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LINKING PROGRAM FUNDING TO PERFORMANCE RESULTS

JOINT HEARING

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT EFFICIENCY, FINANCIAL MANAGEMENT AND INTERGOVERNMENTAL RELATIONS

OF THE

COMMITTEE ON GOVERNMENT REFORM

AND THE

SUBCOMMITTEE ON LEGISLATIVE AND BUDGET PROCESS

OF THE

COMMITTEE ON RULES

HOUSE OF REPRESENTATIVES

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LINKING PROGRAM FUNDING TO PERFORMANCE RESULTS

THURSDAY, SEPTEMBER 19, 2002

HOUSE OF REPRESENTATIVES, SUBCOMMITTEE ON GOVERNMENT EFFICIENCY, FINANCIAL MANAGEMENT AND INTERGOVERNMENTAL RELATIONS, COMMITTEE ON GOVERNMENT REFORM, JOINT WITH THE SUBCOMMITTEE ON LEGISLATIVE AND BUDGET PROCESS, COMMITTEE ON RULES,

Washington, DC.

The subcommittees met, pursuant to notice, at 2 p.m., in room 2154, Rayburn House Office Building, Hon. Stephen Horn (chairman of the Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations) presiding.

Present for the Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations: Representatives Horn, Schakowsky and Maloney.

Present for the Subcommittee on Legislative and Budget Process: Representative Pryce.

Staff present for the Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations: Bonnie Heald, staff director; Henry Wray, senior counsel; Dan Daly, counsel; Chris Barkley, clerk; David McMillen, minority professional staff member; and Jean Gosa, minority clerk.

Staff present for the Subcommittee on Legislative and Budget Process: Chin-Chin Ip, staff director.

Mr. HORN. A quorum being present, the subcommittees will come to order. Today the Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations is holding a joint hearing with the Subcommittee on Legislative and Budget Process of the House Rules Committee. I welcome my fine colleague, Ms. Pryce, who chairs that subcommittee, and the distinguished members of both subcommittees.

Today's hearing is on the important subject of linking program funding to performance results. Washington policymakers, both in the executive branch and Congress, devote an enormous amount of time each year deciding how to spend the taxpayers' money. However, too little time is devoted to determining what that spending accomplishes.

We tend to measure success by how many job training programs we enact, how much money we appropriate for them, and how many training grants we award. We rarely look at what those programs actually achieve, such as how many trainees actually obtain and retain jobs.

In recent years, the focus has begun to shift from process to results. The Government Performance and Results Act of 1993, appropriately called the "Results Act," provided the impetus for this change. However, the transition toward results-oriented, performance-based decisionmaking involves many challenges, and the pace has been slow.

Federal agencies are using their Results Act plans and reports to try to define and measure the results of their performance. Many agencies have made significant progress. However, an important link has been missing. Policymakers have failed to establish a connection between performance results and their funding decisions. Until that link is fully in place, the Results Act will remain largely a paperwork exercise, and the effectiveness of funding decisions will remain largely untested.

Fortunately, the current administration is intent on establishing this link. President Bush designated budget and performance integration as one of the five governmentwide initiatives in the President's management Agenda.

In furtherance of this initiative, the Office of Management and Budget has developed a Program Assessment Rating Tool known as PART—PART being Program Assessment and Rating Tool. We will hear much about this assessment tool today, and we are delighted to hear it. During the fiscal year 2004 budget cycle, the PART process will be used to evaluate the performance of Federal programs that account for more than 20 percent of all Federal spending. In future budget cycles, these evaluations will be extended to all other Federal programs.

The PART process and the broader Presidential initiative to integrate budgets and performance represent an important effort to launch the Federal Government on the road toward results-oriented, performance-based decisionmaking.

All of our outstanding witnesses today are important leaders in this quest. I welcome you and look forward to your testimony.

I am also pleased that another outstanding leader in this effort, Senator Fred Thompson, has submitted a written statement for the hearing; and, without objection, his statement, which is very excellent, will be put in the hearing at this particular point. Senator Thompson wanted to join us today, but he is unable to attend due the press of Senate business, and we would sure like them to get that business and get it back to the House. Without objection, his statement will be included in the record.

[The prepared statement of Senator Thompson follows:]

LINKING PROGRAM FUNDING TO PERFORMANCE RESULTS

Statement For The Record
Senator Fred Thompson, R-TN

before the
Subcommittee on Government Efficiency,
Financial Management and Intergovernmental Relations,
House Committee on Government Reform

and the
Subcommittee on Legislative and Budget Process
House Committee on Rules

September 19, 2002

Chairman Horn, Chairman Pryce, and Members of the Subcommittees:

I regret not being able to join you this afternoon to discuss this very important – yet often overlooked – issue of measuring government performance. After looking at the impressive list of witnesses that you have lined up, however, I trust that the discussion is in good hands. Thank you for giving me the opportunity to submit some of my thoughts for the hearing record.

Chairman Horn, you and I have worked hard over the past few years to increase awareness of the importance of strong government management and initiatives to promote efficiency and effectiveness in government, and I like to think that some of our work has paid off. Just this past Tuesday, for example, eight agencies were recognized for submitting clear, comprehensive and timely fiscal year 2001 accountability reports. While an outsider might be appalled that agencies are being rewarded for what they should have been doing all along, such a feat was beyond the realm of possibility less than a decade ago. In addition, agencies are slowly but surely improving their ability to establish annual performance goals and develop strategies to achieve those goals.

In addition, I have been impressed with this Administration's unprecedented focus on improving the federal government's efficiency and accountability. The "President's Management Agenda" is an integral component of the President's fiscal year 2003 budget, focusing on human capital, competitive sourcing, financial management, e-government, and budget and performance integration. It gives me reassurance that our efforts will be continued on after we depart these chambers, Mr. Chairman.

Today's hearing focuses on the fifth element of the President's Management Agenda: budget and performance integration. While I applaud the Administration's focus on this initiative, it is not a

new concept. Policymakers have been attempting to link budget decisions to program performance for over 50 years. The Results Act, enacted almost 10 years ago, represents the most recent attempt. However, this is the first time, to my knowledge, that the concept has been embraced at such a high level of government, and I look forward to seeing what kind of impact this new focus will yield.

The Results Act, of course, requires federal agencies to develop five-year strategic plans that explain what outcomes they are trying to accomplish and set long-term goals for achieving them. The Act then requires agencies to issue annual performance plans that break down their long-range goals into specific performance goals and strategies and resources to achieve those goals for each fiscal year. Finally agencies are required to submit annual performance reports that tell Congress and the American public the specific progress they made toward achieving their goals for the applicable fiscal year.

As the name indicates, the Results Act is intended to shift the focus of accountability from process to results. It gets away from focusing on how many regulations agencies issue, how many grants they award, or how many investigations they conduct. What matters is what these activities actually accomplish in real results that are important to the American people such as fewer transportation accidents, less crime, better education and health care, and a safer homeland.

All of this sounds like basic common sense, and it is. Setting results-oriented performance goals and then using them to track progress, make resource decisions, and to manage day-to-day operations should come as second nature. Many state and local governments operate in this manner as does much of the private sector. However, these concepts represent a fundamental "cultural change" for Washington. Moving the federal government in this direction has been a real struggle.

The federal government has now prepared five years of performance plans under the Results Act, covering Fiscal Years 1999 through 2003 and completed three years of performance reports, covering Fiscal Years 1999, 2000, and 2001. Agencies are in the second cycle of updating their strategic plans which the Results Act requires agencies do at least every three years. All of this experience has shown that the federal government is moving toward being more results-oriented and performance-based. However, the progress has been uneven among the agencies and even within some agencies. The federal government still has a long way to go. There are three areas that I see as challenges that must be overcome to change the focus of government from the things it does to the results it achieves, and then ultimately to be able to integrate performance results into the budget process:

1. assessing results;
2. addressing crosscutting programs; and
3. producing credible performance data.

Assessing results

As Chairman of the Governmental Affairs Committee, I asked GAO to determine from the Fiscal Year 1999 and 2000 performance reports how well agencies were achieving selected key outcomes. In all, GAO looked at over 90 key outcomes across the federal government's 24 largest departments and agencies for each of the fiscal years. Unfortunately, GAO was unable to determine what progress was made in achieving many of the key outcomes based on the reports submitted by the agencies.

In addition, over the last three years, George Mason University's Mercatus Center analyzed the fiscal years 1999 through 2001 performance reports produced by the 24 departments and agencies. Although the Center's analyses focused on the quality of the reports themselves rather than the quality of results within the reports, Mercatus provides a helpful picture of the state of performance reporting. Unfortunately, Mercatus found that agencies still have a long ways to go in reporting on their performance. In fact, almost all of the fiscal year 2001 performance reports scored lower than their prior year reports, with two departments deciding not to issue performance reports for the fiscal year.

Finally, as you may know Chairman Horn, we sent a letter to the Secretary of Education expressing our concern and disappointment about the Department's failure to issue a performance report for fiscal year 2001. As a result of this non-reporting by the Department, congressional decision-makers and the American public are deprived of important information on the Department's performance and indicators of where the Department needs to make improvements and the strategies to address those improvements. I look forward to working with the Secretary to ensure that this does not happen again in the future.

Addressing crosscutting programs

Many federal efforts to achieve outcomes are typically dependent upon one or more programs or agencies. Efforts to reduce drug trafficking, for example, involve a variety of federal agencies, not to mention the coordination with state and local entities, and the federal government's responsibility to protect our Nation's food supply involves multiple agencies as well, just to name a couple. The overlapping responsibilities can often lead to overlap and duplication among federal programs if these crosscutting programs are not well coordinated. Redundant federal programs are wasteful and inefficient.

The Governmental Affairs Committee's 2001 report called "Government at the Brink" describes the extent of overlap and duplication that exists at the federal level. These multiple programs hardly ever use consistent goals and measures that allow for comparisons among them. Nor do agencies' performance plans typically include goals and measures that cut across more than one agency. Nobody could seriously argue that all these programs are equally effective and necessary. Also, agencies' performance reports don't tell decision-makers or the public what's working and what's not working within the mass of overlapping programs that exist in virtually

every area of federal activity. As a result, we lack the performance information to make rational choices among the programs and allocate resources where they do the most good.

I think that one of the most important next steps in the evolution of results-oriented government at the federal level is to focus on the planned and actual progress toward achieving the outcomes associated with national issues through crosscutting programs. This is why Senator Lieberman and I asked GAO to assess the actual progress made in Fiscal Year 2001 and progress planned in Fiscal Year 2003 in a variety of crosscutting programs including financial institution regulation, public health systems, family poverty, and drug control. GAO is expected to complete its work on these crosscutting programs over the next several weeks.

Producing credible performance information

While I think it is important to use performance information in budget decisions, I'm concerned about the usefulness of this information. One fundamental barrier to the usefulness of the performance reports is the lack of reliable and timely performance data. This is the data that shows whether they are meeting their stated goals. Several GAO reports have questioned the credibility of the data agencies use to assess their performance. As part of the Reports Consolidation Act of 2000, Congress required the heads of agencies to attest to the completeness and reliability of the agency's performance data. It was intended that this law would get agencies to pay attention to their data problems and explain what they are doing to solve them.

Unfortunately, it appears that few agencies took this mandate seriously. I asked GAO to review the Fiscal Year 2000 performance reports of the 24 largest departments and agencies to see how well agencies complied with this law. GAO found that only 5 of the 24 agencies included statements attesting to the completeness and reliability of their data. If agencies cannot attest to the reliability and credibility of their own performance data, how can we possibly measure their results with confidence?

The Mercatus Center's assessment of the 24 departments and agencies' Fiscal Year 2001 performance reports included comments on the limited quality of the performance data of at least 13 departments and agencies. For example, the Department of Health and Human Services did not have performance data for 68 percent of its performance goals. The Center stated that Environmental Protection Agency "recognized that the timeliness and quality of its data remain disappointing."

What the future holds

We still have a long way to go in implementing the Results Act and in making the federal government more results-oriented and performance-based. We are at the point after all these years of implementing the Results Act where we need to start using performance information to make decisions or we might as well give up on the Act. However, I am encouraged by the President's unprecedented interest in, and the Office of Management and Budget's new focus on,

integrating performance review with budget decisions. The long-range goal of this effort is using information about program results in making decisions about which programs should continue and which to terminate or reform. Over the last few months, OMB has been hard at work developing a Program Assessment Rating Tool. As I understand this Tool, it helps analysts examine different parts of program performance to identify the strengths and weaknesses of a given program. The Tool consists of a set of questions and focuses on four critical program areas: (1) Purpose , (2) Strategic Planning, (3) Program Management, and (4) Program Results. I think this Tool will be an incentive for agencies to have sound goals and measures, reasonable strategies to achieve those goals, and credible performance information. This Tool could be the last, best effort to bring a results-oriented focus to the federal government.

The test for the President's initiative will come in a few months when his Fiscal Year 2004 budget request is submitted to Congress. I'm hoping that members of Congress, especially the members who serve on the Appropriations Committees, will be able to see that program results drove some of the budget decisions by the Administration.

Thank you again for the opportunity to submit testimony for the record. I look forward to working with you to highlight the importance of good government management during my remaining time here in Congress, and I look forward to monitoring the progress made in these areas in future years. And of course, Chairman Horn, thank you for your leadership on these issues.

Mr. HORN. I now yield to my cochair of today's—she's coming soon—and that will be Mrs. Pryce.

So we will then start with the Comptroller General of the United States. Mr. Walker has done an outstanding job in his role as the Comptroller General in his 15-year term, and we are delighted to have him here. He has been in many of our hearings, and we thank not only him but his very fine staff throughout the Nation. In our recent program of terrorism, about 15, 20 hearings, there has always been help from the GAO, so thank you.

Ms. Pryce, come right here. We were just about to interview the Comptroller General, but you have an opening statement, so please join us.

Ms. PRYCE. Well, Mr. Chairman, I appreciate your waiting or your proceeding, and I'll just put this in the record—I don't need to read it. Thank you—in the interest of time.

Mr. HORN. OK. You mean, there aren't pearls we should be looking at right now.

Ms. PRYCE. Go right ahead.

Mr. HORN. OK.

[The prepared statement of Hon. Deborah Pryce follows:]

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OPENING STATEMENT

CHAIRMAN DEBORAH PRYCE,
RULES SUBCOMMITTEE ON LEGISLATIVE AND BUDGET PROCESS

"LINKING PROGRAM FUNDING TO PERFORMANCE RESULTS"
SEPTEMBER 19, 2001

Thank you Chairman Horn for calling the joint hearing of our two subcommittees to order. I am very pleased to be part of this collaborative endeavor, and I look forward to today's discussion about this important government-wide management initiative, often referred to as "performance budgeting". Performance budgeting, or the process of using program effectiveness information for making funding decisions, has long been in the making but has yet to be fully realized.

Most of us here today are remarkably aware of the dilemma that is posed by the need to use limited resources to pay for seemingly limitless demands, with no real relief in sight. We therefore recognize both the need to "stretch the taxpayer dollar" and the need to ensure that government programs reach as many of their intended beneficiaries as possible. Not to mention that increased effectiveness and efficiency is the business of good government.

As Chairman of the Subcommittee on Legislative and Budget Process, I am encouraged by recent efforts to establish a more meaningful link between the 1993 Government and Performance Results Act (GPRA) and the budget process. Some may recall that the purpose behind the Congressional Budget Act, which the Rules Committee considered and reported in 1974, was to increase Congressional coordination and control of budgetary and fiscal decision-making. It makes sense, then, that the 1993 GPRA law – in its promise to improve federal program effectiveness, congressional decision-making, and the internal management of the federal government – should build upon the goals of the Budget Act.

As Chairman Horn has noted, this hearing will provide an opportunity to spotlight the efforts of the executive branch to better link funding decisions to actual program performance. This includes OMB's development of the "Program Assessment Rating Tool", or the PART, which we look forward to hearing more about today. Furthermore, if performance budgeting is going to succeed, then we should also expect to see improvements in areas such as the evaluation capacity of agencies and the quality of the program information collected and used by agencies.

Although many of these performance budgeting efforts seem to focus on executive branch activities, I will conclude by saying that as government performance rating tools and measures become more and more reliable, Congress will be finally responsible for using and integrating this information into our budgetary and fiscal decision-making.

I am grateful for the participation of all of our witnesses today, and I would now like to recognize our first panel. Both of these men should be credited for their tireless efforts in moving the federal government towards greater accountability and effectiveness – not always an easy task – and, of course, for their exceptional work in making performance budgeting a reality. It is my honor to introduce the Director of the Office of Management and Budget, Mitch Daniels, and the Comptroller General, David Walker. Welcome gentlemen, and thank you for being here.

Mr. HORN. Mr. Walker knows the routine of this committee, so——

[Witness sworn.]

Mr. HORN. It is a great pleasure to have you here.

STATEMENT OF DAVID M. WALKER, COMPTROLLER GENERAL OF THE UNITED STATES

Mr. WALKER. Thank you, Chairman Horn, Chairwoman Pryce, other members of the subcommittee. It is a pleasure to be here today to discuss efforts to link resources with results, what some people have referred to as performance budgeting.

The current administration has made linking resources to results one of its top five priorities and a key item on the President's management agenda. In this regard, the Office of Management and Budget's latest initiative, the Program Assessment Rating Tool, also referred to as PART, has been designed to use performance information more explicitly in the Federal budget formulation process by summarizing performance and evaluation information.

In my testimony today, I outline a lot of information. At this time, Mr. Chairman, with the concurrence of you and the other subcommittee members, I would like to have my full statement included into the record so I can just summarize key elements. Is that all right, Mr. Chairman? Thank you. Then I will move on to summarizing key elements.

Three key points at the out set. First, our Nation faces a very serious long-range fiscal challenge, which should serve to frame our discussion. The first board that I have illustrates that, and it is also in my testimony.

If you look at how the composition of the Federal budget has changed in the last 40 years, it's been very dramatic. In 1962, when John F. Kennedy was President, 68 percent of the budget was discretionary. Congress could decide each and every year how to spend those funds. In 2002, it's down to 37 percent; and trends show that it's going to continue to decline, which means that you, Members of Congress, will have less and less discretion unless something is done in deciding how to meet current and emerging national needs.

Given our longer-range fiscal imbalance, which I'm going to show now, there is also a need to broaden the measures and focus of the Federal budget process to accommodate these goals. What this board represents is GAO's 50-year-long range simulation of what the future of the Federal budget looks like if you assume current law for tax policy as a percentage of the economy and if you assume that discretionary spending grows by the rate of the economy, which some would argue is a conservative assumption, and that the Social Security and Medicare trustees are correct in what they expect for the spending on those programs to be based on their best estimate assumptions. If you assume they're correct, if you assume the discretionary spending grows by the rate of the economy, this is our future.

The bottom line is this. Due to known demographic trends and rising health care costs, starting in a little over 10 years, we will start experiencing a period of rapidly escalating deficits as far as the eye can see.

Now, what does this mean? This means at least a couple of things. We need to somehow figure out how we can have different metrics and mechanisms to consider the longer-term implications of current legislative of proposals because we might be able to afford some things today that we won't be able to sustain tomorrow. Second, it means we need to start looking at the base—the base of Federal spending, the base of tax policy, the base of everything that causes this gap to arise in the future years because the numbers don't add up.

The status quo is unsustainable. Something is going to have to give. And it's more than just looking at entitlement programs. It's also looking at discretionary spending programs—which ones are working, which ones aren't working, which ones are generating a higher return, which ones may have made sense in the past but may not make sense today or for the future.

So in order to address these emerging challenges it's necessary to address not only the entitlement programs but also the base of the budget. And it's important not just to look at spending, traditional spending, which the PART is intended to do. It's also important to look at tax preferences which all too frequently are off the radar screen, and I will show you an example of that if we can.

If you look at the health care area as an example, you can see that 72 percent of the, "expenditures" that relate to health care at the Federal level are mandatory outlays. There is a discretionary component. But tax expenditures represent 20 percent of the Federal commitment to the health area. Health care represents the No. 1 tax preference in the Internal Revenue Code, and yet it's largely off the radar screen. Are those tax preferences achieving what they're intended to or not? I think that has to be part of the equation.

We are mindful that this kind of review will also in the end require a proper national debate, because the American people do not understand the nature, extent and significance of this gap and, from a practical standpoint, elected officials will have to make sure that they are educated so that you don't get too far ahead of the public.

But back now to performance budgeting. Credible outcome-based performance information is absolutely critical to foster the type of intelligent debate in understanding what's working, what's not working and how do we go about re-examining the base. Performance information can help us in this regard, but it will not provide mechanistic answers for budget decisions nor can performance data eliminate the need for considered judgment and political choice. If budget decisions are to be based in part on performance data, the integrity, credibility and quality of this data and the related analyses become even more important.

Moreover, in seeking to link resources to results, it is necessary to improve government's capacity to account for and measure the total cost of Federal programs and activities. It's not just what results are achieved but at what cost; what is the return on investment, what is the cost/benefit relationship and what are the alternatives if the Federal Government is not part of the equation?

The Government Performance and Results Act, also known as GPRA or the Results Act, expanded the supply of performance in-

formation generated by Federal agencies. It provided the foundation. But progress has been relatively slow.

We now need to take it to the next level. We need to make sure that there are outcome-based measures, that they're linked with cost and that we have a rigorous process by which the administration can end up making recommendations to Congress and Congress can make decisions through the appropriations process, and can take actions through the oversight process, authorization process, etc.

OMB's PART proposes to build on GPRA by improving the demand for results-oriented information in the budget. It has the potential to promote a more explicit discussion and debate between OMB, the agencies and the Congress about the performance of selected programs. Improving budgetary debates is always a good idea, but caution is in order at this stage about expectations from this process. The accuracy and quality of the evaluation information necessary to make informed judgments is highly uneven throughout the Federal Government. In the long run, sustaining a credible performance-based focus in budgeting will require significant improvements in evaluation capacities and information quality across Federal agencies as well as with third parties who implement many Federal programs.

