when it's required under the CFO act. I do not know, at this point, what the opinion in the statements will be.

Mr. KOSKINEN. Right.

Mr. HORN. Any reaction on that?

Mr. KOSKINEN. I think that's correct. We are—we have actually worked jointly—the Treasury Department, GAO and OMB—in developing and preparing for the governmentwide financial statement required under the CFO Acts and Government Management and Reform Act, and, clearly, we all are working together with the areas you've discussed and some others, to make sure that we comply with the statute.

So I think, at this point, we've arrayed all the resources in the government together in a very cooperative and very focused effort to see if we can improve these problems.

Mr. HORN. Before I yield to Mr. Sessions, let me ask you one question while we're on this topic. IRS has had major problems implementing the new technology down there.

Mr. KOSKINEN. Yes.

Mr. HORN. We went through this with FAA 3 years ago.

Mr. KOSKINEN. Uh-huh.

Mr. HORN. Absolute basket case. And we have this throughout the government, now. What have we learned from these experiences, either from the OMB side or the Comptroller General side.

Mr. KOSKINEN. Well, I won't give you my full half hour speech that I gave yesterday morning.

Mr. HORN. Give me your executive summary.

Mr. KOSKINEN. The executive summary is that thanks to the assistance of this committee and the Governmental Affairs Committee, we passed the Information Technology Management Reform Act, now known and referred to as the Clinger-Cohen Act——

Mr. HORN. Right.

Mr. KOSKINEN. Which fundamentally changes the way the government plans for, acquires and manages information technology. Again, it was—we had the benefit of a lot of insight and experience

and reviews by GAO, in which we drew on the promising practices or best practices of 10 of the best private sector companies who use information technology. We know have Chief Information Officers in every agency. They are focused on dealing with what we think were the fundamental weaknesses in the prior system.

Mr. HORN. But what were those weaknesses?

Mr. KOSKINEN. Fundamental weaknesses are, first of all, partially driven by the nature of the procurement system. We tended to design large complicated systems all on one procurement so that we would be buying systems and planning them over 8 to 10 to 12-year time horizons. The best private sector companies buy systems with deliverables no farther out in time than 12 to 18 months.

A corollary to that means that if you are designing a large system, you need to, in fact, then buy it in modular or phases, with testing of each phase to make sure you're moving in the direction in which you want to go. Another major lessen of the private sector is that these are not technology questions—the problems—they are actually management questions.

And the best companies, before anyone automates anything, ask the question of A, do we need to do this work at all?; B, if it needs to be done, is there someone else who can do it better? And probably most functionally and important in dealing with not only the government's problems, but the private sector's problems, if we need to do the work and no one else can do it better, have we restructured and re-engineered the way the work is done to be able to maximize the impact of information technology.

A corollary to that is, have we re-engineered the work so that we can take advantage of off the shelf software and existing systems, rather than customizing a new system to meet what is often an idiosyncratic way of doing the work.

Mr. HORN. Yes. Since we knew all that 25 years ago, does this mean the role of Assistant Secretary for management has failed in these departments?

Mr. KOSKINEN. Well, I would tell you that A, people didn't know this 25 years ago. So I would challenge on that.

Mr. HORN. But we did. On the systems that—look, the dumbest thing you can do is bring in a computer, which they will sell to you with all the wonderful things they can do with it, and not clean up your systems to start with, and ask, are you doing it, just as you said, and get rid of it. And then you automate that. The other dumb thing you do—and the FAA did that regular—is you don't get closure on everybody's great idea. And there's nobody managing it. It's everybody doing add-ons. McNamara got into that trouble in the early 1960's with building a plane that had to do everything, which didn't work.

Mr. KOSKINEN. I would respectfully note that the government has no monopoly on these problems, that, in fact, there are vast numbers of failed systems right now in the private sector. A study last year showed that over half of the private sector systems being designed last year and implemented either didn't work or came in over budget and did not come in on time.