Finally, and most critically, the Congress must play an active role with regard to the performance-based budgeting concept. Congress has to buy into this concept. It has to devote sustained attention to this issue. And Congress needs to take this performance information that is coming out of GPRA and use it in making its own decisions with regard to the annual appropriations process. Congress also needs to take this type of information and use it for purposes of oversight. Congress needs to consider this type of information in conjunction with the authorization process.

In my testimony I lay out some suggestions that Congress may want to consider about how it might be able to go about playing an active role, because only through the sustained attention by the Congress as well as the executive branch over a period of years can this concept become a realty. We have seen predecessors like ZBB, zero based budgeting, and other types of concepts come and go; and it's only through sustained commitment by both the executive and the legislative branch that this approach can bear fruit.

The graphics that I showed you serve as demonstrable evidence that we really have no choice. We must begin to look at the base. We must begin to separate the wheat from the chaff.

Thank you.

Mr. HORN. Thank you, General.

[The prepared statement of Mr. Walker follows:]

United States General Accounting Office

GAO

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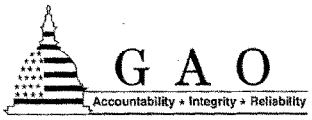
PEFORMANCE BUDGETING

Opportunities and Challenges

Statement of David M. Walker, Comptroller General



GAO-02-1106T

Mr. Chairman, Madam Chair, Members of the Subcommittees:

I am pleased to be here today to discuss efforts to link resources to results—what many have referred to as "performance budgeting." Over the past decade the Congress and several administrations have put in place a structure for increasing the focus on and accountability for government performance. Federal agencies have been working to carry out the Government Performance and Results Act (GRPA), which requires the development of periodic strategic and annual performance plans and reports. This is part of a broader movement towards greater accountability in government and greater responsibility for results—both at the institutional and eventually at the individual level.

GPRA requires linkages of performance plans to budgets, recognizing that one of the ways in which the full acceptance and potential of performance management can be promoted is if this information becomes relevant for the allocation of resources. The current administration has made linking resources to results one of the top five priorities in the President's Management Agenda. In this regard, the Office of Management and Budget's (OMB) latest initiative, the Program Assessment Rating Tool (PART), has been designed to use performance information more explicitly in the federal budget formulation process by summarizing performance and evaluation information. The administration plans to apply this new tool to 20 percent of the programs to be included in the upcoming fiscal year 2004 federal budget.

In my testimony today I make several points:

- First, the long-term fiscal challenge facing our nation should serve to frame our discussion. Absent structural change in a number of major entitlement programs, budgetary flexibility will continue to decline and eventually disappear—while demands for new federal resources to address such emerging challenges as homeland security and other issues become more compelling and pressing.

- Given our longer-range fiscal imbalance, there is also a need to broaden the measures and focus of the federal budget process to accommodate these goals. The nation's fiscal challenges escalate rapidly just beyond the 10-year budget projection period. As a result, new metrics and mechanisms are needed to better highlight the longer-term implications of existing programs and proposed new fiscal commitments.

- Furthermore, in order to address emerging challenges it is necessary to address both retirement and health programs encumbering the nation's fiscal future in addition to reexamining the base of existing programs—both discretionary programs and other entitlements—to free up resources to address new needs in a rapidly changing society. Such an examination should be cross-cutting and comprehensive in nature—all relevant policy tools and federal programs, including tax preferences, should be "on the table" in addressing such policy areas as low-income housing or health care financing and delivery. While such a comprehensive reassessment will take time and may have to be addressed in phases, it is critically important that it occur.

- We are mindful that this kind of review will require a proper national debate about how to make government relevant for the emerging challenges and needs of the 21st Century. Nothing less than an extensive public education effort will be required to fully inform the American people about the long-term outlook under the current policy portfolio as well as the alternative choices that are available.

Credible outcome-based performance information is absolutely critical to foster the kind of debate that is needed. Linking performance information to budgeting carries great potential to improve the budget debate by changing the kinds of questions and information available to decision makers. However, performance information will not provide mechanistic answers for budget decisions; nor can performance data eliminate the need for considered judgment and political choice. If budget decisions are to be based in part on performance data, the integrity, credibility, and quality of these data and related analyses become more important. Moreover, in seeking to link resources to results, it will be necessary to improve the government's capacity to account for and measure the total costs of federal programs and activities.

GPRA expanded the supply of performance information generated by federal agencies. OMB's PART proposes to build on GPRA by improving the demand for results-oriented information in the budget. It has the potential to promote a more explicit discussion and debate between OMB, the agencies, and the Congress about the performance of selected programs. Presumably, the PART will serve as a screen and will identify expectation gaps, questions, and areas where further inquiry and analysis would be most useful.

Improved budgetary debates are always welcome, but caution is in order at this stage about expectations from this process—the accuracy and quality of evaluation information necessary to make the judgments called for in rating programs is highly uneven across the federal government. Moreover, many programs have multiple goals where a single score or performance assessment can mislead decision makers. Even where a sound basis exists to make performance assessments, performance results do not have automatic budgetary consequences. Poor evaluation results may lead to budget cuts or even program eliminations in some cases, but it may also prompt higher levels of investment in people or technologies and redoubled management improvements in other cases if there is general agreement that the activity involved is important to the nation.

In the long run, sustaining a credible performance-based focus in budgeting will require significant improvements in evaluation capacities and information across federal agencies as well as the third parties that implement federal programs. Going forward, the focus of reexaminations should shift to broader national goals and outcomes, with assessments targeted on the range of programs and governmental tools supporting those outcomes.

Finally, and most critically, the Congress must be involved in this debate, and the resulting decisions and follow-up oversight activities. Congressional buy-in is critical to sustain any major management initiative, but even more so for performance budgeting given the Congress' central role in setting national priorities and allocating the resources to achieve them. Going forward, we would encourage the Congress to develop a performance assessment process to target its oversight efforts.

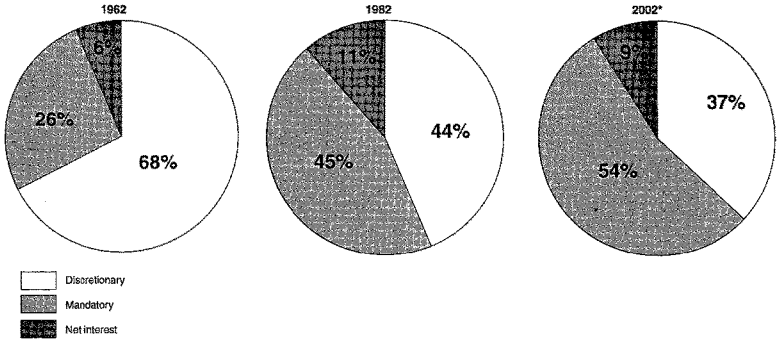
Long-term Demographic Trends Drive the Fiscal Future and Frame Current Debates

Any discussion about the role of the federal government, about the design and performance of federal activities, and about the near-term federal fiscal outlook takes place in the context of two dominating facts: a demographic tidal wave is on the horizon, and it combined with rising health care costs threatens to overwhelm the nation's fiscal future. The aging of baby boomers—and increased life expectancy—is a major driver of spending for Social Security, Medicare, and Medicaid. Absent structural reforms in these programs, budgetary flexibility will continue to shrink and eventually disappear. Our long-range budget simulations make it clear that the status quo is not sustainable. The numbers just do not add up. The fiscal gap is too great for any realistic expectation that the country can grow its way out of the problem. The failure to reexamine the retirement and health care

programs driving the long term will put the nation on an unsustainable fiscal course, absent major changes in tax and/or spending policies. In addition, the failure to reprioritize other claims in the budget will make it increasingly difficult to finance the rest of government, let alone respond to compelling new priorities and needs.

As figure 1 below shows, overall budgetary flexibility has been shrinking for some time. In the last 2 decades, mandatory spending—excluding net interest—has jumped by nearly 10 percentage points to consume more than half of the federal budget.

Figure 1: Federal Spending for Mandatory and Discretionary Programs, Fiscal Years 1962, 1982, and 2002



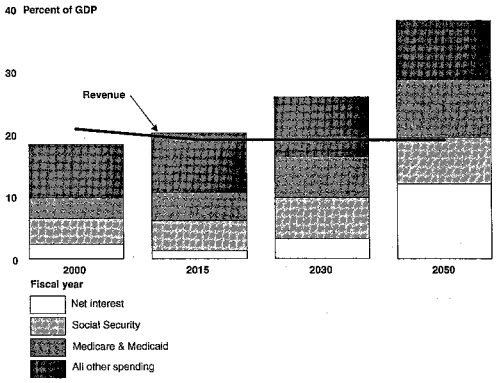
*OMB current services estimate.

Source: *Budget of the United States Government, FY 2003*, Office of Management and Budget.

Our long-term budget simulations continue to show that to move into the future with no changes in retirement and health programs is to envision a very different role for the federal government—a government that does little more than mail checks to the elderly and pay interest on the debt. Figure 2 below shows the picture if the tax reductions enacted last year are not permitted to sunset and discretionary spending keeps pace with the

economy. By midcentury federal revenues may only be adequate to pay Social Security and interest on the federal debt. (See fig. 2.) Importantly, we would still have a significant long-range fiscal gap even if the tax reductions do sunset as provided for under current law, although the gap would be smaller. While the long-term picture has not been pretty for a number of years, it is worsening and the long-term crunch is getting closer. Further, the shift from surplus to deficit means the nation will move into the future in a weaker fiscal position than was previously the case.

Figure 2: Composition of Spending as a Share of Gross Domestic Product (GDP) Assuming Discretionary Spending Grows with GDP and the Tax Cuts Do Not Sunset



Source: GAO's August 2002 analysis.

Metrics and mechanisms need to be developed to facilitate consideration of the long-term implications of existing and proposed policies or programs. We are currently doing work on how to describe the range and measurement of fiscal exposures—from explicit liabilities such as environmental cleanup requirements and federal pensions to the more implicit obligations presented by life-cycle costs of capital acquisition or disaster assistance.

Although they dwarf all other programs in long-term trends, Social Security, Medicare, and Medicaid are not the only programs in the budget where looking beyond the 10-year budget window presents a very different cost picture. For example, federal insurance may appear costless in its first year, but when an insured event occurs, the budgetary impact can be significant.

Improving Sustainability and Relevance of Government for the 21st Century

Social Security and health programs dominate our fiscal future but they are not the only reason to examine what government does and how it does it. Difficult as it may seem to deal with the long-term challenges presented by known demographic trends, policymakers must not only address these entitlement programs but also reexamine other budgetary priorities in light of the changing needs of this nation in the 21st century. Given the size of the long-term gap it will be necessary to work on several fronts at once.

There is also a need to reexamine existing programs, policies, and activities. It is all too easy to accept "the base" as given and to subject only new proposals to scrutiny and analysis. As we have discussed previously,[1] many federal programs, policies, and activities—their goals, their structures, and their processes—were designed decades ago to respond to earlier challenges. In previous testimony,[2] I noted that the norm should be to reconsider the relevance or "fit" of any federal program, policy, or activity in today's world and for the future. Such a review might identify programs that have proven to be outdated or persistently ineffective, or alternatively could prompt appropriate updating and modernizing activities through such actions as improving program targeting and efficiency, consolidation, or reengineering of processes and operations. This includes looking at a program's relationship to other programs.

Budgeting has been the primary process used to resolve the large number of often-conflicting objectives that citizens seek to achieve through government action. It provides an annual forum for a debate about

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

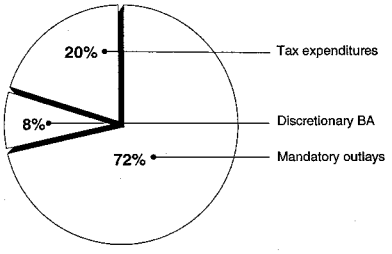
[2] U.S. General Accounting Office, *Homeland Security: Challenges and Strategies in Addressing Short- and Long-Term National Needs*, GAO-02-160T (Washington, D.C.: Nov. 7, 2001), GAO/T-AIMD-00-73, and GAO-02-467T.

competing claims and new priorities. However, such a debate will be needlessly constrained if only new proposals and activities are on the table. A fundamental review of existing programs, policies, and operations can create much-needed fiscal flexibility to address emerging needs by ferreting out programs that have proven to be outdated, poorly targeted, inefficient in their design and management, or superceded by other programs. It is always easier to subject proposals for new activities or programs to greater scrutiny than existing ones. It is easy to treat existing activities as "given" and force new proposals to compete only with each other. Such an approach would move the nation further from, rather than nearer to, budgetary surpluses.

In looking forward it is important to reflect on how much things have changed. We have a fiduciary and stewardship responsibility to today's and tomorrow's taxpayers to do so. For perspective, students who started college this past fall were 9-years old when the Soviet Union broke apart and have no memory of the Cold War; they have always known microcomputers and AIDS. We must strive to maintain a government that is effective and relevant to a changing society—a government that is as free as possible of outmoded commitments and operations that can inappropriately encumber the future.

Debate about what government should do in the 21st century and how it should do business is fundamental to achieving this objective. In rethinking federal missions and strategies, it is important to examine not just spending programs alone but the wide range of other tools the federal government uses to address national objectives. These tools include direct loans and loan guarantees, tax preferences (shown in the budget as tax expenditures), and regulations. Sometimes these tools work at cross-purposes. The outcomes achieved by these various tools are in a very real sense highly interdependent and are predicated on the response by a wide range of other actors—including other levels of government and private employers whose involvement has become more critical to the implementation and achievement of federal policy objectives. These tools differ in transparency—spending programs are more visible than tax preferences. The choice and design of these tools are critical in determining whether and how these third parties will address federal objectives. Any review of the base of existing policy should address this broader picture of federal involvement. For example, in fiscal year 2000, the federal health care and Medicare budget functions included $37 billion in discretionary budget authority, $319 billion in entitlement outlays, $5 million in loan guarantees, and $91 billion in tax expenditures. (See fig. 3.)

Figure 3: Relative Reliance on Policy Tools in the Health Care Budget Functions, Fiscal Year 2000 ($447 billion in total spending)



Note: Includes both the health and Medicare budget functions. Loan guarantees account for about $5 million, or about .001 percent, of the approximately $447 billion in total federal health care resources.

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

Public Education Is Critical

Good information—which is more than just budget numbers—helps to inform debate. This information, however, should be understandable not only by government officials but also by the public.

Homeland security is a good example of both the need for public education and the challenges presented by changing priorities. Zero security risk is not an attainable goal; proposals to reduce risk must be evaluated on numerous dimensions—their dollar cost and their impact on other goals and values. Decisions on the level of resources, the allocation of those resources, and on how to balance security against other societal goals and values are necessary. However, absent public information in understandable form, related decisions may not be accepted. There will always be disagreements on these issues, but public education and reliable information move the debate to a more informed plane.

Before the events of last September no one could have reasonably anticipated the array of new and challenging demands on federal programs and claims on future budgets for homeland security concerns. These compelling new budgetary claims illustrate the necessity of periodically reexamining the base through a disciplined, performance-based process. As you debate resources for homeland security—both how much and how to allocate them—you will be making risk assessments; the initiatives funded should be designed to achieve the most effective protection at a reasonable and affordable cost. As you consider the portfolio of homeland security programs for the future, the homeland security challenge may also provide a window of opportunity to rethink approaches to long-standing problems and concerns. For example, we have previously noted[3] the poor coordination and inefficient use of resources that occur as a result of overlapping and duplicative food safety programs, but it is the potential threat from bioterrorism that gives new meaning and urgency to this issue and the interrelationship of related federal programs.

Finally, the challenges of financing the new homeland security needs may provide the necessary impetus for a healthy reprioritization of federal programs and goals. The current crisis might, for instance, warrant reconsideration of the federal role in assisting state and local law enforcement. Given the challenges associated with fighting terrorism, is it still appropriate to involve the federal government in what have traditionally been state and local law enforcement responsibilities?

The Role of Performance Budgeting

While this kind of oversight and reexamination is never easy, it is facilitated by the availability of credible performance information focusing on the outcomes achieved with budgetary resources. Performance-based budgeting can help enhance the government's capacity to assess competing claims in the budget by arming budgetary decision makers with better information on the results of both individual programs as well as entire portfolios of tools and programs addressing common performance outcomes. Although not the answer to vexing resource trade-offs involving political choice, performance budgeting does promise to modify and inform the agenda of questions by shifting the focus of debates from inputs to outcomes and results.

[3] GAO-02-467T.

Over the last decade, the Congress enacted a statutory framework[4] to improve the performance and accountability of the executive branch and to enhance both executive branch and congressional decision making. Through continued attention by the Congress and the executive branch, some of the intended benefits of this framework are now beginning to emerge.

GPRA expanded the supply of results-oriented performance information generated by federal agencies. In the 10 years since GRPA was enacted, agencies have improved the focus of their planning and the quality of their performance information. However, developing credible information on outcomes achieved through federal programs remains a work in progress, as agencies struggle, for example, to define their contribution to outcomes, which in many cases are influenced only partially by federal funds. Linking performance to budgeting raises the stakes associated with the measures and performance goals developed by agencies. For performance data to more fully inform resource allocations, decision makers must feel comfortable with the appropriateness and accuracy of the outcome information and measures presented—i.e., that they are comprehensive and valid indicators of a program's outcomes. Otherwise, decisions might be guided by misleading or incomplete information, which ultimately will discourage the use of this information in resource allocations. GPRA was premised on a cycle where measures and goals were established and validated during a developmental period before they were subjected to the crucible of the budget process. In working to strengthen the linkages between resources and results, efforts across the federal establishment must be redoubled to ensure that the measures used are grounded in a firm analytic and empirical base. A way should be found to provide independent assurance about both the choice of measures and the quality of the data used.

In attempting to link resources to results, it also will be important to measure the full costs of the resources associated with performance goals using a consistent definition of costs between and among programs. In looking ahead, the integration of reliable cost accounting data into budget debates needs to become a key part of the performance budgeting agenda.

[4] U.S. General Accounting Office, *Managing for Results: The Statutory Framework for Performance-Based Management and Accountability*, GAO/GGD/AIMD-98-52 (Washington, D.C.: Jan. 28, 1998).

Although clearly much more remains to be done, together, the GPRA and Chief Financial Officers (CFO) Act initiatives have laid the foundation for performance budgeting by establishing infrastructures in the agencies to improve the supply of information on performance and costs. Sustained leadership attention will be required to build on this foundation. In addition, however, improving the supply of information is in and of itself insufficient to sustain performance management and achieve real improvements in management and program results. Rather, the improved supply needs to be accompanied by a demand for that information by decision makers and managers alike.

Integrating management issues with budgeting is absolutely critical for progress in government performance and management. Recent history tells us that management reforms of the past—Planning-Programming-Budgeting-System, Management by Objectives, and Zero-Base-Budgeting—failed partly because they did not prove to be relevant to budget decision makers in the executive branch or the Congress.[5] Such integration is obviously important to ensuring that management initiatives obtain the resource commitments and sustained commitment by agencies needed to be successful. Moreover, the budget process is the only annual process in the federal government where programs and activities come up for regular review and reexamination. Thus there is a compelling need to ensure that trade-offs are informed by reliable information on results and costs. Ultimately, performance budgeting seeks to improve decision making by increasing the understanding of the links between requested resources and expected performance outcomes.

Although performance budgeting can reasonably be expected to change the nature of resource debates, it is equally important to understand what it cannot do. Previous management reforms have been doomed by inflated and unrealistic expectations, so it is useful to be clear about current goals. Performance budgeting can help shift the focus of budgetary debates and oversight activities by changing the agenda of questions asked in these processes. Performance information can help policymakers address a number of questions such as whether programs are: contributing to their stated goals, well-coordinated with related initiatives at the federal level or elsewhere, and targeted to those most in need of services or benefits. It can

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

also provide information on what outcomes are being achieved, whether resource investments have benefits that exceed their costs, and whether program managers have the requisite capacities to achieve promised results.

However, performance budgeting should not be expected to provide the answers to resource allocation questions in some automatic or formula-driven process. Since budgeting is the allocation of resources, it involves setting priorities—making choices among competing claims. In its broadest sense the budget debate is the place where competing claims and claimants come together to decide how much of the government's scarce resources will be allocated across many compelling national purposes. Performance information is an important factor—but only one factor and it cannot substitute for difficult political choices. There will always be a debate about the appropriate role for the federal government and the need for various federal programs and policies—and performance information cannot settle that debate. It can, however, help move the debate to a more informed plane—one in which the focus is on competing claims and priorities. In fact, it raises the stakes by shifting the focus to what really matters—lives saved, children fed, successful transitions to self-sufficiency, individuals lifted out of poverty.

In this context, performance questions do not have a single budgetary answer. Performance problems may well prompt budget cuts or program eliminations, but they may also inspire enhanced investments and reforms in program design and management if the program is deemed to be of sufficiently high priority to the nation. Conversely, even a program that is found to be exceeding its performance expectations can be a candidate for budgetary cuts if it is a lower priority than other competing claims in the process. The determination of priorities is a function of competing values and interests that may be informed by performance information but also reflects such factors as equity, unmet needs, and the appropriate role of the federal government in addressing these needs.

How would "success" in performance budgeting be defined? Simply increasing the supply of performance information is not enough. If the information is not used—i.e., if there is insufficient demand—the quality of the information will deteriorate and the process either will become rote or will wither away. However, for the reasons noted, the success of performance budgeting cannot be measured merely by the number of programs "killed" or a measurement of funding changes against performance "grades." Rather, success must be measured in terms of the

quality of the discussion, the transparency of the information, the meaningfulness of that information to key stakeholders, and how it is used in the decision-making process. If members of the Congress and the executive branch have better information about the link between resources and results, they can make the trade-offs and choices cognizant of the many and often competing claims on the federal fisc.

OMB's Program Assessment Rating Tool

While budget reviews have always involved discussions of program performance, such discussions have not always been conducted in a common language or with transparency. This year, however, OMB has introduced a formal assessment tool into the deliberations. The PART—the Program Assessment Rating Tool—is the central element in the performance budgeting piece of the President's Management Agenda.

The PART will be applied during the fiscal year 2004 budget cycle to "programs"[6] selected by OMB with input from and discussion with agencies. The PART includes general questions in each of four broad topics to which all programs are subjected: (1) program purpose and design, (2) strategic planning, (3) program management, and (4) program results (i.e., whether a program is meeting its long-term and annual goals). In addition to the general questions that apply to all, programs are subjected to more specific questions depending on which of seven[7] mechanisms or approaches are used for delivery. OMB arrives at a profile for each program by reviewing information from budget submissions, agency strategic and annual performance plans, program evaluations, and other sources. OMB also makes an overall assessment whether the program is "effective" or "ineffective."

While the PART's program-by-program approach fits with OMB's agency-by-agency budget reviews, it is not well-suited to addressing cross-cutting issues or to looking at broad program areas in which several programs address a common goal. Although the evaluation of programs in isolation may be revealing, it is often critical to understand how each program fits with a broader portfolio of tools and strategies to accomplish federal

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

[7] The seven major categories are competitive grants, block/formula grants, capital assets and service acquisition programs, credit programs, regulatory-based programs, direct federal programs, and research and development programs.

missions and performance goals. Such an analysis is necessary to capture whether a program complements and supports other related programs, whether it is duplicative and redundant, or whether it actually works at cross-purposes with other initiatives. In such areas as low-income housing or health care, the outcomes achieved by federal policy are the result of the interplay of a complex array of tools including those on the spending side of the budget as well as the tax code and regulations.

The PART does promise to build on GPRA by using the performance information generated through the planning and reporting process to more directly feed into budgetary decisions. Potentially, the PART can complement GPRA's focus on increasing the supply of credible performance information by promoting the demand for this information in the budget formulation process. The recognition of the different types of performance issues associated with different governmental tools is important and reflects the key role that tools play in shaping accountability and results.

As with performance budgeting in general, no assessment tool can magically resolve debates or answer questions. Rather, it is likely to be a useful screen to help identify programs for further evaluation. Its greatest contribution may turn out to be its use to focus discussions between OMB and the agencies about a given agency's progress towards planned performance; about what progress has been made toward achieving specific goals and objectives of a given program or programs; and about what tools and strategies might be used to bring about improvements. Where the information provided is adequate, it has the potential to inform budget decisions with respect to particular programs. It is possible that a program may be a candidate for cuts or elimination—or for increases. However, these overall judgments will not define the process. For example, the PART section on program management may illuminate ways in which program operations could be improved. And the section on program design may identify design changes that could increase effectiveness, such as better targeting of existing funds. Using PART is likely to prompt a more robust discussion on program priorities and achievements between OMB, the agencies, and potentially with the Congress.

The PART also may increase the attention paid to evaluation and performance information among federal agencies and third parties involved with implementing federal initiatives. As the information improves, it may become more useful to the Congress, especially to budget, appropriations, and authorizing committees. To the extent that the

assessment is an important factor in resource allocations, agencies are likely to increase the attention given to evaluation and the gathering and reporting of performance information. The fact that a program's PART score suffers from the absence of information may provide added impetus for agencies to enhance their evaluation and information-gathering capabilities. As with other management reforms, it will be important that initiatives such as PART be sustained over time if they are to be taken seriously by both agencies and the Congress.

At the same time, the PART contains inherent limitations. These will not be in-depth evaluations, and evidence suggests that information for many programs will be incomplete. While no assessment tool can provide definitive answers to the question "should we continue this activity," at the initial stage PART is likely to raise questions—that is, point to the need for further inquiry and analysis—rather than provide definitive answers. The profiles of a program across each section of the instrument are likely to be more informative than the total scores across the entire instrument. Caution should be taken in relying on "bottom line" judgments or ratings for programs with multiple performance goals and mixed performance records.

Further, the achievement of federal/national policy goals often depends on the actions not only of the federal government but also of other levels of government and/or nongovernmental actors. GPRA required the President to prepare and submit to the Congress a governmentwide performance plan to highlight broader cross-cutting missions. Unfortunately, this was not done in the President's fiscal year 2003 budget; we hope that the President's upcoming fiscal year 2004 budget does include such a plan.

Over time the usefulness of PART will depend on what follows the initial screens: how the results are pursued; whether the scope is broadened to cover more tools; whether a cross-cutting approach is employed; and improvements in evaluative, performance, and cost information on key programs. Ultimately, success will be measured by how the results of the more extensive analyses affect the resource allocation process and budget decisions over time.

Performance Information Requirements and Evaluation Capacity

The basis for the effective application of the rating tool is the foundation of performance and evaluation information on federal programs. The gaps and weaknesses identified by the PART review exercise may help pinpoint

aspects of the federal evaluation infrastructure that need to be strengthened.

By highlighting available information on program performance, OMB's rating tool should promote discussions of both what is known and what is not known about a program's performance. Under GPRA, agencies expanded their store of data on program achievements and associated benefits for the American people. While this is necessary, it is not sufficient to answer all key questions about program effectiveness. Many programs are designed to be one part of a broader effort, working alongside other federal, state, local, nonprofit, and private initiatives to promote particular outcomes. Although information on the outcomes associated with a particular program may be collected, it is often difficult to isolate a particular program's contribution to those outcomes. Moreover, some desired outcomes take years to achieve; tracking progress on an annual basis may be difficult. Additionally, where federal program responsibility has devolved to the states, federal agencies' ability to influence program outcomes diminishes. At the same time, dependence on states and others for data with which to evaluate programs grows. The PART may be used to facilitate this kind of cross-cutting perspective. After programs have been filtered through the PART process, programs could be grouped into related categories for further evaluation in a more holistic fashion. Further understanding of these performance issues requires an in-depth evaluation of the factors contributing to the program results. Targeted evaluation studies can also be specifically designed to detect important program side effects or to assess the comparative advantages of current programs to alternative strategies for achieving a program's goals.

Unfortunately, there is reason to be concerned about the capacity of federal agencies to produce evaluations of their programs' effectiveness. Many program evaluation offices are small, have other responsibilities, and produce only a few effectiveness studies annually. Even where the value of evaluations is recognized, they may not be considered a funding priority. Agencies struggled in the first years of performance reporting to provide measures of the outcomes of their program activities. Many have failed to address known weaknesses in the quality of their performance data. Our work[8] has shown that systematic program evaluations—and units

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

responsible for producing them—have been concentrated in a few agencies. Although many federal programs attempt to influence complex systems or events outside the immediate control of government, few studies deployed the rigorous research methods required to attribute changes in underlying outcomes to program activities.

Increased evaluation capacity may require more resources, but over the longer term, failing to discover and correct performance problems can be much more costly. Therefore, the question of investment in improved evaluation capacity is one that must be considered in budget deliberations both within the executive branch and in the Congress.

More broadly, Mr. Chairman and Madam Chair, such investments need to be viewed as part of a broader initiative to improve the accountability and management capacity of federal agencies and programs. The federal government needs to undergo a transformation to meet the performance expectations of the American public. Such an effort requires fundamental shifts in current human capital policies, organizational structures, governmental tools, and performance and financial accountability approaches.

Congressional Oversight Is Necessary to Achieve Results

Fifty years of past efforts to link resources with results has shown that any successful effort must involve the Congress as a partner. In fact, the administration acknowledged that performance and accountability are shared responsibilities that must involve the Congress. It will only be through the continued attention of the Congress, the administration, and federal agencies that progress can be sustained and, more importantly, accelerated. The Congress has, in effect, served as the institutional champion for many previous performance management initiatives, such as GPRA and the CFO Act, by providing a consistent focus for oversight and reinforcement of important policies. Ultimately, the success of the PART initiative will be reflected in whether and how the Congress uses the results of these reviews in the congressional budget, appropriations, authorization, and oversight processes. As a key user, the Congress also needs to be considered a partner in shaping the PART review process at the outset.

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

oversight, the Congress should consider the associated policy, management, and policy implications of cross-cutting programs.

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

One possible approach would involve developing a congressional performance resolution identifying the key oversight and performance goals that the Congress wishes to set for its own committees and for the government as a whole. Such a resolution could be developed by modifying the current congressional budget resolution, which is already organized by budget function. Initially, this may involve collecting the "views and estimates" of authorization and appropriations committees on priority performance issues for programs under their jurisdiction and working with such cross-cutting committees as the House Committee on Governmental Reform and the House Committee on Rules. Obviously, a "congressional performance resolution" linked to the budget resolution is only one approach to achieve the objective of enhancing congressional oversight, but regardless of the approach taken, the Congress should assess whether its current structures and processes are adequate to take full advantage of the benefits arising from the reform agenda under way in the executive branch. Ultimately, what is important is not the specific approach or process, but rather the intended result of helping the Congress better promote improved fiscal, management, and program performance through broad and comprehensive oversight and deliberation.

Concluding Observations

Broad and periodic reexamination of federal government priorities, programs, and activities is an important responsibility of both the Congress and the executive branch to maintain the public's confidence in government and to ensure the government's capacity to deliver on its promises and meet current and emerging needs. However, effective oversight is difficult work. It requires taking a hard look at existing programs and carefully reconsidering the goals those programs were intended to address—and whether those goals are still valid. It involves analyzing the effectiveness of programs and seeking out the reasons for success or failure. It involves navigating through the maze of federal programs and activities, in which multiple agencies may operate many different programs to address often common or complementary objectives.

However, the task of revising and reforming current programs and activities that may no longer be needed or that do not perform well is fraught with difficulties and leads to real "winners" and "losers." Notwithstanding demonstrated weaknesses in program design and shortfalls in program results, there often seems to be little "low hanging fruit" in the federal budget. In fact, some argue that because some programs are already "in the base" in budgetary terms, they have a significant advantage over new initiatives and new demands.

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

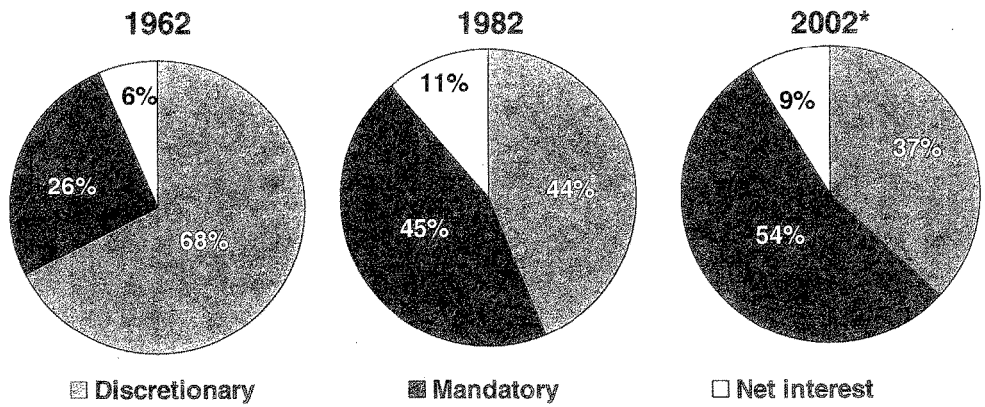
This concludes my prepared statement. I would be pleased to answer any questions you or the other members of the Committees may have at this time.

Contacts

For future contacts regarding this testimony, please call Paul L. Posner, Managing Director, Federal Budget Issues, at (202) 512-9573.

GAO
Accountability * Integrity * Reliability

Composition of Federal Spending

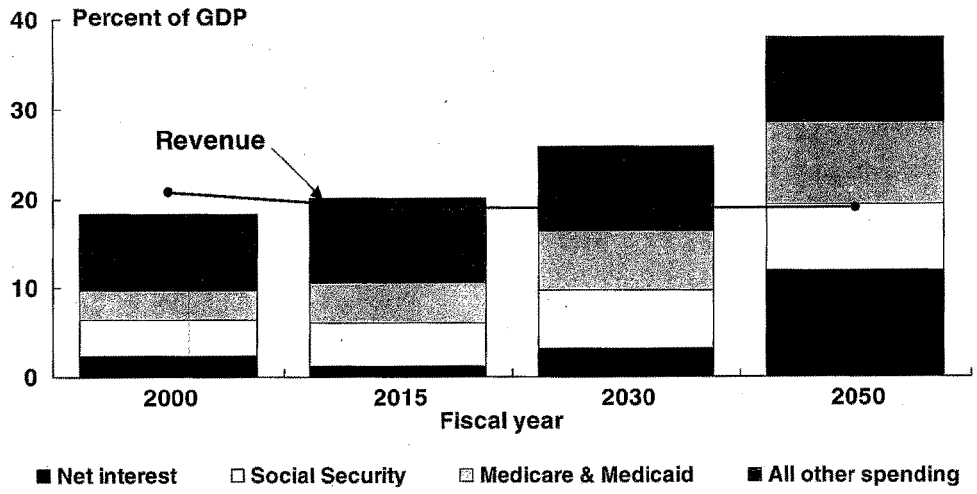


*OMB current services estimate.

Source: *Budget of the United States Government, FY 2003*, Office of Management and Budget.

GAO
Accountability * Integrity * Reliability

Composition of Federal Spending as a Share of GDP Assuming Discretionary Spending Grows with GDP and the Tax Cuts Do Not Sunset



Source: GAO's August 2002 analysis.

GAO

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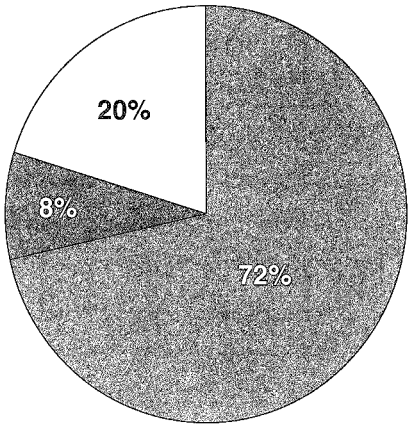
Federal Resources for Health Care By Policy Tool (FY 2000)



Mandatory Outlays Discretionary BA Tax Expenditures

* Loan Guarantees account for about $5 million, or about .001 percent, of the approximately $447 billion in Total Federal Health Care Resources.

Source: *Budget of the United States Government, FY 2002*, Office of Management and Budget.

Mr. HORN. I will now yield to Mrs. Schakowsky. She has also participation in another committee, I believe; and then we will——

Ms. SCHAKOWSKY. Thank you, Mr. Chairman; and I thank the witnesses for their participation today.

As one of our witnesses points out, the primary result of the Results Act has been deforestation. Agencies produce glossy reports full of performance goals and little changes. These goals are often so general that they're meaningless. One agency had as a performance goal to complete its plans for work to be done in the following year. For another project, the goal was to achieve a customer satisfaction rating of 80 percent.

I share the concerns that these performance measures are not achieving the intentions of the legislation. However, I am not sure that linking vague measures to the budget process will achieve better government, and I have strong concerns about the objective of that process.

It is all well and good to hold hearings to talk about accountability in the budget process. It is particularly important at a time when the country is faced with a crisis in corporate responsibility. However, we have to make sure that this is not an effort to single out programs that are political targets like welfare and public support programs.

It was interesting to me in the charts that you presented that Social Security, Medicare, Medicaid, health care were mentioned. It must not be an effort to go after the low-hanging fruit and not go after the really bad actors that waste billions. If we don't clean up the financial management at the Department of Defense, which this subcommittee has had numerous hearings about, then all of the rest of this is a wasted effort.

The newspapers continue to be full of stories of the accounting failures at Enron, WorldCom and Tyco. There are still stories about document shredding at Arthur Andersen. For years we have asked the Government to behave more like business, and I'm afraid the Department of Defense chose the wrong models.

Last year, the Inspector General reported that the Defense Department had $1.2 trillion in expenditures that could not properly be accounted for in the annual audit. The GAO has repeatedly testified that the failure of the Defense Department to be able to audit its books is what is keeping the entire Government from being able to have a clean audit.

A few weeks ago, Representative Shays and I held a hearing where it was revealed that the Department of Defense was selling surplus chemical production suits on the Internet for $3. At the same time, it was purchasing those same suits from the manufacturer for $200.

Mr. Horn and I have held hearing after hearing documenting the waste, fraud and abuse of Government credit cards throughout the Department of Defense. In one of our first hearings on credit cards, the GAO testified that the Navy policy was to not inventory items that are easily stolen. Quite frankly, I found that hard to believe.

At our July hearing, I asked Dee Lee to explain the policy. She said, "the policy was always that sensitive property should be recorded and tracked." The Navy, however, continues to argue that

Palm Pilots and digital cameras don't have to go on an inventory list. I guess the Navy performance goal is buy, buy, buy.

If the performance measure was balancing the books, the Department of Defense would fail. If the performance measure was accounting for property, the Department of Defense would fail. If the performance measure was responsible management of procurement through Government credit cards, the Department of Defense would fail.

At the same time, DOD is instituting an entirely new procurement system that eliminates goals entirely in the guise of reform. DOD will no longer lay out requirements that weapons systems have to meet, let alone time lines by which they have to meet them. Indeed, the Department of Defense will allow weapons programs to build whatever they can. Then every 2 years or so DOD will check in to see whether the technology has matured enough to deploy something. That is what the Pentagon is doing with missile defense, and it has resulted in a giant slush fund with absolutely no accountability. This is the model DOD wants to copy for all of the programs.

I am pleased that missile defense is one of the programs on the list today. However, I am surprised.

In July, Thomas Christie, Director of Test and Evaluation for the missile defense program, testified before one of our subcommittees that there are no objective measures against which the missile defense program will be judged. This is a $8 billion a year program with no objective performance measures.

This morning, the Defense News reported that Secretary Rumsfeld was developing a plan to streamline the legislative requirements on the Defense Department to make the Department more efficient. Notably absent from this plan were any specifics on improving accountability at the Department.

I remain skeptical about linking vague measures of performance to the budget process. However, if Congress is to be convinced that this administration is serious about management accountability, it can be done by cleaning up the mess at DOD.

Some criticize as unpatriotic those who are questioning blanket budget increases for the DOD during a time of war. I believe just the opposite is true. Those who refuse to hold the Defense Department accountable are endangering the safety of the men and women who risk their lives to protect us and endangering the very safety of each and every one of us and our constituents in this country.

Thank you, Mr. Chairman.

Mr. HORN. I thank the gentlelady from Illinois.

We will now have the testimony of Mr. Daniels, and I think, as you know, this is an investigating committee, so we do ask you to affirm the oath.

[Witness sworn.]

Mr. HORN. We are delighted to have you here, and please proceed in any way you'd like.

STATEMENT OF MITCHELL E. DANIELS, JR., DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Mr. DANIELS. The way I would like, I would guess, is the way the committee would like, that's that I will be very brief. I've submitted written testimony. Let me just summarize it quickly for you, Mr. Chairman.

I do want to start by sincerely thanking this committee for paying attention to a subject that's been paid too little attention, I would say, by the Congress in the aggregate over time and for holding this particular hearing. Sometimes these occasions are burdens, and then sometimes they're really very welcome, and this is in the latter category, and I cannot salute you enough for, as I say, devoting your time to a subject that many would prefer to ignore.

I think I can sum up in plain English the subject that brings us together and the approach that the administration has embarked on to address it. For far too long, the only questions that we seemed to address as spending is enacted year on year is how much, and never how well, is the money being spent.

Several brave Members of Congress and innovative Members of Congress, some years back, bothered by this, passed a statute and some related measures that did attempt to inaugurate an era of accountability, to demand proof of performance as a condition for continued spending, let alone increased spending. But, after 10 years, we find that the ambitions of that legislation had not been realized or really even, I would say, approached.

We've taken it very seriously. We promised the Congress at the time this administration came to office that we would, and the specific subject on which you summoned us here today is the manifestation, or the latest, of our seriousness of purpose. Very simply, we believe that it's time to put the burden of proof for Government spending where it should be, on the proponent of each dollar that should be spent.

Frankly, here in Washington, and only here, the burden is almost always on the person who would challenge the embedded base of spending, to which the Comptroller General referred. In all my years in business, I was always on the hot seat in proposing to my colleagues and to a board of directors spending for a given fiscal year, first to prove that the dollars my unit had spent in the past had realized the appropriate results, the required rate of return; and only having proven that did I have standing to ask for that money again, let alone an increase. That's the way the world works and the way one day we hope it will work here.

The principles on which we are operating again are very, very simple. They are transparency and visibility and accountability.

In terms of transparency, we hope to elevate and to publish in the budget, in all future budgets, measures of results, done as credibly and openly as we can. The instrument that we have used, we assigned some of the best people in OMB to work on this. We've called on outside academic and past practitioners from administrations of both parties to help us. We feel an obligation that the measures being employed be nonideological, be neutral, be objective, be based on the best evidence available, which everyone knows is still in most cases far too imperfect.

But we're only after one answer, and that is, does a given program or activity work or not? To what extent does it deliver on the purposes Congress determined were in the public interest?

There's a separate argument that quite properly goes on about whether a given activity should be undertaken at all, but we want to separate that argument and leave it for its proper place in the political arena and focus on the question, if Congress has decided that a given activity should occur, is it being done well or not? It has always seemed to me that this ought to be a quest that people of all ideologies could embrace. Those who believe that Government ought to be more limited than it is, I guess not surprisingly, would want to put programs under close scrutiny. But those who sincerely believe in a more activist role for Government, I would think, would be the most offended of all to find money being spent poorly to achieve a given purpose, when there were better options available.