So that these lessons which are straightforward and understandable are not technological lessons, have not necessarily been out there in everybody's mind for 25 years, and the government has not

led the failure parade. There are, as I say, far more dollars that have been spent on failed systems in the private sector in the last few years than in the government.

That doesn't mean that we don't need to learn the lessons. And that's where GAO's reviews were very helpful. They went out and didn't look at the private sector generally because if they had done that, they would have seen a lot of failed systems as well as successes. What they said was what are the best companies and what are their practices, and what can we learn from those. And I think the government, if we implement the Clinger-Cohen Act effectively, can become a state-of-the-art acquirer, manager and user of information technology. But we'll continue to need the support of this committee, as well as that of the agencies, if we're going to do that.

Mr. HORN. Now, when you say effectively implement that act, you're talking about the CIO, I assume.

Mr. KOSKINEN. I'm talking, actually, about the CIO being a catalyst for the agency coming to grips with these problems.

Mr. HORN. Right. Now, are there situations where we have the CIO also holding other responsibilities, as we have in Treasury with the Assistant Secretary for management also being the Chief Financial Officer, something I think is just crazy, and yet we haven't done anything about it?

Mr. KOSKINEN. There are those. If you'd like, we could hold a hearing on this. There's a long discussion going on about that.

Mr. HORN. No. When you've got a problem and we give you the authorization to do something about it, it seems to me there's got to be focus. And why these problems continue is many of these people aren't really devoting full time to either the CIO or the CFO. It's like having the Inspector General be chewed away by some other agency responsibility.

Now, since that's an adverse relationship in many cases is why we don't do that, I gather. But I must say it bothers me when we have that kind of overlap.

Mr. KOSKINEN. Yes. Our premise and assumption has been that we should not have that overlap. There are three or four cases where we—on what we call an evaluation mode—have allowed the agencies to combine the CIO and the CFO. That's primarily where the CFO both has significant IT background and experience and where a significant part of the information technology problems in the agency come within the CFO's jurisdiction, so that bifurcation did not necessarily look like the most logical way to proceed.

But in those cases we have told the agencies, we, with GAO, will be evaluating, at the end of their first year, the effectiveness of that operation. And virtually all of the other agencies where we're working, we have a CIO who is free standing. That, by itself, will not self execute. There are other issues that need to be addressed that we are working with the agencies on.

And to make sure that the CIO is a catalyst for reform, a leader of effective implementation. But much like GPRA, effective implementation of information technology requires that the senior program managers and the senior managers of the agency participate in the basic decisions, that it not be left to what I call the tekies or the people who are knowledgeable about systems. They need to be involved, but the basic questions and the basic failings often

times are not technological issues, they are actually program management issues.

Mr. HORN. No. I agree with that. Mr. Hinchman, Mr. Mihm, do you have any reaction to that?

Mr. HINCHMAN. No. I think that Mr. Koskinen is exactly right about that. And I think the most important point he makes, and one that we ought to all take some comfort in is that the Clinger-Cohen Act, in fact, reflects the lessons that we have learned both from experience within the government and in our study of the experiences of others who have run successful information technology programs. That act embodies what we know.

Mr. HORN. You've done a fine job on that best practices series you have, and I think all of us have profited from it. Mr. Sessions. Gentleman, Mr. Sessions.

Mr. SESSIONS. Thank you, Mr. Chairman. Mr. Koskinen, I appreciate you taking our questions and comments as the way they're intended, and I hope that they can continue to be positive, but I must confess you'll probably be able to go home today to your Director and say that you turned in an honest day's work for an honest day's pay, and that he would not want to switch places with you.

I'd like to, if I could, to say a couple things. The chairman was going into to some of the questions that I have about the IRS. Obviously, many people have known. It's been widely publicized. Some $4 billion that was spent by the IRS to begin the development of a new computer program. I heard you say, probably many of the problems are with program management within getting these data systems up and working.

My background includes that of being at Bell labs for several years where I was deeply involved in the intricate management of programming and those systems. Start with me, if you can, on some sort of a dialog on where the IRS is in this general process. Were they in the pilot program? Were they considered for that? What sort of help is OMB giving them to get them to direct themselves? Do they have any inward recollection that the perception is that they are not as effective and efficient?

I'm not going to ask you to reach the final conclusion that really begs itself with, do we have a system that we can put on a sheet of paper to draw a flow chart to with our tax code? But let's keep this within the confines: Where's the IRS? How realistic are they? What is your working relationship with them? And where can we expect any near term advantages or something that would be considered positive out of this agency?

Mr. KOSKINEN. I'm happy to respond. And I think that your point is well taken that this is an important dialog. With regard to the pay issue, I think if we hold three hearings for the price of one here, then I'm going to ask for a bonus as it goes.

But let's deal with the IRS. It's an important question. First, I think the leadership at the IRS as well as the Treasury Department, as I said earlier, recognizes that there are serious issues to be addressed within the IRS. I think there is no sense of denial. Whatever may have happened in the past, there is a real attempt to come to grips with these issues. They are working very carefully with GAO—people on their systems.

But more significantly, under the leadership of people in the Treasury, as well as in the IRS, triggered and headed by the Chief Information Officer, they are looking at their strategic plan. They are basically saying, what are our goals over the next 3 to 4 years, what system developments match those goals, and which system developments are a lower priority and, therefore, should not have our attention.

Because one of the things they have discovered is that they have a number of systems that will achieve various goals, but it's clear there's no capacity there—and because of the huge undertaking—to do them all at once. And what they need is exactly what you're saying: Say, where are we going; what are our major problems; what are the major expectations that people have that we need the most improvements. Let's focus on those. Let's make sure that we have a coherent plan for getting from here to there. And in particular, let us take a hard look at one of the fundamental pesky questions, and that is, of the work that needs to be done, how much of it has to be done here, how much of it can be done somewhere else, how much of it is out there already in systems or in processes that we could take advantage of.

And I think that's a big breakthrough for the Internal Revenue Service that, historically, has prided itself, appropriately, on doing all of the work internally, developing all of its systems internally. But as life gets more complicated and as the alternatives get to be more complex, that process hasn't stood them in good stead recently. And I think they recognize that.

So I'm confident that they are addressing the problem, that they understand the magnitude of it and that they are coming up with constructive solutions. I mentioned that management—modernization management board that the Secretary of the Treasury has set up. We have agreed—from OMB—to support that process. Steve Kelman, the Administrator of the Office of Federal Procurement Policy at OMB, and I serve as adjunct members of that committee.

We are not in a position where we could exercise direct authority. We attend the meetings, though, and have participated with them, and have a better dialog now than we've ever had with the IRS and the Treasury about the problematic implications of what they're doing and the budgetary implications of what they're doing. As we've said, we're prepared to give them one stop shopping. That is, they bring these issues up in the modernization management board. If we have OMB perspectives, we will bring them to bear there and we'll engage in that dialog so they don't have to go through the process twice.

But the bottom line, much like defense, is—and, as you know far better than most, with your background—these are very complicated, difficult problems. Were talking about literally hundreds of millions of transactions and relationships, and it's a phenomenal amount of data. And they have major obstacles to overcome. So I would be the last one to tell you that in the next year it will all be done.

But I am very confident that in the next year, you will be able to see measurable progress, that we will develop plans there, where we will have benchmarks that basically have broken it down into modules and components that can be monitored, and, also, that

lead more directly and clearly to the achievement of mission goals and strategic efforts.

Mr. SESSIONS. So what you're saying is you believe that their work will result in a document—a blue print—that will be a guiding principle for them, measurable, realistic, and it's something that represents the true nature of the business?

Mr. KOSKINEN. Yes. Over time I think that's exactly right.