So we hope this is something we can unite around, and we thank this committee for its past work and its current attention to a subject that—about which we feel great excitement and to which we feel great commitment.

[The prepared statement of Mr. Daniels follows:]

Testimony of
Mitchell E. Daniels, Jr.
Director
Office of Management and Budget
Before the
House Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations
and the
House Subcommittee on Legislative and Budget Process

September 19, 2002

I am pleased to appear before both Subcommittees today to discuss an issue that is important to the President and to the taxpayers -- linking funding for programs to results. The President believes citizens have a right to expect a government that works. He made performance a key part of his Management Agenda.

For some time, Congress also has recognized the importance of this issue. Almost 10 years ago, it passed the Government Performance and Results Act. This hearing shows that Congress, like the Administration, remains committed to taking the next step toward better performance in government.

We all agree that basing funding decisions for Federal programs on performance makes sense. It is ironic that tying spending decisions to program performance is viewed by some as something new, that the Administration even had to establish an initiative for such a basic element of good government. In business, the burden of proof is properly on the requester of funds to show what the expected results will be, and later, to produce them. In family life, for that matter, most children seeking an allowance from their parents know that they will be doing chores in return.

Somehow, the standard for government has been different. The expectation is that programs will get additional funds almost automatically. "How much?" is the question asked, instead of "How well?" Our efforts to integrate budget and performance shift the burden of proof to those who request taxpayer dollars, and not just for "additional" funds, but all funds.

I see this as a common sense idea upon which people of different philosophies should agree. For those who think that government does too much, costs too much, and is too big, basing funding on results makes sense. But those who believe government should be more active, should have greater influence on people's lives, also should want resources invested in programs that produce results.

The challenge is putting results-oriented government into practice. I am here today to tell you about the Program Assessment Rating Tool, or PART -- one practical way the Administration is making results matter. For the FY 2004 Budget we are using the PART to rate over 200 Federal programs, representing over 20 percent of Federal funding. Over

time, we will build toward rating all programs every year.

GPRA Has Not Lived Up to Its Legislative Intent

Nearly 10 years have passed since the Government Performance and Results Act (GPRA) was enacted. Agencies spend an inordinate amount of time preparing reports to comply with it, producing volumes of information of questionable value. If one were to stack up all the GPRA documents produced for Congress last year, the pile would measure over a yard high. A policy-maker would need to wade through reams of paper to find a few kernels of useful information.

Even with GPRA, accounting for performance when making budget decisions is unfortunately the exception, not the rule. The implementation of this important law has gone astray.

As a result, the Administration has decided to take GPRA in a new direction. Program ratings have been linked to the budget and, in fact, will be an integral part of the FY 2004 budget process. Programs with strong performance will receive higher scores on the PART. Those found lacking will receive lower scores.

Program Ratings in the FY 2003 Budget

The evaluation process started with FY 2003 Budget which broke new ground in a number of ways. Most apparent, perhaps, was the change in presentation. We set out to make the Budget a document for public consumption, as it should be. We included more graphics than in the past, but more important, the aim was to present information that would interest readers by showing them how their tax dollars were being used. The FY 2003 Budget began to shift the emphasis to accountability. It did this most visibly in two ways: (1) with the scorecard for the President's Management Agenda; and (2) by including performance assessments for selected programs.

For each agency, the Budget included a table listing selected programs with an assessment of the program's effectiveness and a brief explanation of the assessment. While these ratings were based on OMB staff's knowledge of the programs and their professional judgment, they weren't systematic. Still, there were numerous instances in which funding decisions were motivated primarily on achieving demonstrated results. Some examples from the FY 2003 Budget include:

- For the Department of Interior, funds were shifted from the National Fish Hatchery system, a program that lacks clear direction and adequate performance measures to the National Wildlife Refuge System, a program that effectively balances species conservation with public access.

- In the Department of Energy, funds from the Concentrating Solar power program were transferred to the Solar Building Technology Research program, because the latter showed promise for lowering the cost of solar water heating and developing

a zero net energy home, while the price tag for the former still cannot compete with conventional energy sources.

- Despite wide variation among states, overall vocational rehabilitation performance has improved in recent years, so the President's Budget includes a new $30 million incentive grant program in the Department of Education for state vocational rehabilitation agencies able to demonstrate their ability to help people with disabilities get jobs.

These program ratings represented a major step toward increasing accountability for taxpayer dollars and creating the results-oriented government envisioned by the President.

Improving the Assessments for FY 2004

Shortly after the release of the FY 2003 Budget, we set out to strengthen our process for assessing the effectiveness of programs by making it more rigorous, systematic, and transparent. This last issue was particularly important. A process was developed that would yield sound ratings and make them available for public scrutiny. Working with agencies, a wide range of programs were selected to assess in the first year, including some Presidential priorities, programs of different sizes, and both high and low performers.

Testing and Vetting the PART

OMB staff developed a blueprint for rating programs that was tested internally this spring on 67 programs. This practical experience helped us determine how the tool could be refined to make it more useful to the budget process and to drive improvements in performance.

OMB staff conducted extensive outreach and solicited input from interested parties both inside and outside the Federal government. They presented the PART to various groups, including the National Academy of Public Administration, the General Accounting Office, and Congressional staff.

For example, the National Academy of Public Administration (NAPA) convened a workshop to review a completed rating for a program and provide feedback on the process overall. NAPA assembled a panel of program experts to evaluate how accurate the rating was in light of their extensive program knowledge.

Outreach sessions informed people about these activities, and provided a forum to receive useful input. From the outset, all PART materials have been available on the OMB website.

Executive branch agencies have acted as partners throughout this effort, and a great deal of the work has been devoted to maintaining a strong partnership with them. The PART was vetted through the President's Management Council, which offered several constructive suggestions. Although it was not a requirement for the first year, some agencies began using the PART to assess programs for their internal budget processes.

A consensus has developed that the PART has favorable prospects for focusing attention on performance and results.

Performance Measurement Advisory Council

OMB also established the Performance Measurement Advisory Council (PMAC). Chaired by Mort Downey, former Deputy Secretary of Transportation under the Clinton Administration who is testifying here today, this group of six outside experts provides advice on budget and performance integration. In its first two meetings, the PMAC has reviewed and provided suggestions on various aspects of the program assessment rating process, as well as how performance information will be presented in the Budget.

How the PART Works

The PART asks common sense questions that program managers and budget analysts should raise in their normal course of work, and then it generates scores based on the answers. Answers must be supported by an explanation and evidence with the intent of making the ratings objective and impartial.

The PART examines different aspects of program performance to develop a comprehensive rating. Achievement of programmatic goals is central to the rating and half of the score. The PART also looks at efficiency and other management issues which are not typically highlighted by agencies.

While the PART generates a numeric score, there is no pretense that the score represents a precise calibration of performance. Numeric scores, though, do allow for comparisons from year to year, and they will allow us to measure improvement and determine if our attempts to improve performance are working. We are still considering various options for how this information will be presented in the Budget, but these ratings will be disclosed in conjunction with the FY 2004 Budget.

We recognize that some amount of subjectivity is inevitable when completing a program rating. To minimize subjectivity, we prepared detailed guidance and conducted training on the PART. We are also convening an interagency group to review a sample of PARTs to ensure consistent application of the rating criteria.

The PART and Budget Decisions

Some fear that the PART scores will translate mechanistically into proposed funding levels. The PART will enrich budget analysis, not supplant it. Economic conditions, programmatic trends, national needs and interests, and other factors must always be considered along with performance when developing a budget.

Nonetheless, completing these program assessments will assist the development of budget recommendations in numerous ways:

- ***Highlight areas that deserve management attention.*** What we have learned so far from our testing of the PART is that the program assessment shines a spotlight on areas of weak management. The PARTs should help identify areas that require attention in agencies' planned actions to achieve the goals of the President's Management Agenda.

- ***Inform resource allocations among competing programs.*** Completion of the PART will make it easier to make comparisons between similar programs, so that informed decisions can be made to fund those programs that work versus those that don't.

- ***Increase accountability for taxpayer dollars.*** Putting the PART into effect will permit objective comparison of performance from year to year. If resources are invested to fix a problem with a program and a couple of years later there still is no improvement in the PART score, it's advisable to rethink the investment.

Long-Term Outlook

This year, 20 percent of Federal programs will be rated, with plans to build up over a period of about five years to assessing all Federal programs each year. Next year agencies will have greater opportunities to evaluate their programs and use the information to build their budget submissions to OMB.

Changes already have been noted as a result of the program assessments. For example, the PART has begun to attract greater attention to results among top agency officials. It also has renewed attention inside the agencies to the benefits of good performance measures. Most of the effort in completing the PART requires extensive collaboration between OMB and agencies to identify worthwhile results.

Through the Budget and Performance Integration Initiative, the Administration has taken significant steps to improve the performance of Federal programs. Congress intended these goals to be achieved when it enacted GPRA, and we look to move toward results in the near term.

Mr. HORN. We're going to have a couple of votes pretty soon, so let me get a couple of paragraphs in and maybe see how we respond to it.

In both Senator Thompson's statement and my own over the various years are the following: that every good, well-managed corporation, and the same for a university, that they take their executives and their boards out to a retreat to start saying, look, what are we doing here and how do we deal with it. Management problems come up, and that's certainly helpful.

I would hope that we would have Presidential appointees such as the Director of OMB and the, say, Deputy Secretary of a particular agency or a Cabinet officer, him or her, and we need to have the Presidential appointees connected with the authorization committees, the appropriations committees, where they can sit around and then see what ought to be done. Some of it can be done in open things, and some they ought to just get off in the woods and say let's really deal with this problem. And I would hope that the President's appointees would be matched by the elected officials to Congress in the Senate and the House, and they can discuss and talk about deadbeat programs that they all know they have in some of these various committees.

I would hope that there would be that connection and not just say, oh, well, here, let the staff do it, and—either OMB or up here. No. Let's get the person that has the authority, either of the President of the United States or the people of the United States. So—and the Comptroller General has—at the beginning of every single Congress, a sort of red light book, I call it, even though they're nice and blue and white. But the fact is that they are right on the mark in terms of certain problems we ought to face up to here at this end of Pennsylvania Avenue and there at that stage.

I was delighted when you put in that management booklet. And even if the Xeroxes didn't quite say which was yellow and green and what not, it showed you were very frugal in terms of your Xerox machines because the Armed Forces around here are in rainbow's colors and all the rest. So we sort of laugh about that a little. But it does make a point. And so the Rules Committee is the ones that they can help do it.

Now, my biggest supporter here in the Congress was the majority leader, Mr. Armey, and he was very supportive of all the bits and pieces of hearings; and we don't know who the next majority or minority will be. But whoever they are, they ought to deal with this; and if you've got better ideas, I'm all for them. I would like to leave them to the Rules Committee.

Mrs. Pryce is the chairman of the Rules Subcommittee on Legislative and Budget Process, and I would think that—and if you want to comment on this, Deborah, that we just—we need to have some of the system, shall we say, of both ends of the town and both ends of the Capitol. So I don't know if you want to say something on this.

Ms. PRYCE. Well, thank you, Mr. Chairman. I'm basically here to learn about this and to see where we can take it as a part of our Rules Committee package, if anywhere, and it's something that I think this committee has looked at more thoroughly than we have in Rules. So I appreciate the testimony of the gentlemen and won-

der if you might share for me how you—either one of you—how you believe we could—what troubles you would see us having if we try to implement this: where we would start? Where it would go? How much resistance there would be? And the pitfalls that we would face along the way, if you have given that any consideration.

Mr. DANIELS. Ultimately, of course, the effectiveness of this endeavor rests on the seriousness with which Congress in its spending functions views the findings that are produced. That starts with having well-grounded findings, as I said, a neutral way of measuring and the best information, demanding better—ever better information from the departments.

Again, I think there is a burden of proof issue here. The departments have to understand that the absence of information is their problem. If they can't prove their case, then they ought—their future—our future budget proposals and hopefully Congress's reaction to them will be a skeptical one. So the first burden I think is on the administration to hold itself to high standards, to improve the quality of data that is produced and measured and to present it in a neutral and credible way to the Congress.

That still leaves the largest question, will anybody care? Will proponents of a program, those with pride of authorship or an emotional attachment, care at all that their pride and joy isn't delivering what they hoped it would or what they intended? And our only answer to that will be ever greater visibility. Visibility matters, we find, Ms. Pryce.

In a related accountability step to which the chairman made reference, we are grading our departments on their management, everyday management of their problem areas. In fact, some of these problem areas are drawn from the general watch list that you referred to and we found has a remarkably tonic effect in terms of the attention of management and the seriousness with which they view these problems, that somebody's keeping score and somebody's watching in the world. Someone out there might notice that they're doing a poor job.

Ms. Schakowsky is now gone, but I agree completely with her view about the importance of management at the Defense Department. They got a very red report card because the problems she's talking about are very real and we see them the same way. So in just that way, I'm hoping that as we systematically begin to analyze and report on the performance of specific programs and activities that those responsible for those programs will work harder to improve their performance and the data that proves their performance and, finally, that Members of Congress will find it inconvenient or uncomfortable or awkward to vote year after year for more money, more money, more money for a program that's demonstrably failing.

Mr. HORN. General.

Mr. WALKER. Thank you, Mr. Chairman.

First, I think both the Congress and the administration have a responsibility to be focused on linking resources with results. I think we have provided some fairly compelling graphics as to why the status quo is unsustainable. We need to start looking at the base. That means in the appropriations process, that means in the authorization process, and the oversight process as well.

In our testimony we lay out the idea that the Congress may want to consider having a performance resolution. It may want to have a set of principles and decide that there are certain types of areas or functions or activities that it would like to single out to focus on.

The administration is using the PART process as a tool to try to be able to help further progress in the area of linking resources to results; and I think it's appropriate that the executive branch, you know, take the lead to do this in a comprehensive manner. That's part of what management is all about. That's part of the reason why you have OMB to link the management with resource allocation decisions.

I think it is also going to be important if the executive branch is going to be making recommendations to the Congress, the Congress will need to have a reasonable degree of assurance as to the credibility of the data, the methods, the analysis, and the basis for the recommendations. The Congress at some point in time may want GAO to be involved in doing related reviews; and, obviously, if you do, we're happy to work in that direction.

I also think that, as Mitch alluded to, one of the things that I have said quite frequently is you've got to have three things to make any system, program or policy work effectively.

First, incentives for people to do the right thing. Incentives are inherent in linking resources to results. If it has consequences on resources, I mean, that is an incentive. In other words, we want you to accomplish certain objectives; and if you don't accomplish certain objectives then you know it is going to have a negative consequence. It's not just linking resources to results. It's also tying agency and individual performance measurement rewards systems to those desired results, too. So it's the budget process, but it's also the individual performance appraisal process as well. It goes down to that level of people and Government has not done that in the past.

The second thing is transparency, to show that somebody's watching and to provide an incentive for people to do the right thing, which Mitch talked about.

And the third thing you have to have, and the Congress has a critically important role to play here, is accountability. If the right thing is not done, if the results aren't achieved, if the resources aren't used judiciously and prudently, then there has to be a consequence. And if you don't have that, then people are going to ignore you. They'll just absolutely ignore you. And it doesn't matter whether it's in the public sector, private sector, not-for-profit sector.

So incentives, transparency and accountability. Linking resources to results is one step. But we also have to deal with the human capital dimension, which involves performance appraisal systems and other actions.

Mr. HORN. Would you like to add anything, Director?

Mr. DANIELS. No, it's well said.

Ms. PRYCE. Mr. Chairman, may I just ask—you talk about consequences. Do you have anything in mind other than monetary consequences, budgetary consequences, or is that what you're referring to? I mean, do you have other thoughts?

Mr. WALKER. I think there can and should be consequences to a program. There should be consequences to the departments and agencies, and there should be consequences to individuals as well. Obviously, to the extent that you link it from a monetary standpoint, it is going to have an effect on how much resources you're going to be given or not given. It is going to have an impact on how much of a raise you're going to receive or bonus you're going to receive or not receive. In time it could be that if appropriate steps aren't taken, there would be a consequence as to whether or not the program continues or the policy continues in total or in part.

While OMB is from a conceptual standpoint doing a very good thing by trying to look at these programs, on the spending side, I think it's important we don't forget about tax preferences. There's a tremendous amount of money involved in tax preferences. What are we getting for those? Like, for example, the health care preference.

In some cases, I would argue the incentives that are being provided on the tax side and the spending side are working at cross purposes. They're not well aligned, and they exacerbate our problem, and I will be happy at some point in time to elaborate on that, if you want.

Mr. DANIELS. And I would chime in, if I may. I think that, first of all, ultimately there should and will need to be consequences for managers who fail to deliver. And that happens all too rarely. Now, some harsh things were said; and, as I've indicated, I agree with most of them about the Department of Defense. But a captain who runs a ship aground will suffer immediate consequences, and throughout that branch of our Government it's not at all unusual for failures of performance to result rather quickly in sanctions and, conversely, great success to be rewarded. That happens very rarely in most of the rest of the Government, and that will need to be part of the picture ultimately.

I also agree about tax expenditures. The only thing I want to say about this is that it is going to be a long journey, and we've tried to start where we thought it was most practical to. We certainly agree in theory that as soon as we can we want them moved to all the programmatic activity and ultimately to the things like tax expenditures. We chose—we tried to be selective in this first year in identifying those activities that were most susceptible to measurement, and we'll value the committees' and the whole Congress' input as we try to make that process better next year than it was this.

Mr. HORN. You know this, and the General knows this, but let's get it on the record. Many Federal programs lack reliable data to serve as a basis for evaluating their performance results. Also, according to the GAO, many agencies have a limited capacity to conduct program evaluations. How will the PART process deal with those challenges?

Mr. DANIELS. Again, it starts by putting the burden of proof on the program that it will be an expectation that evidence of performance—quantitative and concrete and reliable evidence be provided. And the—no one is blind to the difficulties here of measurement, but we can't any longer let the perfect be the enemy of the good. We've got to get started. That's what we've embarked on. And, let's

be honest, most programs would prefer and the people running them would prefer not to be measured. So some programs haven't made an attempt, any honest or any genuine attempt to develop the kind of evaluations that are readily available.

So I once heard George Shultz tell what must be an old diplomatic joke. Why does the Frenchman kiss the lady's hand? And the answer is, he has to start somewhere. And that's what this year is about.

Mr. HORN. I think Benjamin Franklin got ahead of George Shultz on that one.

Mr. WALKER. Mr. Chairman, could I mention something on that? That's a hard one to follow, but I'll try. Mine won't be as exciting as Mitch's.

But I think all departments and agencies basically have to do certain things. One, they have to say, why were we created? What was the statutory basis for our creation? What is our mission? What are we trying to accomplish? How do we measure success?

And success has to be measured in terms of outcomes. There may be intermediate measures that they also track because they know that these intermediate measures, over time, will end up leading to positive outcomes, but in the end, what it's all about outcomes. It's about results.

They need to figure out who the key players are who can contribute toward the desired outcome. Many times it's multiple departments and agencies within the Federal Government. Sometimes it's Federal, State and local entities. It could also be public, private sector players. The Federal Government may not be the only player in the ball game. Which tools are being brought to bear? What is the cost? How do you compare the cost to the positive outcomes, and therefore get a cost benefit analysis?

That's the type of rigor that people have to be forced to go through. We need to move from activity-based performance measures to outcome-based performance measures, and that means that there has to be some independent assurance above and beyond what the agencies say. Because human nature being what it is, whether it's public sector, private sector, not-for-profit sector, people are going to take the measures that they are comfortable with and that they think they can look good at. So you have to have an independent party involved to be able to assure that the measure is reasonable, relevant and that the data that is reported is reliable. That's critically important or else you really haven't accomplished very much other than another paperwork exercise.

Mr. HORN. Well, we're going to have to—and there's no use—you're busy people, and so are we. But I want to get in a few questions now.

What do you think of what I had to say that we get these people from various parts of the American Government, the executive branch and the legislative branch, and to get them to—both authorization and appropriations—and get them off in the woods, whether it is a Republican at the White House and a Democrat in the wherever. So what do you think of getting them together after you've had some staff work out of the OMB and the Comptroller General's Office?

Mr. DANIELS. I think it is a very intriguing idea. I mean, I don't think we can consult too closely about this. If we were gathered together, as I understand your suggestion, around the subject of how well are the programs of today working or not working, I think this would be very useful. As I said, there's been so little attention paid to this, so little information, frankly, available on many accounts, I think it could be a very healthy and I hope productive exercise.

We need the Congress to begin behaving somewhat more in the mode of a board of directors. The business analogy is not perfect, and it shouldn't be, but we ought to, I would hope, be more aligned than we are around the idea that animates this discussion. Namely, every dollar taken from a taxpayer and spent by this Government ought to be spent to good effect, or we ought to find a different purpose for it. And too often we don't reach that question.

Mr. HORN. The Congress over 25 years, started with inspectors general and then we had for about 10 or so years, the chief financial officer, then the chief information officer. And I think to—in one way, that we certainly have, I think, because I read some of these when they come in, and they're very good about that. So I'd be curious if you think there's anything else that ought to be done that would aid people in both the agencies, the White House and OMB and up here and so how did—is there a better way we can move what people are doing under the Inspector General, financial and communications?

Mr. DANIELS. I don't know about the—oh, go ahead, David.

Mr. WALKER. I think that—first on your other question. Then I'll answer this one.

I think it would be great if Congress could get together for half a day with GAO and OMB experts, selected members of leadership, and leaders of the Budget, Appropriations and Government Reform Committees in the House and Governmental Affairs in the Senate to focus on the issue that we're talking about. Because it's going to take the combined efforts of those people to make this concept become reality. No matter what the administration does and no matter what administration it is, if the Congress doesn't buy into it and if it doesn't have real implications with regard to appropriations, oversight and authorization matters, then it isn't going to matter. And so it's important to do that.