Mr. SESSIONS. Good. Mr. Chairman, thank you for the questions. Best of luck. I hope that spirit in which you know that we're involved in this process is one that will translate throughout the government. And I say this over and over again because I think that every piece of government, all the agencies, need to recognize that mission statement orientation will get them back to the point of what their core business is. And if the taxpayer needs it supported, then that will be done. Mr. Chairman, thank you for the question.

Mr. HORN. Well, we thank you for your good questions. Also, there's only a few more to go and you can all get a decent meal. [Laughter.]

You'll have put in your day's work before noon, you can tell the Director.

I want to start with Mr. Hinchman on this. Beginning in fiscal year 1999, the performance plans required by the Results Act may include proposals to OMB to waive certain administrative requirements, including staffing levels, limitations on compensation or remuneration, and prohibitions or restrictions on funding transfers among budget classifications in return for specific individual or organization accountability to achieve a performance goal.

The expected improvements in performance that would result are to be quantified as part of the request for the waiver. Now, the pilot projects for this stage, called pilot projects for managerial accountability and flexibility, were never implemented because the OMB did not improve any pilots. Did the GAO review these pilots? Why, in your opinion, did OMB not improve any pilots? And what impact does that have, in your opinion, on the potential success of the Results Act? Mr. Hinchman, it's all yours. We'll get to your colleague in a minute.

Mr. KOSKINEN. In 30 words or less.

Mr. HINCHMAN. Yes.

Mr. HORN. That's right.

Mr. HINCHMAN. I think that we do not yet know what the impact of the waiver provisions in the Results Act are going to be. I think we didn't find any what OMB felt were some appropriate opportunities to apply the waiver authority. There were some situations, I think, where agencies originally sought waivers and then later concluded that, in fact, authority to do what they wanted to do existed anyway, or legislation changed the underlying constraints against which they were working, and that, as a result, we just haven't had a good test of the waiver authority.

I don't think that we're in a position to say that OMB has been unwilling to use that authority is circumstances where it seems to us to be obviously appropriate. I don't think that our work suggested OMB is opposed to the waiver authority. As I said, I think it's just that we haven't yet had an environment in which we can

get a good test of it. And we're going to have to wait and see what happens.

Mr. KOSKINEN. Yes. Let me just make clear, we are strong supporters of the concept of administrative and other flexibilities, regulatory flexibilities for people if they can tie it to our performance measures. To some extent, part of the problem in the act is the success of this committee and the Congress in generally relieving agencies of a lot of administrative requirements, a number of them in the procurement area.

The major procurement reforms that this Congress and this committee have supported eliminated a lot of potential requests for waivers. The Office of Personnel Management threw out a lot of old time regulations and requirements on personnel that, again, would have been very good subjects for—in contemplation for waivers.

So when we reached out to the agencies for proposals, we discovered that part of the reason, beyond that, that we didn't get very good candidates was, first of all, they wanted waivers from statutory requirements, which the statute does not allow. It really talks about administrative waivers. So a lot of their waivers were from statutory requirements. Or they wanted waivers from limitations on agencies outside the executive branch that we did not have the ability and the authority under the act to grant beyond that.

Also, when we then dwindle down to the precious few, we did not have what we thought were very—we didn't have a large number, and the small number that we did have didn't have a very clear nexus between the relative limited waiver they wanted and any improvement in performance. And so, our judgment was that at this point in time, we would not gain anything by pursuing the relatively small number of applicants for very minor waivers.

Mr. HORN. Who reviewed the pilots on managerial accountability and flexibility, and how much time did they spend with the agencies before deciding the pilot proposals were unacceptable?

Mr. KOSKINEN. Those come through OMB. Ultimately, they—the whole process reports to me. The development of the proposals and the request for them were generated by inter-agency groups. So we had a range of people that we taxed for this. The actual development of this particular number was handled under, at that time, my supervision by one of our senior career people, who has, in fact, been the guru of GPRA. And he spent a significant amount of time trying to generate acceptable proposals, working with other agencies and OMB to make sure that we hadn't overlooked any possibilities that would——

Mr. HORN. So these proposals were circulated around the program areas of OMB?