Second, I think one of the dangers that we have right now at our current management structure is we've got a lot of silos. We have CFOs, CIOs. We may soon have chief human capital officer. People also talk about chief acquisition officers and opther key players.

We're going to have a report that we're going to publish within the next week, Mr. Chairman, that, as a result of a roundtable we held last week, I would commend to you and this committee the summary of that roundtable. I'm confident it will have some ideas for consideration in this area to try to take a more integrated approach to this major challenge.

Mr. HORN. Mrs. Pryce and I are going to have to respond to the Chamber in two votes, and then we want to hear the two experts in Panel Two, Mortimer Downey, Principal Consultant for PB Consult, Incorporated, and Patricia McInnis, President and Chief Executive Officer of Council for Excellence in Government. So if you can bear with us, we'll be back.

I know both of you are—so you can either stay or go because——

Ms. PRYCE. I just want to thank the gentlemen for their input today; and, as far as I'm concerned, we can followup informally on these discussions. We appreciate your testimony; and I—as far as I'm concerned, you're free to go. Thank you.

Mr. WALKER. Thank you very much. I appreciate it.

Mrs. MALONEY. I likewise would like to join my colleagues in congratulating you for your work. I was a cosponsor if this bill. It's actually the first bill I managed on the floor, so I have a tremendous interest in seeing that it's implemented. I appreciate very much your work and will be in touch. Thank you.

Mr. HORN. The recess of the committee with the four votes that we had to cast on in the Chamber is over. So we thank you for patience, and that's the way this place is. We never know.

Mr. Downey and Mrs. McGinnis, if you don't mind, we'd like you to take the oath.

[Witnesses sworn.]

Mr. HORN. Thank you. Thank you for coming. You're well known to this committee, and so we look forward to your comments.

Now, we've—all of the written ones automatically go into our hearing. And you know the thing, both of you, I think. So we'd be glad to hear from you.

STATEMENTS OF PATRICIA MCGINNIS, PRESIDENT AND CEO, COUNCIL FOR EXCELLENCE IN GOVERNMENT; AND MORTIMER L. DOWNEY, PRINCIPAL CONSULTANT, PB CONSULT, INC.

Ms. MCGINNIS. Thank you, Mr. Chairman.

Mr. HORN. It's modern technology. I was a string-in-a-can man as a little kid.

Ms. MCGINNIS. Thank you very much. I really commend your leadership.

I was asking while you were voting whether this is the first time these two subcommittees have held a joint hearing, and it seems to be perhaps even historic. So this is a wonderful precedent, and we hope that will be many more of these hearings on this subject.

You know the Council for Excellence in Government well, and you know our ambitious mission and strategic priorities. We are interested in attracting and developing the best and brightest in public service, engaging citizens and improving their trust and confidence in Government. We have focused a lot of attention on electronic government as a tool to improve operations and connect government to the American people and, finally, to encourage innovation and results-oriented performance. That's what we're talking about today.

We believe very strongly, as you do, that improving the development and use of performance and evaluation data to inform decisionmaking both in the executive branch and Congress will go a long way toward this view of excellence in government and raising the public's trust.

GPRA was a big step in the right direction in terms of linking decisions about the design and funding of programs to their performance, and that movement has been given renewed impetus by

the budget and performance integration focus and the President's management agenda.

But, as you well know, this is not the first time the Government and Congress have thought about managing for results, and I certainly won't go through the history. I've included some of it in my written testimony. But the acronyms are even hard to keep track of because there are so many of them, from the Hoover Commission to President Johnson's Planning, Programming and Budget Systems; to President Nixon's MBO, Management by Objective; to President Carter's Zero Based Budgeting, ZBB. This concept is a consistent, basic theme throughout the decades.

So what's different now? I think the enactment of GPRA is a significant difference because we do have a statutory framework for this.

Again, the seriousness of this administration and the President's management agenda are exemplified through this excellent work on the Program Assessment Rating Tool. But, despite all that, and even with GPRA, as David Walker and Mitch Daniels both said, we don't see decisions being made in the Congress and executive branch very much based on the use of performance data and the results of high-quality evaluations at this point. We see promising potential, but that promise has yet to be realized.

I want to take my few minutes today to go over a series of recommendations to promote the effective use of this performance and evaluation data, particularly by Congress, that were developed and are detailed in a discussion paper called Linking Resources to Results. This was a study that was done jointly by the Council for Excellence in Government and the Committee for Economic Development which, as you know, is a business group which focuses very much on the performance of Government.

We have come up with a series of institutional and procedural changes that we think would—could, if they were implemented and taken seriously, lead to a quantum improvement in the quality, quantity, timeliness and utility of performance and evaluation data.

The central recommendation is the creation of a congressionally chartered, nonpartisan Center for Domestic Program Assessment. That's our name. It may not be the perfect name. We could work on that. But I think it describes what we're talking about.

The sole mission would be to strengthen and help institutionalize the link between Government resource allocation and program design decisions and demonstrated program effectiveness. And here we're talking not only about discretionary programs but entitlements and tax expenditures in this domestic program area.

Such an entity would assess and report regularly and publicly, and this is a big part of the value of this on the progress in resolving the country's most significant domestic issues. It would provide high-quality analysis of performance, present it in a timely fashion. We imagine that the issues would be taken up based on some sense of the reauthorization cycle in Congress, and we would have the ability—this organization would have the ability to look at programs across agencies and across committees and subcommittees in the Congress.

We also called for statutory setasides for program evaluation which are not consistently used in program authorizations in order to support independent, high-quality evaluation of individual programs by Federal agencies. The new congressional oversight and evaluation procedures, including some powerful enforcement provisions that we recommend, would ensure full use of evidence on program effectiveness.

Some of the changes in the House and Senate rules that we are suggesting: We would suggest requiring that authorizations for appropriated programs, mandatory spending programs and significant tax expenditures must have a mandate for an evaluation of net impact as a condition for floor consideration; oversight hearings and reports on documented performance before reauthorization; evidence and potential effectiveness for new programs would be required before floor consideration; sunset provisions at least every 5 years for all major authorizations, mandatory spending programs or tax expenditures so that Congress could take into account the performance record before voting on the extension or redesign of a program.

We would also subject requiring the inclusion in all such bills, statements of program goals and expected impact which would also be included in the GPRA strategic and operating plans.

The enforcement provision: We propose that there be in the Senate a requirement of a 60-vote majority to waive any of the above rules and an analogous provision for the House of Representatives.

We make some suggestions to strengthen the Government Performance and Results Act and I—with a main suggestion that I would bring to your attention is our recommendation to amend GPRA to merge strategic and operating planned segments and annual performance report segments for similar programs in multiple agencies so we can look at goals and measures and results across agencies and programs, rather than just strategic plans by strategic plan, performance report by performance report. We think this is consistent with the administration's initiative in the 2004 budget to pilot the development of common performance measures across similar programs, which we applaud.

So, thank you very much, Mr. Chairman and the members of both subcommittees. We're really encouraged by your interest in this, and we would like to offer our support and assistance as you take this issue further. Thank you very much.

Mr. HORN. Well, thank you for that comment.

[The prepared statement of Ms. McGinnis follows:]

Testimony of Patricia McGinnis
President and CEO, The Council for Excellence in Government
Before the Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations of the House Committee on Government Reform
And the Subcommittee on the Legislative and Budget Process of the House Committee on Rules

September 19, 2002

Mr. Chairman, Madam Chairman, and members of both subcommittees, I am honored to be with you today to discuss linking program funding to performance and results. I commend you for your leadership in arranging this joint hearing to consider this important issue and the role of Congress.

The Council for Excellence in Government is a national, non-partisan organization whose members (we call them Principals) previously served in government and are now in the private sector. The Council's strategic priorities are to:

- Attract and develop the best and brightest in public service;
- Engage citizens and improve their trust and confidence in government;
- Promote electronic government as a tool to improve the operations of government and connect it to the American people; and
- Encourage innovation and results-oriented performance in government.

Improving the development and use of performance data to inform decision-making in the Executive Branch and Congress will go a long way toward achieving excellence in government and increasing the public's trust and confidence.

The Council's work in this area includes several proposals for specific actions by Congress and the Executive Branch to enhance the use of performance information in the decision-making process. Before I share those ideas with you, allow me to offer some historic context.

Attempts to link decisions about the design and funding of programs to their performance were significantly advanced with the enactment of the Government Performance and Improvement Act of 1993 (GPRA), and given renewed impetus by the inclusion of "budget and performance integration" in President Bush's Management Agenda in August 2001 and the development of the Program Assessment Rating Tool (PART). But the focus did not begin with these important actions.

Virtually every President in the latter half of the 20th Century had an initiative with similar goals, though under different labels. Arguably, the Budget and Accounting Act of 1921 initiated the modern attention to performance issues. President Truman's Hoover Commission urged that the budgetary concept of the federal government be called "a performance budget." President Johnson launched the Planning, Programming and Budgeting System in 1965 to find new ways to do jobs faster, better and cheaper. President Nixon began his Management By Objectives initiative in 1973 and asked each department and agency head to seek a sharper focus on results. And President Carter announced his Zero-Based Budgeting initiative in 1977, as a result of federal budgeting, which he called inefficient, chaotic, and virtually uncontrollable by either the President or the Congress.

The lesson to draw from this history is that the focus on integrating performance data more thoroughly in the decision-making process, for resource allocation as well as for program design, is a consistent, basic theme of government improvement efforts. Each succeeding effort teaches a little more about how we might improve and what pitfalls might be avoided.

The implementation of GPRA, as well as the current administration's Management Agenda and budget strategy—which are both centered on enhancing the use of performance data--leads me to believe that the time is right to push these ideas still further, especially in the direction of engaging the congressional appropriations and authorizing processes in the dialogue more effectively.

Despite enactment of GPRA and a series of other very important management improvement laws that originated in the government reform and governmental affairs committees, most decisions regarding federal program authorization and appropriations by Congress do not adequately use performance data that includes the findings of rigorous evaluations of the net impact of particular program interventions.

Comptroller General Walker's emphasis on performance measurement has put GAO in a strong position to support efforts in Congress to use such performance data more effectively.

In the Executive Branch, we believe that the President's budget and performance integration initiative--including OMB's new Program Assessment Rating Tool--represents a major and unprecedented step toward effectively using evidence of program effectiveness in making federal funding decisions. This initiative may help us to realize the promise of GPRA: to "improve the confidence of the American people in the capability of the Federal Government, by systematically holding Federal agencies accountable for achieving results."

However, the President's initiative, including OMB's rating tool, could be significantly improved by using, wherever possible, the results of rigorous evaluations of the net impact of program interventions.

A successful and important precedent for the use of such rigorous, controlled studies to measure program effectiveness is federal welfare and employment policy. For the past 20 years, the Department of Health and Human Services has funded or facilitated more than 85 randomized controlled studies of state-level welfare-to-work programs and other employment programs for the poor.

As a result of this investment, we now have a cumulative body of evidence on the effectiveness of state-level welfare-to-work programs. These studies have yielded valuable conclusions about program effects on the employment, earnings, welfare benefits, and overall financial well-being of participants, the school achievement of their children, and other important outcome measures. This kind of performance data is critical to decisions about the design and funding of such programs.

The Council has developed a series of recommendations to promote the effective use of performance data by Congress and the Executive Branch. These recommendations are detailed in a discussion paper called *Linking Resources to Results*, which was the product of a joint effort between the Council and the Committee for Economic Development, a business group with a strong record of achievement and engagement in government improvement issues. I have provided a copy of the discussion paper for the record, and additional copies are available here today.

Linking resources to results remains largely an unrealized goal, as Congressional and Executive Branch decisions about resource allocation are not routinely based on demonstrated effectiveness. A recent GAO survey of federal agency program managers, for example, found that a strong commitment to achieving results was not a priority for top agency leadership. The survey also found that performance information in key management activities was infrequently used.

We've identified a series of institutional and procedural changes that would lead to a quantum improvement in the quality, quantity, timeliness and utility of performance data.

First and foremost would be the creation of a Congressionally chartered, nonpartisan Center for Domestic Program Assessment whose sole mission would be to strengthen and help institutionalize the link between government resource allocation and program design decisions and demonstrated program effectiveness. Such an entity would assess and report regularly--and publicly--on the progress in resolving the country's most significant domestic issues. It would produce high-quality analysis of program and policy performance, present it in a timely fashion and provide it to key decision makers and other stakeholders in a way that could be easily and effectively utilized.

I want to make clear that this Center would not replace existing evaluation and analysis capabilities. Rather, it would build on that work and knit together and coordinate other findings on program results with its own.

Second, and with equal importance, we recommend specific changes in Congressional and Executive Branch procedures that will enhance the use of performance information in agency decision-making.

Specifically, we call for statutory set-asides for program evaluation, in order to support high-quality evaluation of individual programs by the federal agencies.

We also propose new Congressional oversight and evaluation procedures, including powerful enforcement provisions, to ensure full use of evidence on program effectiveness and new Executive Branch procedures to maximize the use of evaluation results. These include changes to House and Senate rules that would require:

- authorizations for appropriated programs, mandatory spending programs, and significant tax expenditures to include a mandate for an evaluation of net impact as a condition for floor consideration;
- oversight hearings and reports on documented performance before reauthorization;
- evidence of potential effectiveness for new programs before floor consideration;
- "sunset" provisions (at least every five years) for all major authorizations, mandatory spending programs, or tax expenditures, in order to permit Congress to take into account the performance record before voting on extension of the program; and
- inclusion in all such bills statements of program goals and expected impact which would also be included in agency GPRA Strategic and Operating plans.

To make clear Congress' commitment to these rules and their goal of raising the quality of government performance, we also propose that there be in the Senate, a requirement of a 60 vote majority to waive any of the above rules, and an analogous provision for the House of Representatives.

We also suggest recommendations to strengthen the Government Performance and Results Act.

As you are aware, GPRA was the first major statutory effort in more than eighty years to link resources to results. We applaud and encourage the progress that has been made by many agencies in establishing measurable performance goals. But more can--and should--be done, particularly additional efforts to obtain and put to work more high-quality evaluation data on results to inform better decision-making.

Of special note is our recommendation to amend GPRA to merge strategic and operating plan segments and annual performance report segments for similar programs in multiple agencies. Doing so would demonstrate to Congress—and the public—how relevant programs are addressing a common problem. This recommendation is also consistent with the Administration's initiative in the 2004 budget to pilot the development of common performance measures across similar programs.

In our full report, you will also find recommendations for new Executive Branch procedures to maximize the use of independent, rigorous evaluation results.

Together with GPRA, the budget and performance integration initiatives of this administration, these recommendations comprise a systematic and effective strategy to link resources to results. Such a strategy would fundamentally improve the performance of government in addressing our most pressing social and economic needs, and make a major contribution to the quality of American life. In addition, these recommendations would enable and empower Congress and the federal agencies to overcome many of the barriers that now prevent or slow the generation and effective use of results data.

These recommendations are realistic and workable . . . they are not, however, easy, and I recognize that getting widespread acceptance of such ideas may be a challenge. But now there may be real momentum and appetite for change.

The interest of your two subcommittees, coupled with the administration's management agenda, budget strategy and other initiatives is evidence of that.

In closing, let me briefly tell you of several ways in which the Council continues to press forward on the results agenda:

- We house the Coalition for Evidence-Based Policy, a group of distinguished former officials and researchers committed to expanding the use of the highest quality evaluation data to inform government decision-making. In November, the Coalition will hold a major forum with the Secretary of Education and other education policy leaders to support education policy-making based on rigorous evidence of program effectiveness.

- We co-founded the Government Performance Coalition, an association of a dozen non-profit groups and scholars committed to the advancement of results-based government. Last year, the Coalition, with the support of the PricewaterhouseCoopers Endowment for the Business of Government, published "Memos to the President: Advice from the Nation's Top Public Administrators."

- Our popular Excellence in Government Fellows program is the premier leadership development series for up and coming mid-career managers. Results-based management is a primary theme of this yearlong program.

- The Council partners with *Government Executive* magazine to sponsor the annual Excellence in Government Conference which showcases speakers and workshops on current issues in results management to 1000 government managers and leaders.

- In partnership with the Kennedy School of Government and the support of the Ford Foundation, we annually recognize winners of the Innovations in American Government awards, which feature advancements in results-based management.

Mr. Chairman and members of the subcommittees, the Council is greatly encouraged by the fact that you have held this hearing to spotlight such important issues. I would like to offer our support and assistance in developing further any and all ideas that would improve the use of performance in decision-making in Congress and the Executive Branch.

Thank you.

March 2002

Linking Resources to Results

A Discussion Paper

Co-sponsored by the Council for Excellence in Government and the Committee for Economic Development

I. Introduction

There is once again in Washington much talk of the need to relate more resource allocation decisions to the demonstrated effectiveness of government programs. This interest, periodically revived over the years, was brought newly to the fore by enactment of the Government Performance and Results Act of 1993 (GPRA), and given particular focus by the Bush Administration's stated commitment to relate budget and management decisions more directly to program results beginning with its fiscal year 2003 budget justifications. It was further reinforced by the President's recent promulgation of a new Management Agenda, a central goal of which is to allocate scarce federal resources to programs and managers that deliver results.[1]

To achieve this goal, it will be necessary for decision makers to undertake the hard, costly, time consuming, and sometimes politically risky steps to produce and use better performance data. This paper proposes ways to help decision makers take those steps, including:[2]

1. First and foremost, the creation of an autonomous, nonpartisan, entity -- a Center for Domestic Program Assessment -- that would produce high-quality analysis of program and policy performance, presented in timely fashion and in ways decision makers can use. The Center would encourage and support evaluation of individual programs by federal agencies and have the capacity to initiate such evaluations where necessary. It would assess the cumulative performance of programs in multiple agencies addressing aspects of the same problem, in ways that individual executive branch agencies or Congressional committees do not normally do.

   If the Center were successful in generating higher-caliber analysis and disseminating it at key junctures in the decision process, it would create a climate of public debate on results that should have substantial influence on policy and budget deliberations. For example, if the Center were now in existence, it could help inform the ongoing Congressional deliberations on reauthorizing the Elementary and Secondary Education Act by providing a detailed assessment of the impact of various education initiatives on student achievement. If the Center had existed in the early 1990s, it could have informed

[1] *The President's Management Agenda*, Executive Office of the President, Office of Management and Budget, August 2001.
[2] We focus on the domestic program arena because that is the area the authors know best, but the generic issues in national security and international affairs are similar and deserve comparable attention by others.

Congressional deliberations on the 1994 Omnibus Crime Control and Safe Streets Act by providing high-quality assessments of existing community policing initiatives, school-based crime prevention strategies, initiatives to recruit and deploy additional police officers, and other crime prevention and control activities.

2. Expanded Congressional oversight on demonstrated results as a more direct input into program design and resource allocation decisions, and the establishment of set-asides in law for high-quality evaluations of net program effects.

3. Greater and more active consideration of results in the executive branch's development of budget and legislative proposals and budget justifications.

The notion of establishing a clearer link between results and resource allocation is hardly new to Washington. Most participants in the program design and budget process at all levels firmly believe they are in fact basing their positions on the best information available to support the potential effectiveness of choices. Still, something must be missing if a law must be enacted to attempt to formalize the link. GPRA itself followed a succession of high-profile efforts in the preceding 30 years, most prominently President Johnson's Planning-Programming-Budgeting System, President Nixon's Management By Objectives, and President Carter's Zero-Based Budgeting. The general demise in just a few years of each earlier effort demonstrates the barriers facing GPRA and the Bush Administration in institutionalizing the concept and practice of linking resources to results.

GPRA may hold more promise than its predecessor executive branch approaches because of its statutory status and its attempt to engage the Congress and interest groups in the required performance planning and reporting processes. So far, however, GPRA has not received significant attention from most agency leaders or most in Congress, has not generated any material increase in the funding or use of high-quality evaluation, and has not increased attention to major management challenges.

None of the earlier short-lived efforts nor the currently limited effectiveness of GPRA should obscure the importance of responding effectively to the impulse that inspired them all. The need for better linking of resources to results grows steadily more urgent as the size and reach of government, and the public's demand for services and benefits, continue to expand. Whether the budget is in deficit or surplus, there are never enough resources to meet all demands. In addition, the recent terrorist attacks on our nation may, over the long run, significantly diminish the government resources available for domestic programs, and thus increase the imperative for existing resources to be deployed more effectively. Improving the link between resources and results is crucial to getting better value for resources invested and real improvement in government performance.

While we are not under any illusions that the proposals discussed here could be quickly or easily brought to reality, we do believe that now is the right time to put them forward and get the debate moving. The President's commitment to this issue is reflected in his new Management Agenda, which seeks to allocate federal resources to programs that deliver results,

and in his promise to breathe new life into GPRA. The President's commitment is further reflected in his statement, when he was the Governor of Texas, that:

> "Government should be results-oriented – guided not by process but guided by performance. There comes a time when every program must be judged either a success for a failure. Where we find success, we should repeat it, share it, and make it the standard. And where we find failure, we must call it by its name. Government action that fails in its purpose must be reformed or ended."[3]

Other developments in the policy climate in Washington also suggest the time is right for this initiative. For instance, the General Accounting Office (GAO) is increasingly focused on performance issues, beyond its traditional charter to monitor financial integrity. *Government Executive* magazine annually investigates and grades federal agencies on their performance and, with the support of the Council for Excellence in Government and others, hosts the biggest annual conference on excellence in government. The Senate Committee on Governmental Affairs draws persistent attention to performance issues. Conferences on performance management, measurement, and budgeting by the National Academy of Public Administration and others dot the calendar year round. More than a dozen nonprofit organizations have joined in a Government Performance Coalition to serve as a collective voice calling attention to performance improvement.

With the ideas advanced in this paper, therefore, we hope to build on the current favorable climate for increased focus on results and stimulate discussion and action for more effective ways to realize the goal.

Former Senator Alan Simpson said:

> "In politics, there are no right answers, only a continuing flow of compromises between groups, resulting in a changing, cloudy and ambiguous series of public decisions, where appetite and ambition compete openly with knowledge and wisdom." [4]

We believe that these compromises, or decisions, need to and can be better informed, and thus more effective, if public leaders accept the challenges in this report to develop new institutional and procedural improvements that would better support linking resources to results. If that happens, then the balance in Senator Simpson's vision can shift significantly, away from "cloudy and ambiguous" and toward "knowledge and wisdom" as the more prominent characteristics of domestic policy decision making.

II. The current decision-making process falls short in linking resources to results.

Ideally, government should base its action on the best available data about the problem at hand; set clear, measurable goals; carry out a logical strategy to achieve those goals that is based on the best available data; track performance from the outset; and take timely corrective action

[3] Op. cit., no. 1, p. 27.
[4] Statement of Senator Alan Simpson, quoted in a *Congressional Record* insert, December 19, 1995, p. S18925.

when program data indicate difficulties. In parallel, government should carefully evaluate its actions over a period sufficient to show whether the goals are being achieved, what contributed to success or failure, and what alternative approaches might be necessary. It should allocate resources in significant measure in relation to the performance achieved. Its focus should be on the results, or net impact, of its actions, defined as what happens that would not have happened in the absence of the action, at what cost, and with what degree of cost effectiveness. Each of government's periodic creations of results-based approaches has incorporated these principles.

The reality is often quite different. While virtually every law has "purpose" statements that establish the public policy goals it is intended to achieve, most resulting programs actually focus on input, process, and short-term outputs, whose causal relationship to achievement of the goals is tenuous at best. Programs whose purpose is to raise educational achievement focus on numbers of children "served." Welfare resources justified on the basis of helping the poor get off welfare for the long term are measured in terms of immediate reductions in welfare caseload.

GPRA is intended to redirect the system to its principles by establishing measurable long-term goals, annual performance plans, annual measures of progress, and public annual reports. The data it produces is intended to be a major influence on resource allocation and program design decision making. Though all observers acknowledge that progress has been made, here are two recent assessments indicating how far the system has yet to go:

> "Progress [on the utilization of information produced by GPRA] has been disappointing. Unless the results information agencies produce is used to make future management and resource allocation decisions, then GPRA becomes a paper exercise.... Congress and the Administration must demonstrate that results information will be a major influence in future decision-making."[5]

> "Based on the results of our government-wide survey of managers at 28 federal agencies, many agencies face significant challenges in instilling a results-orientation throughout the agency.... At 11 agencies, less than half of the managers perceived to at least a great extent, that a strong top leadership commitment to achieving results existed.... At no more than 7 of the 28 agencies did 50 percent or more of the managers respond that they used performance information to a great extent for any of the key management activities."[6]

There are a host of barriers that make achieving the ideal resource allocation and program design process difficult, including most prominently: (1) barriers to the generation of high-quality program and policy evaluations, and (2) barriers to the government's use of what evaluations there may be. The following sections highlight these barriers. The recommendations we offer for debate demonstrate how each barrier can be addressed.

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[5] Testimony by The Honorable Maurice P. McTigue, Distinguished Visiting Scholar, Mercatus Center at George Mason University, before the House Committee on Government Reform, June 19, 2001.
[6] Testimony by J. Christopher Mihm, GAO Director, Strategic Issues, before the House Committee on Government Reform, June 19, 2001.

III. Barriers to the generation of high-quality program and policy evaluations.

A. Agencies often do not set measurable performance goals against which the agency and its programs need to be evaluated.

In its review of selected agency strategic plans in 1999, the Council for Excellence in Government found few agencies successful in setting measurable goals. Many agency goal statements are high rhetoric more suitable to broad mission statements than to goals intended to guide the specifics of annual performance plans that lead to achievement of measurable results. For example, the Treasury Department, in its strategic plan published in 2000, identified these goals:

- "Apply sound governmental policy on all relevant governmental issues."
- "Make wise capital investments."

Setting measurable impact goals well is not easy for most program areas with decades of traditions of short-term process focus, but measurable goals can be defined. In 1989, President George H. W. Bush and Arkansas Governor Bill Clinton convened a National Governors Summit on Education. They issued six clearly measurable national education goals to be achieved by the year 2000. These included: "By the year 2000 all children will start school ready to learn," and "By the year 2000 the high school graduation rate will increase to at least 90 percent."

One can argue that these goals seem as unrealistic as the ones cited above, but here, specific, measurable time and achievement goals were included that lend themselves to strategies for achievement and that permit an interested public to hold the government to account if they are not achieved. This bipartisan coalition did not last into the stage of developing program strategies and funding to achieve the goals, so we can't know how well the authors might have taken the responsibility to devise workable solutions, or to evaluate their efforts. Furthermore, there was little focused public reaction either to the goals or to the obvious failure to achieve them as the years passed. Still, the episode is worth marking as an example of how relatively clear and measurable goals can be defined by political leadership in a major policy area.

The fact that agencies often do not set measurable goals that require corresponding impact evaluations to measure results suggests that revisions in the government's goal-setting procedures are needed. This paper will recommend ways in which the Congressional authorization process for domestic programs might be adjusted to help achieve this objective.

B. The fragmentation of goal-setting among the federal agencies creates little demand for the government-wide policy evaluation that is needed to address national needs.

Even if individual program or agency goals are defined well, in many domestic program areas, they do not by themselves capture all the major efforts that go into meeting a national need. As agency GPRA Strategic Plans (where five-year performance goals are codified)

generally reflect, most agencies define their goals either in global terms that cannot be met by the agency's action alone, or in terms of their programs' reach, without acknowledging the limits of the programs to achieve the larger goal. GPRA identifies this issue but has not by itself led to effective responses. GPRA calls for recognition of partners at the federal, state, local, interest group, and private sector level, but the goals are rarely described in terms of the actions needed by multiple actors to achieve them.

For example, the labor market policy goals of the Labor Department rarely take into account the expected impact of the education policies of the Education Department on workforce skill levels or the economic development policies of the Commerce or Agriculture Departments on job creation, all of which should clearly contribute to government's efforts to raise earnings and income. Similarly, the national goals for early education and child care are defined independently by Health and Human Services' (HHS) Head Start program, HHS' separate multi-billion dollar child care program, the multi-billion dollar child care tax credits at the Treasury Department, and the Education Department's several related programs.

The GAO says, "Virtually all of the results that the federal government strives to achieve require the concerted and coordinated efforts of two or more agencies.... Crosscutting program areas that are not effectively coordinated waste scarce funds, confuse and frustrate program customers, and undercut the overall effectiveness of the federal effort."[7]

The same overlap applies to Congressional committee jurisdictions. The four major agencies spending more than $1 billion each on multiple programs for early childhood education and child care (Education, HHS, Agriculture, Treasury) are overseen by four different committees in the House and in the Senate. An Environmental Protection Agency official asserts that 35 subcommittees oversee that agency's activities.

With such fragmentation of the goal-setting process, there exists very little demand for the rigorous evaluation of programs and policies from a government-wide perspective. To address this issue, this paper will recommend revisions to GPRA and the Congressional oversight process to foster greater coordination among the federal agencies and Congressional committees in setting goals and evaluating programs from a government-wide perspective. In addition, as discussed below, one of the central purposes of the new Center for Domestic Program Assessment would be to provide the government-wide policy analysis and evaluation needed to address national needs.

C. Carrying out high-quality evaluations requires researchers with significant expertise in study design and implementation, as well as sharp political skills.

Even well-specified goals by program or across programs in the same area, are of limited value to governance if they are not accompanied by effective efforts to discover whether they are being met. That is the role of rigorous evaluation and careful experimentation and demonstration.

[7] Ibid.

There are many forms of evaluation for various purposes,[8] but many researchers and policy analysts concur with GAO's assessment that "Impact evaluations are the most definitive method for determining a program's effect on its participants."[9] Program impact evaluations, as discussed in GAO's assessment, include:

- Studies employing experimental designs, in which eligible individuals are randomly assigned either to a group that will receive services from the program being studied or to a control group that will not receive services from the program. The relevant outcomes of these two groups are measured and compared, and any differences found between the two can be attributed to the program.
- Studies employing quasiexperimental designs, in which the outcomes for a group of program participants are compared with the outcomes for a non-randomly selected comparison group with similar characteristics.

Well-designed impact evaluations are not easy to carry out. They require researchers with significant expertise in study design and implementation, to ensure, for example, that the study effectively measures the key outcomes of interest to decision makers, includes a sample size large enough to generate statistically-meaningful results, and uses control or comparison groups that are statistically equivalent to the group of program participants being studied. Judith Gueron, the president of MDRC – an organization that has implemented many of the large-scale, experimental evaluations of state welfare-to-work programs – also emphasizes that researchers need sharp political skills to ensure that the staff of the program being studied, as well as the study participants, cooperate and assist in carrying out the study.[10]

Even when evaluations are carefully designed and carried out, they cannot be expected easily to find broad agreement, acceptance, and use. As the *Washington Post* reported, "Extensive studies on particular programs often are inconclusive, or the results have been disputed by partisans on both sides."[11] However, Charles Schultze – the former Director of the Office of Management and Budget (OMB) and Chairman of the President's Council of Economic Advisors – argues that, without good evaluations, policy is subject to the "naïveté of the decision maker who ignores resource constraints and believes that virtue alone produces efficiency."[12]

One of the primary reasons why this paper proposes a Center for Domestic Program Assessment, as discussed below, is to provide federal agencies and others with an independent, authoritative source of the expertise they need to carry out high-quality impact evaluations.

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[8] For valuable survey of the variety and uses of alternative evaluations, see Katherine Newcomer, "Using Evaluation to Support Performance Management: A Guide for Federal Executives," Pricewaterhouse Coopers Endowment for the Business of Government, January 2001.

[9] *Early Childhood Programs: The Use of Impact Evaluations to Assess Program Effects*, General Accounting Office, GAO-01-542, April 2001.

[10] Judith M. Gueron, "The Politics of Random Assignment: Implementing Studies and Impacting Policy," presented at Harvard Faculty Conference, June 27, 2000.

[11] Glen Kessler, "Finding Federal Spending's Dividends," *The Washington Post*, May 1, 2001, p. A11.

[12] Charles L. Schultze, *The Politics and Economics of Public Spending,* Brookings Institution, Washington, DC, 1968.

D. Government decision makers often do not allocate sufficient funding for high-quality impact evaluations.

Through much of the 1960s and 1970s, as discussed by Henry Aaron[13] and Richard Nathan,[14] there was a general increase in interest, funding, and implementation of social experiments and other forms of impact analyses. In part, this was attributable to the discovery of new analytical techniques in economics combined with a belief in the efficacy of social interventions. Later, however, funding for evaluation in federal agencies declined, and the anticipated increase in evaluation activity after passage of GPRA has not yet materialized. After the 1994 Congressional election, the new majority repeatedly reduced research and evaluation budgets, arguing that the Administration had used studies more for advocacy than analysis.[15]

Aaron suggests that the decline is attributable in part to a naïve view of government and the political process among analysts, as well as mixed evaluation findings offered by analysts to policy makers.[16] Nathan follows on this logic by noting that although there is existing demand for evaluation findings and other analyses, there is the problem of advocacy research filling gaps and being taken more seriously than policy analysis, which often takes more time to carry out and is more costly to underwrite.[17]

The late Elliot Richardson noted that the evaluation process was on occasion "politicized by the party in power or fought over by competing constituencies – outcomes not likely to have occurred had the program's objectives been clear from the beginning. When you also take into account evaluation's lack of political sex appeal and consequent vulnerability to budget cutters, it is perhaps not surprising that its hey-day was cut short."[18]

More generally, politicians of both parties in the White House, the agencies, or in the Congress are essentially impatient, wanting data and solutions to problems within their terms of office -- which for many appointees average 18 to 24 months. They are usually unwilling to invest the money and staff effort in the long-term strategies that are often needed to determine the net impact of programs and policies, within one program or across the several programs affecting a given issue.

This paper will recommend steps to increase the resources allocated for high-quality impact evaluations. For example, it will propose modifying Congressional rules to require such evaluations and the needed funding as part of the program authorization and appropriations processes.

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[13] Henry J. Aaron, *Politics and the Professors*, Brookings Institution, Washington, DC, 1978, p. 151.
[14] Richard Nathan, *Social Science in Government*, Rockefeller Institute Press, 2000.
[15] See, for example, cuts in the research and evaluation budgets of the Food and Nutrition Service and the Education Department.
[16] Henry J. Aaron, "Politics and the Professors Revisited," Richard T. Ely Lecture, Washington, DC, August 21, 1989.
[17] Op. cit., no. 14, pp. 199 - 205.
[18] Unpublished preface to a report for the Council for Excellence in Government and the Hitachi Foundation.

E. Agencies and grantees sometimes resist rigorous evaluation.

Fear of unpalatable evaluation results and the resulting consequences if the study is negative (loss of funding or political confidence) can deter enthusiasm for good evaluation within an agency. Negative findings can also forestall the agency's ability to obtain the cooperation of states and other grantees for future evaluations.

Beginning in the early 1970s, the Labor Department took bold steps to carry out longitudinal net impact studies of its job training programs, at a cost of several million dollars per year.[19] After the initial study had run for several years, it was clear that the comparison group approach chosen (matching earnings and employment data from Social Security records) would not suffice. Labor then shifted to a random assignment approach, a far more difficult method, but one that holds greatest promise for clear net impact findings. The new approach produced meaningful results in the early 1990s.

To oversimplify, the study showed that adult programs had small but significant positive net effects (defined as increases in enrollee earnings and employment compared to the comparison group) for some. The findings for youth programs were highly negative. The agency did not have a strong program response to offer to the youth findings (e.g., imposing criteria to fund only successful programs while instituting reforms of others). Both the Administration and Congress cut funding sharply, justifying the action by reference to the study. In subsequent years, local grantees recalled the experience and strongly resisted participating in new studies, blaming the study rather than the poor performance for the loss in funds. To its credit, Labor continues to believe in the necessity for impact evaluations.

The pre-1996 welfare law permitted HHS to waive certain provisions for state welfare reform demonstrations if the demonstrations were accompanied by well-designed impact evaluations. Often a state was more interested in obtaining the flexibility to pursue a model it favored than in the complex evaluation needed to validate the model, studies that might demonstrate that the policy model was not as effective as its supporters hoped. It was thus not uncommon for states to resist the requirement for evaluation and difficult for HHS to hold firm. In some cases, only the requirement for OMB approval assured that some waivers were accompanied by the necessary studies.

Many of this paper's recommendations, discussed below, are designed to surmount such resistance to rigorous evaluation. For example, the independent Center we propose is designed in large part to serve as a counterweight to such resistance, by increasing the public visibility and understanding of evaluation results, highlighting their relevance to program design and funding deliberations, and increasing the incentives for agencies to undertake rigorous program evaluation.

[19] The authorizing statute then was the Comprehensive Employment and Training Act, but the later change to Job Training Partnership Act did not materially alter the training program activity (versus the much more controversial subsidized employment programs).

F. Political pressures on evaluators can be a barrier to high-quality program evaluations.

Program evaluators are usually agency staff and contractors. They work in a political context and are subject to pressures that can influence their analysis.

The authors of the 1983-1987 *National Assessment of Chapter 1* (the largest federal elementary and secondary education program) cited the greatest challenge in all aspects of the study as the continual need to find the balance between the desires of the Democratic House of Representatives (sponsor of the study) and the Republican executive branch. In the end, they opted for structuring the study design and analytical approach to satisfy the desires of the Congressional staff who had been in place longest and whom they had reason to believe would still be there long after the administration of that day had departed.[20]

One key virtue of the independent evaluation Center we advocate is its ability to be an effective buffer between evaluators and political pressures from inside and outside the program agency. Even the knowledge that such an entity will be providing timely critical comment on an agency's major study would be an effective deterrent to some forms of pressure to slant results.

G. Existing government analytical agencies, such as the GAO, Congressional Budget Office (CBO), and OMB do not now undertake independent, complex impact evaluations.

The analytical agencies of the Congress and Executive Office of the President do not actually conduct complex evaluations, though GAO does do some independent research. In the main, they collate, assess, and apply what others have done. For reasons of charter, tradition, and placement, the work of the Congressional Research Service and the CBO (though not the GAO) focuses on analysis, not recommendations. CBO has great power to affect resource level policy through Congressional rules that require consideration of its cost estimates as against Congressional budget resolution levels before passing bills, but CBO does not generally make program or funding-level policy recommendations that might improve the effectiveness of the spending it estimates.

For more than a decade, from the early 1980s to the early 1990s, Congress had the benefit of a remarkable agency, the Office of Technology Assessment (OTA), to provide it with independent analysis of major science and technology issues. OTA was designed to provide analysis free of control of either house of Congress or political party (though there was ample opportunity for member input in its choice of topics and in judging the quality of its products). The story of OTA's demise is muddied somewhat by partisan arguments on both sides, but few seem to deny the value of most of its work to the deliberations of Congress.[21]

GAO has traditionally focused most heavily on the essential issues of financial integrity and the old triptych of "fraud, waste, and abuse." In recent years, especially under the leadership

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[20] Beatrice F. Birman and Mary M. Kennedy, "The Politics of the National Assessment of Chapter 1," *Journal of Policy Analysis and Management*, vol. 8, no. 4, 1989, pp. 613-632. See especially the comments by the leading Congressional staffer and the assistant secretary to whom the researchers nominally reported.

[21] See, for example, Peter D. Blair, *Technology Assessment: Current Trends and the Myth of a Formula*, 1994. Also, Warren E. Leary, "Congress's Science Agency Prepares to Close Its Doors," *New York Times*, September 24, 1995.

of Comptroller General David Walker, GAO's emphasis is shifting to assessment of how well programs work and how well government is performing in the context of national need. Still, GAO remains bound by its requirement to respond to the requests of the Congress, which, while subject to some negotiation with GAO on scope and focus, reportedly drive some 95 percent of its work.

In addition, Congressional control of GAO appropriations is a tool that Congress can use to try to influence GAO's work. For example, in the mid-1990s, the new Congressional Republican leadership cut GAO's appropriation by 25 percent, based on their perception that it had become a tool of Congressional Democrats. Defenders of GAO countered that its agenda is determined primarily by the party in power, which in preceding years had been the Democratic party.[22] Regardless of the merits of the argument, the incident represents a case in which Congressional control of GAO appropriations was apparently used to penalize GAO for pursuing a particular agenda.

OMB serves in an advisory role to the President, and in that role seeks to learn and apply evaluation work that others have done in advising the President on policy and resource allocation options. But OMB does not undertake its own impact evaluations nor have extensive expertise in high-quality impact evaluations. Furthermore, OMB is constrained, by virtue of its institutional position, to adhere to the President's current policy stances in its public statements.

The Center that we recommend below is designed, in part, to fill the need for an independent institution that has expertise in high-quality impact evaluations and, where necessary, the ability to carry out such evaluations. It would thereby serve a unique function that the existing government analytical agencies such as GAO, CBO, and OMB do not now serve.

IV. Barriers to government's effective <u>use</u> of high-quality program evaluations.

A. Decision makers are often unable to sort out conflicting evaluation data, and conflicting interpretations of the data.

Virtually every policy proposal is accompanied by the sponsor's statement that its direction is the one indicated by current research and evaluation. Opponents often simultaneously offer alternative assessments of the data or cite studies supporting different views. Advocacy groups on all sides aggressively promote their particular view of the problem and how the data support their position. The data reviews of each participant in the debates are, of course, selective, intended to support the proposed position, but the fact they are present at all indicates the widespread recognition of the value of demonstrating a research and evaluation base for policy proposals. Often missing from the debate is a balanced appreciation of the whole body of applicable information from a reliable, disinterested source.

[22] John Heilemann, "Proof That Gingrich & Co. Don't Know What They're Doing," *The Washington Monthly*, vol. 27, January 1995, p. 14.

For example, Success for All (SFA), a reading program developed by Robert Slavin at Johns Hopkins University,[23] has generated widely differing reports on its effectiveness. There is research that supports the effectiveness of SFA and research that challenges it. One writer argues that SFA is mostly based on research done by the developers of the program, not objective analysts.[24] On the SFA website, the program developers reject this contention.[25]

The Job Corps works with highly disadvantaged youth normally in a residential setting. From its beginnings in the 1960s it has been attacked for high costs, low overall benefits in relation to costs, and limited benefits to enrollees. It survived initially because of its status as the major program trying to deal with the most difficult youth, anecdotal success stories, and a strong external constituency. A major net impact evaluation using a comparison group methodology was launched in the 1970s, which by the early 1980s had produced data indicating significant positive net benefits.[26] The methodology was quite complex and like most such studies, open to question and differing interpretations. The Reagan administration did question the methodology and results as it attempted to cut program funding. The program survived, in part because of the positive evaluation findings.

A *Washington Post* article in May 2001, subtitled "Tax Cutters, Backers of Social Programs Debate Long-Term Economic Benefits,"[27] notes that "two programs under debate -- federal funding to reduce class size and Head Start, a preschool program for the poor -- demonstrate the difficulty of determining the impact of federal spending. In both cases, advocates and foes disagree sharply over whether the programs are effective, sometimes pointing to the same data to make their case." The debate over Head Start, with conflicting studies, ambiguous findings, and starkly different interpretations of the same or similar data, has been ongoing since the 1960s.