Mr. KOSKINEN. OMB.

Mr. HORN. And coordinated.

Mr. KOSKINEN. We went to the agencies in the program areas, saying what are their—here's a whole set of possibilities, which of these are you willing to waive, in terms of the agencies, and in terms of program managers, to try to, again, see what was there out there that agencies might find attractive.

And we sent to the agencies, then, that list, saying here are a whole set—it wasn't very large by the time we got done—but here are a range of waivers that you could apply for and participate in

the pilot program for. And as I say, by the time we got done with it, we got a number of responses back, but a number of them, most of them were really out of bounds for the purposes of the statute.

Mr. HORN. Was this a written reaction or did you sit around a table and go over it with them line by line and say, maybe we can make a deal on this?

Mr. KOSKINEN. Yes. Most of it was by document. So we don't have—we don't have enough people to go to all of the agencies and have those conversations. But when we had applications, then we would talk with the agency about that. But——

Mr. HORN. So they submitted it. OMB pursued it, asked their program pro what they thought, maybe some other agencies, maybe OPM, whatever?

Mr. KOSKINEN. Right. And then our final judgment——

Mr. HORN. Then you gave it back in paper, but nobody really sat down and had a dialog on those?

Mr. KOSKINEN. About the ones we made? Yes. When we got down with it all and looked at the final applications we had from the agencies, our judgment was that it was not worth pursuing those at this time.

Mr. HORN. Now, did the agencies make any reaction to that judgment in terms of suggesting improvements or suggesting changes on their part or was that just the killer?

Mr. KOSKINEN. I'm not aware of any further conversations with the agencies.

Mr. HORN. OK. Are you going to encourage any experimentation with managerial flexibility and accountability before fiscal year 1999? Or is this it?

Mr. KOSKINEN. As you know, one of our major initiatives, only partially growing out of this experience, but out of a number of other experiences, is to propose a significant number of performance-based organizations, as we call them, in which we have pulled together statutory waivers in procurement and personnel areas. And we, in effect, think that those will serve very clearly as pilot programs, as it were, for what improved performance can you get if you eliminate some of the statutory limitations in procurement and personnel.

And in fact, the proposals that we're developing and the template require that any of the performance-based organizations, to obtain those flexibilities, have to enter into a very clear performance agreement between the head of the organization and this cabinet secretary, measured on an annual basis. And the new chief operating officer for the performance-based organization is there under a term contract and can be dismissed if performance is not adequate.

So that, as I say, we did not design with the Vice President and the National Performance Review the concept of performance-based organizations in response to our differences here, but we think that we will get more fulsome experimental results out of these performance-based organizations than looking at an individual, independent waiver and saying, what performance improvement do we get from that.

Mr. HORN. Let me ask you now. In terms of encouraging agencies to propose pilots in this managerial accountability, flexibility area,

what do you plan to include in your report required under Section 9704C of the act? It's apparently due in May of this year.

Mr. KOSKINEN. In May of this year we will give you the background and experience. GAO has a draft report out, as well, on their own, and we will share that with you in May as required.

Mr. HORN. Yes. We'd like to ask formally that OMB provide the staff on both sides of the aisle here and committee with copies of all the proposals submitted to OMB for managerial flexibility and accountability in the pilot phase including any notes or reasons the proposals were not accepted. We just need to get a feel for this particular aspect of the process.

So if you and majority and minority staff could work out what we need in that area, we'd appreciate the chance to review that on both sides. Because I think there's an interest in getting focus on managerial flexibility.

Mr. KOSKINEN. I would commend to you, again—not to over sell the point——

Mr. HORN. OK.

Mr. KOSKINEN. Your review and support of the performance-based organization concept, which, as I say, is really focused on managerial flexibility in a much broader way than we've been able to deal with under the statute, or will be able to deal with under the statute.