Sorting out the meaning of a body of data on any really important issue is not simple. Few studies are definitive; all require interpretation. Decision makers must somehow assess the validity of the assertions and claims of all sides. Nothing can or should prevent decision makers from using data as they wish to support their positions, but something more is needed to give them and the public a more balanced view of the data.

The Center for Domestic Program Assessment we propose would offer such balanced, non-partisan assessments. For example, it could help Congress and the federal agencies interpret the meaning of the whole body of evaluation research that bears on a particular policy issue, by reviewing the methodological strengths of the various studies, and reconciling and synthesizing their findings in a fair and meaningful way.

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[23] Success For All, http://www.successforall.net/about/whowearc.htm
[24] Debra Viadero. "Miami Study Critiques Success for All," *Education Week*, January 27, 1999.
[25] Success For All, http://www.successforall.net/resource/faqresearch.htm
[26] Conducted by Mathematica Policy Research for the Labor Department
[27] Op. cit., no. 11.

B. Often evaluation results are not available in time to influence decision making.

Large scale, multi-year program demonstrations and evaluations – the types most likely to yield reliable data -- are often not completed until after the associated policy had been decided on, a new program implemented, or the original problem diminished in importance (in fact or as a political matter). Evaluators and data analysts do not necessarily time their reports to when decision makers need their output, such as upcoming reauthorization dates or funding cycles. Decision makers themselves do not often authorize and fund analyses early enough to give them what they will need several years in the future.

Richard Nathan notes, "The negative income tax demonstrations [of the 1960s and early 1970s] were moderately successful as research projects, although much less successful as an aid to policy-making. Their results came very late in the policy process and were at best ambiguous from the point of view of advocates of the negative income tax concept."[28]

As noted earlier, the landmark 1996 welfare reform legislation that replaced Aid to Families with Dependent Children (AFDC) with Temporary Assistance for Needy Families (TANF) was preceded by years of small-scale demonstration programs testing different approaches to helping poor people get off and stay off welfare. Even the most dramatic provision of the 1996 law, a lifetime limit on receipt of benefits, was being tested under the AFDC waiver authority, but there were no findings ready in 1996. This dramatic policy shift was enacted without waiting for indications of its likely impact on families.

The reauthorization process for TANF, which receives $16 billion in federal funding annually, is underway. It will be informed by better but still not sufficient data on the time limits and other substantial issues. While the law continued substantial funding for welfare evaluation and research, including continuing studies of on-going AFDC waiver experiments, HHS decided not to attempt an overall impact evaluation of TANF.

As discussed below, a critical function of the Center that we propose would be to develop a long-term analytical agenda that is timed to coincide with critical points in the decision-making process, so that decision makers will have timely analysis to inform their program decisions.

C. No mechanism currently exists to ensure that programs are modified over time in response to evaluation results.

New programs are regularly launched in a spate of enthusiasm generated by public attention to a problem and the desire of decision makers to do something about it. After a time, tension between the initial intuition and data on actual program performance can increase, calling into question the program's original rationale or, more often, its specific design. If they ignore or downplay such data in the name of consistency with policy, decision makers can miss critical opportunities to restructure the program to make it effective. And they can miss the right time to cut losses and end the program to avoid wasting taxpayer dollars. The lack of a mechanism requiring response to data by lawmakers sacrifices a great deal of potential accountability to the public.

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[28] Op. cit., no. 14, p. 51.

An example of strong intuition confronting weak supporting data is the drug abuse prevention program called Drug Abuse Resistance Education (DARE), which sends police spokesmen into schools to teach children the bad effects of drug abuse.[29] DARE is extremely popular with police forces and parent groups.

A 1988 University of Illinois report on DARE evaluations[30] found little difference in the level of drug use based on whether students participated in DARE, and no positive outcomes that lasted into high school. A study by the University of Kentucky of more than a thousand students who participated in a sixth-grade DARE program found "no difference between those who received DARE and those who did not in their use of cigarettes, alcohol, marijuana or other drugs." The only difference was that those who received the training had lower levels of self-esteem."[31] The Justice Department itself funded a study by the Research Triangle Institute which found that DARE has a "limited to essentially nonexistent effect on drug use."[32]

Despite an abundance of negative findings like these, even in studies by the funding agency, DARE continues to receive high funding and its popularity is growing. The program can be found in all 50 states and in more than half of U.S. school districts, and has been adopted in 44 foreign countries.

Institutional mechanisms are needed to ensure that programs such as DARE respond and adjust to evaluation results over time. The recommendations that we discuss below are designed to create such mechanisms.

D. Neither Congressional nor executive branch processes for allocating resources are structured such that evaluation results are a meaningful input into resource allocation decisions.

Virtually all appropriators and appropriations committee staffers would assert that they use the best performance data available in making their decisions. Committee reports occasionally bemoan the lack of good data from agencies. On examination, however, the majority of appropriations bills and reports focus on process or output factors, such as numbers of individuals served or grants made, not on evidence of program impact.

The President's annual budget usually contains a chapter with selective data on performance that supports significant allocation decisions. The treatment, however, has been highly selective, as befits an essentially policy-driven document. Serious program management problems are discussed, but normally in a separate part of the budget books, without direct

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[29] Drug Abuse Resistance Education Program, http://www.drcnet.org/DARE/section1.html.
[30] Dennis P. Rosenbaum and Gordon S. Hanson, "Assessing the Effects of School-Based Drug Education: A Six-Year Multi-level Analysis of Project D.A.R.E.," *Journal of Research in Crime and Delinquency,* vol. 35, no. 4, November 1998, pp. 381-412. This report also found that "most of these studies are of limited scientific value because of their weak research designs, poor sampling and data collection procedures, inadequate measurement, and analysis problems."
[31] Diane Barnes, "DARE Indoctrination Fails to Work and Ends Up Endangering Families," *The Detroit News*, April 2, 2000.
[32] Ibid.

reference to the spending choices described elsewhere. (The Bush Administration has promised to improve this situation.)

Agency GPRA strategic and annual plans and performance reports are nearly always written without reference to resource needs. Arguably, this reflects the proviso that such documents not be used to appeal for greater or fewer resources than are proposed in the pending President's Budget. But without reference to resources, GPRA documents are not a serious reflection of the choices made in the agency to deliver performance. In many agencies, GPRA processes have been set apart from actual agency management processes and decision making.

As noted in the testimony referred to above from J. Christopher Mihm, GAO Director of Strategic Issues, there is a further layer of problem where more than one agency supports major programs aimed at the same domestic policy purpose, as happens frequently. It is extremely rare that multiple agencies dealing with the same issue collaborate on evaluation or on policy setting and virtually unheard of for them to work together to devise GPRA strategic goals or annual operating plans and success measures. Thus the disconnect between evaluation and resource allocation is further accentuated when multiple agencies and programs are addressing a common national need.

The recommendations that we outline in this paper are designed to foster the effective use of evaluation results in resource allocation decisions in all three of these areas – the Congressional appropriations process, the President's budget process, and the GPRA-related planning processes that support program management in the federal agencies.

E. Policy decisions that ignore evaluation results are not held up to public scrutiny.

Maurice McTigue of the Mercatus Center argues that "transparency" or disclosure are the missing ingredients, noting, "In my opinion, the limited use of performance information is due to the fact that there has been no consequence for either using or not using the information."[33] His views carry weight because as a Member of Parliament and Cabinet Minister in New Zealand, he was deeply involved in that nation's movement toward performance-based decision making and has seen the positive influence results data can have on elected and appointed officials.

In sum, there is much rhetoric but there are few practical incentives in the current system to generate and use high-quality impact evaluation to inform resource allocation and program design decisions.

* * *

V. Recommendations

In this section, we outline for debate characteristics of the institutional and procedural innovations that we believe would lead to a quantum improvement in the quality, quantity, timeliness, utility, and use of program evaluations to inform program design and management and resource allocation decisions.

[33] Op. cit., no. 5.

The principal recommendation is the establishment of a strong new capability to assess and report publicly on the results of programs and policies, that is linked to Congressional and executive branch decision making. This is followed by recommendations to change current institutions and procedures to make the best use of those assessments and to upgrade generally the incentives for linking resources to results.

Recommendation 1. The Center for Domestic Program Assessment

Overview. We recommend the establishment of a Congressionally-chartered, nonpartisan Center for Domestic Program Assessment, to strengthen and help institutionalize the link between government resource allocation decisions and demonstrated program effectiveness. The Center would lead the movement to upgrade the visibility and use of high-quality program evaluation. It would fill the many gaps in evaluation coverage of major programs and polices by systematically encouraging the funding of evaluation, monitoring the quality of evaluations, conducting missing evaluations where necessary, reporting regularly and publicly to decision makers on what works and what does not, recommending program redesign and funding changes indicated by the data, and continuously monitoring performance.

The Center is by no means intended to replace existing evaluation and analysis capabilities. It would build on that work, help improve its design by its overt use of the products, and knit together others' findings on program results with its own. As noted in recommendation 2 below, we particularly support regularizing the funding of agency evaluations through statutory funding set-asides.

What follows is a preliminary outline of the proposed Center's functions, agenda, board of directors, and funding, which is intended to serve as a starting point for future discussion. We recognize that significant additional deliberation is needed in such areas as the Center's governance structure, reporting mechanisms, and internal processes (e.g., peer review), to ensure that the Center's activities strike the right balance of independence from government and partisan politics on one hand, and accountability to the needs of Congress, the executive branch, and the public on the other.

Functions of the Center. The Center would assess and report regularly and publicly on the status of progress in resolving the country's most significant domestic issues, as evidenced by evaluation of the results of programs and policies. Its assessments and reports would take a government-wide perspective on policy issues, which may at times diverge from the more narrow, jurisdiction-based focus of individual agencies and Congressional committees. Of necessity, its analyses would put it in the position of commenting on how legislative goals and agency goals (e.g., in GPRA plans) are expressed, to help drafters specify goals in measurable ways. In addition,

- Based on this analysis, it would recommend changes in program design and resource levels. The proposed changes may, in some cases, cut across the jurisdictions of individual Congressional committees and federal agencies, when the evidence supports such an approach.

- It would assess the quality of available information on programs and management performance, support funding of new evaluations and data collections, and generate new evaluations with its own funds where needed.
- The Center would be a resource to agency evaluators as they design evaluations, focusing on selection of the most appropriate methodologies, helping ensure that the design adequately addresses the factors likely to affect results, and relating evaluations of individual programs to evaluations of programs in other agencies that are intended to have an impact on significant aspects of the domestic problem at issue.
- The Center would solicit, interact with, and record in its reports public views on programs. It would provide opportunities through electronic communications, public hearings, and the like for public interaction with its analysts.
- The Center would testify before Congress and the Administration on its views.

The Center's agenda and products. The Center would initially propose for public comment and input a long-term analytical agenda and schedule of issues to examine. Sequencing would tie in large measure to likely dates when government needs the best information before making its decisions (as in the examples below). "Out of cycle" analyses and agenda revisions would occur as indicated by the Center's on-going monitoring of data on domestic issue areas and the performance of programs. The agenda would be reviewed annually by the Center's Board of Directors (whose structure is discussed below), with input from decision makers and the public, to assure that its focus and timelines were still appropriate.

Examples of potential Center products:

- If the Center had existed in 1999, it would have produced a detailed assessment of the impact of elementary and secondary education programs on raising student achievement to inform debates beginning in that year (and still underway in 2001) on reauthorization of the Elementary and Secondary Education Act.
- Today, the Center might be producing similar assessments of the collective impact on early childhood education and childcare of the programs in Treasury, Education, HHS, and Agriculture to guide efforts to raise educational achievement through effective early intervention.
- If the Center had existed in the early 1990s, it would have informed Congressional deliberations on the 1994 Omnibus Crime Control and Safe Streets Act by providing high-quality assessments of existing community policing initiatives, school-based crime prevention strategies, initiatives to recruit and deploy additional police officers, and other crime prevention and control activities.

In each instance, the Center would look at state, local, non-profit and private sector efforts as well as federal government programs, so that it could present a full picture of the problem, efforts to address it, and new directions indicated, including but not limited to federal initiatives.

The Center's charter and institutional position. Although one can conceive of locating the Center within either the executive or legislative branches, or as a hybrid government entity (e.g., a "government-owned-contractor-operated" facility, as exist for certain research functions),

we do not believe that a government entity could have the needed independence and do not believe that creating new government agencies is a politically viable option in any case. We therefore suggest that the optimum structure for this Center is as an independent, non-partisan, well-funded, non-government entity.[34]

Much like the National Academy of Sciences, the Center would be chartered by Congress in a statute approved by the President, so that its connection to the government decision making processes would be clear.[35] The charter would specify the non-partisan, independent nature of the Center, and would also specify the Center's main functions, discussed above. In addition, the charter would establish incorporators to select the non-government members of the Board of Directors. If desired, the incorporators could be the sponsors of this study, The Council for Excellence in Government and the Committee for Economic Development.

Charter legislation could originate in the Senate Committee on Governmental Affairs and the House Committee on Government Reform, the committees that originated GPRA and other important government management reforms of the 1990s. The Center would represent for these committees a natural next step in their efforts to raise the quality of government performance. The charter legislation would charge these committees and the executive branch to collaborate on the funding of an independent evaluation of the Center and report findings to both branches and to the public.

Board of Directors. The Board would be composed of two types of members. The first type – non-voting, federal government members -- would be selected by the House, Senate, and the President from among elected and appointed officials. These directors would participate in all deliberations on the Center's agenda, judge and opine on the quality of its work and its reports, and represent the views of the federal government. The government directors would not, however, vote on board decisions on agenda or analyses. In this way, the Board would be insulated from direct government pressures but still responsive to government needs and views.

The government directors could also help ensure the accountability of the Center by conveying to the Congressional committees that originated the charter, and others, their views on the Center's success in: living up to its charter, maintaining the necessary level of excellence in its work, maintaining nonpartisan objectivity, and investigating high-priority issue areas.

The second type of Board member -- the voting directors – would be selected by the incorporators from a broad cross section of evaluation experts, policy analysts, state and local government officials, interest groups, and lay people. They would serve staggered terms. The voting directors would appoint the Executive Director of the Center and establish that

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[34] Should there be strong government interest in a Center with the other attributes we propose, but a political necessity to place its functions within government, GAO is the one current entity with the best capability of carrying out these functions. Unlike CRS and CBO, it routinely makes policy recommendations, and unlike OMB, it has relative freedom to present its analyses without needing to adhere to the President's (or the Congress's) current policy stances. We do not find this approach as likely to satisfy the necessity for independence as the Center proposal, but it could come as close to that as any inside government placement can.

[35] In fact, if the National Academy of Sciences were willing to serve as a base for the new Center and to adopt the operating approach outlined here, Congress may wish to consider locating the Center within the Academy.

individual's performance contract with them, on which compensation and tenure would depend. The voting directors would have to approve the Center's strategic (or business) plan and issue agenda, and review the Center's products for quality and adherence to the purposes of the charter.

The Center's budget and Funding. We believe the government's initial investment in the Center needs to be quite substantial, both to indicate government's seriousness of purpose and to support development of the high-quality capability needed to carry out its functions across a reasonable number of policy areas. At the same time, the Center must not be beholden to government for annual funding or spending authority if it is to have the essential characteristic of independence.

To help size the Center, here are the annual budgets of entities that in some respects might be comparable as staffs of public policy analysts with a report generation capability:

- The former Office of Technology Assessment: approximately $22 million
- The Brookings Institution: approximately $28 million
- The Heritage Foundation: approximately $28 million

We suggest that the Center receive a one-time appropriation of $500 million to $1 billion. A part of this sum, perhaps $50 to $100 million, would cover initial start-up and operating costs (operation of the board, hiring, space and related costs, design conferences, the process of gathering public input on the agenda, development of an interactive website).

The remainder would be invested as an endowment whose income would supply operating funds. The Center would also be able to receive contributions from foundations and individuals, and grants and contracts, to support its work.

The Center's Executive Director. The Executive Director chosen by the' Board would be a widely respected individual with these characteristics:

- A thorough appreciation of the need and uses of evaluation data by government and the public.
- Intimate knowledge of the budget and policy development processes and the opportunities for enhanced use of impact data.
- The ability to oversee the assessment (and where necessary, the design and execution) of high-quality evaluation.
- The ability to recruit and manage a staff of domestic policy and evaluation experts.
- The ability to deal effectively and on a non-partisan basis with officials of government at all levels, and with interest groups across the political spectrum.
- Knowledge of creative uses of technology to enhance interaction with the public and to publicize and disseminate the products of the Center.

As noted, the Executive Director would serve under a negotiated performance agreement with objective, measurable goals.

* * *

We wish that demand for the products of the Center could be assumed to be self-generating, or at minimum had already been made manifest by Congressional and executive branch use of GPRA authorities. We have shown that this is not the case. We believe that maximum benefit would be obtained by the acceptance of the recommendations in the next section, which speak to generating the incentives and demand for such analyses.

Recommendation 2. Related improvements in Congressional and executive branch processes.

Evaluation funding set-asides. The design and funding of high-quality evaluations of net program effects should be made routine. While subject to the normal Congressional and executive branch review and final decisions through appropriation acts, OMB apportionments, and other devices, agencies should know that every major program will be evaluated.

1. House and Senate rules should require that any domestic program authorization, including mandatory spending and significant tax expenditures, can only be considered on the floor of either body if it contains a requirement for an impact evaluation and a funding set-aside to finance it.

2. OMB should promulgate guidance to agencies (e.g., as part of the Circular A-19 legislative program procedures) that requires any bill drafted in the executive branch to have an evaluation provision with a funding set-aside before the Administration will transmit it to Congress.

Congressional oversight. All committees of Congress carry out oversight of programs and policies under their purview. Some of this oversight is carefully structured to illuminate the issues, features a range of expert opinion, and is focused on surfacing findings and recommendations for program improvement. Much of it, however, is also (often primarily) political theater, necessary in our system but not likely to advance understanding of issues.

Periodically, Congressional leaders attempt to restructure the oversight process to direct more attention to substantive analyses. Senator Peter Domenici, former Chairman of the Senate Budget Committee, is a champion of bi-annual budgeting, because, as he notes, "The authorizing committees in my humble opinion have atrophied in the United States Congress, at least in the United States Senate, because it's very hard for them to find two weeks to debate a very important bill on the floor, when we're using about 75 percent of the time for budget resolutions and for appropriation bills and supplemental appropriation bills."[36]

1. Congressional rules should require oversight hearings timed to inform upcoming debates and, upon creation of the Center, to require presentation of the Center's views (among others) of the issues at such hearings.

2. The rules should further provide for joint hearings of the major committees engaged in an issue area, so that all the major efforts to address it can be considered in the same context.

[36] Senator Pete Domenici, speech before the Council for Excellence in Government, April 26, 2000.

(Recall the early education and childcare example above, which would call for four committees to deliberate together to make the best informed choices). Ideally, such hearings would bring the cognizant House and Senate committees together as well.

3. Except in emergency situations, bills not preceded by such hearings and not informed by available Center analyses should not be allowed floor consideration.

Sunset and performance goal provisions. No government program should escape periodic assessment of the how well it is working and what changes might be needed.

1. House and Senate rules (and parallel executive branch procedures) should require each major domestic program authorization, mandatory spending program, and tax expenditure to have a sunset provision of no more than five years in duration, that requires renewed Congressional approval of its structure and funding authorization, based in significant part on the results of the impact evaluations called for above.

2. Rules should require that program authorizations be enacted prior to passage of discretionary appropriations (such current rules are often routinely waived), so that disagreements over program structure are argued out in the authorizing committee framework.

3. All such bills should have to include measurable goals and performance standards on which evaluations and agency GPRA plans would, in part, be based. Progress toward these goals and standards would be reported annually in the GPRA performance reports. By requiring goals and performance measures in statute, the Administration and Congress will have to negotiate these seriously, a practice not generally realized by GPRA's requirement for "consultation" on goals and measures.

Enforcement in Congress. Some rules similar to those above have been tried before; some are still in the rule books. None are routinely enforced or effective. To emphasize Congress's commitment to raising the quality of government performance, an unusual but not unheard of standard should be set for a waiver of any of the above rules:

Waiver of the above rules should require a 60-vote majority in the Senate and a similar high hurdle in the House (perhaps in the Rules Committee procedures). Such requirements to supercede "majority rule" are quite properly reserved for extraordinary situations, such as waiving budget enforcement rules. We believe this approach is warranted by the importance of heightening the performance focus of government.

Strengthening the Government Performance and Results Act. GPRA is the first major statutory effort to attempt to link resources to results since the Budget and Accounting Act of 1921. Progress has been made in many agencies in establishing measurable performance goals, focusing on management improvements needed, and putting in place the infrastructure to support regular performance reporting. More needs to be done, especially on the dimension addressed by this paper -- obtaining and using more high-quality evaluation data on results to inform decision making.

The following changes would build on this record and would enhance the current Administration's proposal to increase reliance on performance data in its management and budgeting.

1. Amend GPRA to require reporting of current evaluation findings under each performance objective, including specifying how recently evaluations have been conducted, the status of on-going studies, and plans for new studies. Some agencies do this now (e.g., the Department of Labor); others relegate the discussion of evaluations to an appendix and make no clear connection between evaluation findings and resource allocation or management's strategy to improve performance.

2. Require a summary of funding for evaluation and research on results, indicating trends and the pending budget request and justification for such funds. This summary is not an opportunity for agencies to appeal for additional funds, but rather the way the agency demonstrates its commitment to learning the results of its effort and an explanation of what that focus costs.

3. If an agency does not integrate its annual budget with its annual GPRA plan and performance report, require that the budget justifications use the same language on performance as is found in the GPRA documents.

   OMB rules do not now require such integration, but it seems only logical that the best way to link resource allocation to program results is to integrate performance reporting with budget justifications. Because of the inherent complexities in doing this well, we do not now recommend it for all agencies, but we do believe OMB should work with each agency to encourage it and in time, to require it.