Mr. HORN. Let me ask you one last question and then Mrs. Maloney can have the final word on the subject. In terms of consultation, which we've talked about, with the authorizing committees and the agencies, do you have any feelings in terms of OMB consultation with this committee or others?

Will that process be orchestrated to assure that the agencies do talk to their congressional counterparts and not just make it a staff thing, but sit down with Members in, say, agriculture, if you're in agriculture—this kind of thing—or you sit down with Government Reform and Oversight and Governmental Affairs officials.

Mr. KOSKINEN. We are doing our own strategic planning exercise, which has been instructive, I think, for all the staff at OMB. In fact, later this month, as I noted in my prepared testimony, we're having an agency-wide stand down day to, in fact, develop the next iteration of our plan. And we will be here consulting with you as the other agencies are.

We are encouraging the agencies. We obviously can lead them to water. We cannot necessarily make them drink. But I think, we need also response from the hill. I think it's very important, as you noted—this committee did in a conversation with the majority leader—that the other committees, themselves, be forthcoming in expressing their interest and concern in this area, that the, in some cases, as we start to evolve, it will be just as important for the congressional committees to be interested and responsive as it is for the agencies to be willing to consult.

We can manage our end of the process by continuing to require that. We need some support from the hill across the spectrum of committee activities and authorizers and appropriators, for them to both become knowledgeable about the act and then participate in that dialog.

Mr. HORN. Very good. Mr. Hinchman, do you have any comment on these last few minutes of discussion?

Mr. HINCHMAN. No, sir.

Mr. HORN. The distinguished gentlewoman from New York.

Mrs. MALONEY. Following up on your last comment on your own strategic plan, you're required to consult with this committee on that plan, and when may we expect to receive your consultation and how do you propose to conduct it?

Mr. KOSKINEN. We will be up here before summer, well in advance of our attempt to then finalize our plan. As I say, at this point, we have an outline. We've had a strategic planning process that started last summer. The budget process puts us in the limbo from the first of October until about now, which is why we're renewing it. I would expect that we would be here—our plans are to have consultation with you and other stake holders certainly before the end of May. And we would hope to do it as early as April.

Mrs. MALONEY. OK. The Department of Defense is the largest Federal agency and has components which are themselves larger than some agencies. To date, DOD has not provided guidance to the various services on how to link goals and performance measures, and GAO has found that many subordinate units are unsure of how to implement the results law and are waiting for guidance. And I'd just like you to comment on it. Do you know when DOD plans to issue this guidance and if it doesn't, how DOD plans to assure that the services and other units support the overall DOD plans and goals?

Mr. KOSKINEN. I don't know the answer to that now. As I noted, we are about to begin yet another assessment, agency by agency, of where they are in their strategic planning process. We had a detailed set of conversations with the Defense Department last summer, and we will pursue that further this spring. And one of the questions we will be pursuing is what is their internal process, who is involved in it, and when will they begin to have products.

Mrs. MALONEY. Thank you very much.

Mr. KOSKINEN. Thank you.

Mr. HORN. Well, if there are no further questions, then we thank all three of you for coming up and sharing your thoughts with us on this very important subject. A lot of these seem to be very simple laws, in a way, long overdue, but, without question, they will make a difference in the executive establishment and hopefully in the congressional establishment.

Because it's going to take two working together to solve a lot of these problems. And that's why the consultation is so important between executive branch legislative committees. And that's why Mr. Armey's role, in particular, in having the war room to make sure a few things get done around here in the limited amount of time that we have as elected Members.

And we thank you for your thoughts on that. We welcome any ideas you have. But we're not talking about amending laws, we're talking about implementing the law.

Mr. KOSKINEN. Right.

Mr. HORN. So without any further questions, this hearing is adjourned.

[Whereupon, at 12:20 p.m., the committee was adjourned.]

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