4. Require joint GPRA plans and reports across agencies for issue areas in which more than one agency has a major role, so that Congress and the public can see clearly how programs and program management address common problems.

* * *

Note on the role of technology. The power of electronic communications technology to gather information and to obtain and respond to public comment efficiently has been amply demonstrated in recent years, if not yet fully realized. The Council for Excellence in Government has proposed a comprehensive "blueprint" for how government can more rapidly expand and structure the use of electronic communications.[37] The Bush Administration has indicated its support for greater use of new technology, adopting in its budget an e-government fund to finance development of cross-agency initiatives and avoid inefficient duplication of effort. Senators Thompson and Lieberman have established a website to gather views on how to make Congress' participation in the development of web technology more effective.

[37] *E-Government: The Next American Revolution*, Council for Excellence in Government, February 21, 2001.

We believe that this technology can lower the cost and speed the completion of impact evaluations, for example by helping automate the random assignment of participants in an experimental evaluation, by facilitating the creation of statistically-equivalent treatment and comparison groups in a quasiexperimental evaluation, by speeding the collection and analysis of data on relevant outcomes, and by facilitating the rapid dissemination of evaluation results. We would charge the Center with making a special effort to work with the evaluation community to develop and implement these techniques.

We urge the Congress and the Administration, as well as the Center, to use this technology to solicit input to plans and programs during the development stages, and to respond to public input on a timely basis. This will add considerably to the interested public's confidence in the governmental process.

VI. CONCLUSION

These recommended changes form a necessary complement to the growing momentum in Washington, in state and local government, and indeed internationally,[38] for defining program goals more practically and for taking into greater account the performance of current programs when designing new activities and allocating resources. They also strongly respond to the public's demand for high-quality information on society's problems that could go a long way toward restoring public confidence in government. As tracked by Hart-Teeter polls conducted for the Council for Excellence in Government,[39] the current level of public confidence has been alarmingly low for a long time (though the public's response to government's handling of the September 11 terrorist attacks has for the moment raised public confidence to an unprecedented height).

In 1921, OMB Director H.M. Lord said on the occasion of implementation of the Budget and Accounting Act, "Habits, customs, regulations, laws that the passage of more than a hundred years has built into the very machinery of government cannot be eradicated over night... it must be a continuing process that will require years of patient, persistent and courageous endeavor."

The same patience and persistence is called for here, if these recommendations are to have maximum effect, and this time, with the added benefit of the intervening 80 years of experience, we may finally see a firm link established between resources and results.

In the end, no planning or reporting requirement, no injunction to manage well, and no external criticism regardless of source, can alone lead to higher quality performance if decision makers and the public that influences them do not demand it. Nevertheless it is now clear that the focus on results is at a new high, which should make possible an informed debate on these recommendations.

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[38] See, for example, *Government of the Future*, the report of the OECD symposium on government management reform held in Paris in September, 1999.
[39] See http://www.excelgov.org/publication/excel/default.htm

Mr. HORN. Mr. Downey is well known here, and you both have MBAs, one at Harvard and one at Yale, and I don't know if that has any great meaning except that the bricks around the place are a little different.

But I think I was glad to see the emphasis here. Because what has burned me over the last few years is that there's been a lot of schools that have said, oh, we've got a policy school. And none of them have thought about management, and that really gets to me. We need people just like you to say the emperor has no clothes.

Mr. DOWNEY. Well, thank you, Mr. Chairman, for having this hearing and for your interest in this subject.

It's an interest, obviously, that we share; and I think it is an interest in managing government better as we all ought to try to do. That's certainly what we tried to do in my 8 years at the Department of Transportation, and we really used the processes of GPRA to the greatest extent possible during that time period. I think an even stronger linkage between resources and decisionmaking will make GPRA an even more powerful tool.

Let me just briefly describe what we did. We seized the opportunities in the act. We became a test bed in the pre-implementation period. We developed a strategic plan with a lot of input from outside sources so that we knew what our constituency and our partners believed. This is very important in managing what you sometimes think of as a holding company, creating common goals that everyone in the Department would understand. We went to greater lengths with the annual performance plan and with our performance reports.

I think as the process has matured the measures that were created are transparent and consistent, and there's a lot of concern within the Department for meeting them. These were enforced. They were enforced with performance contracts. There was continuous followup.

It's often said that what gets measured is what gets managed, something you and I learned during the Y2K experience, that if you're watching it a better job gets done; and I think the fact that Secretary Mineta and his team have moved seamlessly into the office and kept the same measures and the same goals suggests that we got them at least reasonably right.

Resource availability was a clear part of the process. One thing we did I don't think some other departments did was rebalance our performance plans in accordance with the resources. If Congress gave us less than we asked for, we came back and said, here's what we can accomplish. Sometimes Congress gives more than the President asks, and we would say to the agency, now you have more money. How much more are you going to achieve? And that became their new performance contract.

But I think with OMB participating now through the PART there may be even more of a sense of reality and, if the Congress adopted some of the same approaches, even more benefit.

The steps that OMB has taken so far are a good start. Their willingness to publish the results is a very important step, taking transparency into the budget process, something that hasn't always been there before.

The Director does point out that these are not the only factors that he'll use this decisionmaking, and we understand that. But these will now be decisions that can be measured against the outcome of a relatively open assessment. A President will find it harder to not fund programs that are effective and well managed, even if he doesn't agree with the necessity for them. And, vice versa, it will be hard to ask for funding of politically attractive programs if the results are not there. So I think the public and the Congress will be better informed.

Like any process, it's not going to be perfect the first time out. The administration recognizes that. They've reached out in a number of directions. They have created an advisory council which I'm serving on. They have involved a lot of institutions in test runs and discussion. And they have a goal of implementing this over a period of time, which is the right way to do it.

There are risks, but certainly the largest risk is that this initiative, like many of its predecessors that Pat mentioned, disappears, goes on that list of PPBS and ZBB and NPR and others. If you believe that performance is something that should not drop away, maybe something can be done about that.

I think one reason that GPRA has been a success is that it is a statute. In our Department, for example we said this is going to be around a while. It is worth investing in the infrastructure and the learning process to do it well. So if there's a linkage between the Government Performance Results Act and the budget process this may encourage further efforts.

I know there are concerns about jurisdiction and about tradition and about roles and responsibilities and authorizers and appropriators. Years ago, I worked on the Budget Committee staff when the committee first started, and we had to find our way into the process. But that also has sustained and continues to provide leadership at the macro level. I think similar efforts to assure that performance is part of the debate and results are—in fact, the measure of success will benefit all of us, particularly benefit the taxpayers and constituents who want us to do a good job.

So thank you very much for the hearing, and I would be happy to answer any questions you might have.

Mr. HORN. Well, thank you.

[The prepared statement of Mr. Downey follows:]

Statement by

Mortimer L. Downey III

To a

Joint Hearing

Of the

House Government Reform Committee

Subcommittee on Government Efficiency

and the

House Rules Committee

Subcommittee on Legislative and Budget Process

Washington, D.C.

September 19, 2002

Chairman Horn, Chairwoman Pryce, I thank you for the opportunity to appear at this hearing on "Linking Program Funding to Performance Results." My name is Mortimer L. Downey, and I am appearing as an individual and as a former Administration official. For the record, I am a consultant with pbConsult, Inc; I am the current Chairman of the Board for the National Academy of Public Administration; and I am serving as Chairman of the OMB's Performance Measurement Advisory Council. My testimony is not on behalf of any of those institutions.

It is my understanding that your hearing was sparked by interest in the Bush Administration's initiative to link budgeting and performance management more closely together. I have been observing that effort as well, with great interest, and I believe that it is an important step forward in the area of performance management. During my eight years at the Department of Transportation, we moved ahead in this area, and I believe the results were positive for the Department and for the public that it serves. Greater attention to the linkage with resources will put a sense of even greater reality to the area of performance management.

Let me describe briefly what we did at DOT and how I believe the new emphasis created by President Bush's management agenda will make it work even better. In DOT, we seized the opportunities created by the Government Performance and Results Act and used them to enhance Departmental management. DOT agencies volunteered to participate in the pre-implementation test period. With department-wide participation, we developed, and later enhanced, a strategic plan. This was a vital step in managing

what can be thought of as a "holding company" in a way that emphasizes common goals and common interests. The departmental goals of safety, mobility, economic growth, environmental progress and national security are widely understood within the department. Every manager and employee understands their importance to the department's leadership and its constituencies.

The departmental goals were given a much greater sense of reality through the development of annual performance plans, and subsequent performance reports, that created consistent and transparent measures against which the department's progress can be gauged. These measures, as called for in GPRA, are aimed at identified outcomes and are measurable and reportable with reasonably available data. To assure the transparency of the process, both the Inspector General and the Director of the Bureau of Transportation Statistics have been involved in verifying, and, where necessary, improving the measurement process. It's often said that what gets measured is what gets managed and I believe that we set in place a framework in which we measure the right things and manage to achieve them. The fact that Secretary Mineta and his team have adopted the same goals and measures suggests to me that we got them reasonably right.

Within the department, resource availability is recognized as a clear part of the process. Outcome targets—monitored through performance contracts between the Secretary and his administrators—were balanced to reflect resources, including adjustments to the targets to reflect Administration and Congressional changes in funding—up or down.

This is an area in which the new initiative will bring improvement. The linkage between performance and resources can be recognized within a department, but it can be far more effective in a context where OMB participates on the same basis and where the performance of all departments is held to a common standard of rigorous analysis. If this treatment of resource allocation can also influence Congressional action, so much the better.

The steps taken thus far by OMB in developing and implementing a Performance Assessment Rating Tool are a good start in the creation of a uniform and consistent process to link performance and resources. Their willingness to publish the results and the rationale is also a major step forward. Rigorous assessment of results achieved and management progress should be important determinants of resource allocation. The OMB Director points out that they are not the only factors that will affect his recommendations to the President and the ultimate submissions to the Congress. Issues of equity, matters of political philosophy regarding the role of government, problems of resource scarcity, and the like will also enter into the process. But when the decisions are made, they will be measurable against the results of a relatively open assessment.

In that context, it will be harder for a President to under fund programs that are effective and well managed when they don't meet his or her political criteria, and vice versa. The grounds for judgment over the Administration's budget recommendations will, I believe, be more clearly definable than in the past and I hope that this will better inform the

process of Congressional and public debate as the authorizing and appropriations legislation that implements the budget moves forward each year.

I think we need to recognize that this process, like any new management effort, will not be perfect. Indeed, the Administration recognizes—and I agree—that this is a hard thing to get right. They have reached out in a number of directions in order to make it work well, including establishing the Advisory Council on which I serve and involving experts both within and outside the government as particular program assessments have been undertaken. The implementation process they have set is an incremental one, with the goal of moving over five years into full use of program assessments, with modifications to the process based on experience. I take this as an indicator of commitment to doing the job right.

What, then, are the risks to be considered? I think the largest risk is that this initiative, like so many of its predecessors, disappears as its supporters move out of office. We all are familiar with earlier "reforms" that have dropped out of the picture even though in some ways they still influence our thinking—PPBS, MBO, ZBB, Program Evaluation, NPR—to mention a few. If you believe that the emphasis on performance is something that should not drop away, you may be able to do something about it. One reason, I believe, that GPRA was a success—at least in my department—was the fact that it is a statutory process. Investing in the infrastructure and learning process to do it well could, we thought, be amortized over a much longer time than the typical four-year term of its predecessors. The Results Act does imply a connection to the budget process, but it is

more in terms of the timing of submissions than in terms of their content and their linkage to the resource allocation process. I recognize the issues of jurisdiction and tradition that you must face. On the other hand, as one who worked on the Hill during the startup of the Budget process, I believe that change can occur. Anything your committees can do to give more emphasis to the resource/performance connection will work for the benefit of those for whom performance and results are the bottom line—our taxpayers and constituents.

Mr. HORN. As a former agency official, what advice would you give the Office of Management and Budget on how to work with the agencies to get their support and affirmative cooperation for the PART evaluations?

Mr. DOWNEY. I think the key one will be to make it a collaborative process, to listen, to learn. Departments can learn as well, but I think OMB will benefit from the discussion and then recognize results with resource decisions. If in fact at the end of the day the better-managed, better-achieving programs are raised in terms of resources and perhaps some others are not, the process will go forward. But keeping the discussion at the professional level and the fact-based level will be an important part of that process.

Mr. HORN. Do you believe that the—and you might get in, Ms. McGinnis any time you want, because they're really for both of you—do you believe the Results Act should be amended in any way to incorporate the concept of PART evaluations? If so, what would you recommend?

Mr. DOWNEY. I haven't looked specifically at language. I certainly would not suggest that in all of its specific detail that become statutory. But if, in fact, the Results Act indicated that budget presentations and other actions would relate to performance, I think it would help if authorizers, as they come in with new programs, and reauthorize programs, state what they believe the results should be. We'll enter into that discussion and similarly on the appropriations.

So anything that would symbolize and assure that this linkage continues will be a positive step. But I would not embody every piece of the process in a legislative prescription.

Ms. MCGINNIS. I think I would reiterate the recommendation in my testimony that GPRA be amended to give more emphasis to cross-cutting issues and the results of a cumulative impact of several programs across agencies. I think that's consistent with what's happening with budget and performance integration and the use of common measures, but it's also an area of the PART that could be strengthened.

Mr. HORN. Well, let me go back to what I asked the Comptroller General and the Director of OMB. As you know, the Congress put into law inspectors general and we also, 10 years later, put inthe office of—the committee decided first to put the financial part there and then with high technology we had a communications there. And those—some of them I thought were just not doing much, and some were dumped on the old assistant people in management and administration and put it in that.

Well, the whole purpose of it was to focus in one area and to, in the case of chief financial officer, chief information officer. And do you think that's good? And how do you integrate their thoughts with this?

Ms. MCGINNIS. I think integration is a key word, because one thing, one danger of creating all of these different chiefs is that they are working in their own stovepipes. So that's why this model of deputy secretary as chief operating officer which has evolved I think is so important as a place to bring all of these pieces together and also why the President's Management Council I think is such an important integrating organization. And it has—it was started

in the Clinton administration, it has continued in the Bush administration, and I think matured over time to the point where it is more and more being seen as a strategic group of managers who are charged with pulling together financial management, information management, human capital management, the inspectors general. And that's all a good thing.

The fact that budget and performance integration is one of five elements of a coherent management strategy, I think it's woven together actually quite well. And anything that you and we can do to strengthen that capacity and integration would only be a step in the right direction.

Mr. DOWNEY. I think if there is a point of accountability for good management, that person, that institution should benefit from the work of all of those players, the IG, the chief financial officer and the like, but somebody needs to have the job of pulling them together and linking what they do, which sometimes is more narrow in focus to achievement of results within the Department.

In our Department, for example, the IG has been a very strong contributor to management, even as he maintains independence. He's a participant in the process and brings a valuable insight. But it's only one piece. The CIO only brings one piece. Someone else has to look at how they all come together and how do they relate to what the Department is indeed achieving.

Mr. HORN. Well, you were well-known as the Deputy Secretary for Management there, and that's where people would go to, I would think, and I agree with you on that.

What bothered me is we've gone through this homeland bit. We had proposals before them, and they just wipe them out on management. Presumably, those were on orders of the White House. I don't know who's calling that or what they're trying to do, but maybe they ought to ask their own Office of Management and Budget.

Because when you're merging all of these things that go back 200 years there a corporate culture, be it Coast Guard or Customs or whatever, and we tried to put it in there because if you look on it as a corporate—three different companies merged, it's very difficult.

My example for that is the Atlantic Arco. They moved one night from New York over to Los Angeles, and they had three cultures to work. That meant that one of the top people, in this case, the Executive Vice President, got the people and worked them in together. So when one part of the system comes in, they don't gripe a lot and they put in somebody from that in order to get good management.

When we've got ones that have dozens of things, much more than a few of them, and I don't know how they're going to put them together without a deputy secretary for management.

Now, the appropriators 2 years ago demanded it and put it in the State Department money and I don't know how that's going out right now. Do you have any thoughts and that?

Mr. DOWNEY. I certainly agree that the Homeland Security Department will need that kind of attention. You use the word "cultures," and that's indeed what they're going to have to deal with.

Bringing a lot of different agencies together in one department doesn't always work well. It takes particular attention to make it happen.

DOT, for example, 35 years old, it's still got a lot of the remnants of past ways of doing business. I think we changed it substantially. We changed it, actually, by deliberately attacking the culture, as opposed to the organization. When Secretary Slater came in, he said, let's throw away ideas of reorganizing. Let's just figure out how everybody can work together as one DOT. Having those common goals was really the first step.

I'm sure the Coast Guard will work out well in the new department, but I have been in the Coast Guard in two different departments, and this will be my third.

Mr. HORN. Yeah, well, Admiral Loy is doing a great job now. He's got the heat. A lot of us were at a luncheon with him yesterday.

I was curious, I have great respect for Secretary Mineta. He was sort of a mentor for me when I came to Congress. In that luncheon he had, just after he was sworn in, he said he was going to move the Senior Executive Service around. And I thought, gee, there's a good idea. Because with some agencies, when they move people around, they say, oh, we're trying to get rid of that guy. But the fact is, we ought to get growth and get different things and have it made that they're really part of the team. And how's that going in the executive branch generally?

Ms. MCGINNIS. Actually, I was thinking in order to create a culture a performance culture where the whole is greater than the sum of the parts, you do have to shake things up a little bit. It's about management and placing an emphasis on this.

But the example that comes to my mind is FEMA. When FEMA was transformed from what some of your colleagues called the worst agency in Government to what the same colleagues called a couple of years later one of the best agencies in Government, one of the strategies that was used was to ask every single one of the career senior executives to change jobs. And you can imagine there was some resistance to that. But they all ended up changing jobs, and it does provide—I think it helped to create a coherent and effective culture.

Now, FEMA is a much smaller agency than we're talking about on the scale of Homeland Security, but I think it's a concept and a lesson and a practice that ought to be applied there. Not just within agencies, but across agencies.

Mr. HORN. That's well said. Because my organization that I am the—really, I can't say more for it, and that was that 1990's where they turned that around. And you're right. And with every disaster that seemed to happen every week, and they had great leadership and that's what's key.

So, is there anything in the Results Act that you feel needs anything legislatively?

Ms. MCGINNIS. Well, again, revisiting this issue of calling for cross-cutting planning and reporting on performance, so that you're looking at an issue in the way that the American people would think about it, not agency by agency but around a specific set of programs focused on health or education or whatever other subject.

I think that's the one area where some attention and change may be in order.

Mr. DOWNEY. I would agree with that. It could be done without legislative change, but the legislative change sends the right message.

We did some of that as well. I had a lot of discussions with the Interior Department fisheries people and the Coast Guard trying to define how would we measure success in those common programs, and we finally all agreed it was from the point of view of the fish.

Mr. HORN. That's the great Benchley joke. Do you remember that one when he was at Harvard? He was studying international law. And this is Benchley, the great comedian. He said to the professor that I've read a lot of the books and he said I've felt that there's a lot said about America in this and a lot from Great Britain, but he said I want to write about the use of the fish. And so that was it. He probably got an A.

So, yes, that is something now. I agree with you. You don't really need legislation if OMB is working it under PART. I think that would solve the problem. And they're doing it. So that's great.

So anything else you'd like to add, put on the record?

OK. Well, thank you very much for sharing your experience and your talents. So thank you very much.

We're going to thank—Mrs. Maloney did not have a chance to be here and she's been a wonderful right hand for us over the last years. Without objection, her statement will be put in the record after my comments.

Now I'd like to thank the people on the staff that put all this together and does it all the time.

That's Bonnie Heald is the staff director; Henry Wray is the senior counsel right behind me; and Dan Daly, counsel. Dan, where are you? There you are. And Chris Barkley, our faithful majority clerk. And there he is.

Believe me, when you move around America you appreciate all the things the clerk does. Because then my back is not broken, his is. And if the Federal compensation wants a witness I'm a witness to you.

Minority staff: David McMillen, really wonderful professional. He's been around here how many years now—8 years. Yeah, and we all depend on him. It isn't a minority or majority thing. We get good ideas from him. Jean Gosa same way, minority clerk.

The Rules subcommittee staff that is with Mr. Dreier and Ms. Pryce is Chin-Chin Ip, the staff director. Is he right back here—or her? Yeah. I never know who is backing up that wall.

Court reporters: Christina Smith and Julia Thomas. Thank you very much. We appreciate what you're doing.

With that, we are adjourned.

[Whereupon, at 4:10 p.m., the subcommittees were adjourned.]

[The prepared statements of Hon. Stephen Horn and Hon. Carolyn B. Maloney follow:]

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Opening Statement
Chairman Stephen Horn
Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations
September 19, 2002

A quorum being present, the subcommittees will come to order. Today the Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations is holding a joint hearing with the Subcommittee on Legislative and Budget Process of the House Rules Committee. I welcome my fine colleague Ms. Pryce, who chairs that subcommittee, and the distinguished members of both subcommittees.

Today's hearing is on the important subject of linking program funding to performance results. Washington policy-makers, both in the Executive Branch and Congress, devote an enormous amount of time each year deciding how to spend the taxpayers' money. However, much too little time is devoted to determining what that spending accomplishes.

We tend to measure success by how many job training programs we enact, how much money we appropriate for them, and how many training grants we award. We rarely look at what these programs actually achieve -- such as how many trainees actually obtain and retain jobs.

In recent years, the focus has begun to shift from process to results. The Government Performance and Results Act of 1993, appropriately called the "Results Act," provided the impetus for this change. However, the transition toward results-oriented, performance-based decision-making involves many challenges. And the pace has been slow.

Federal agencies are using their Results Act plans and reports to try to define and measure the results of their performance. Many agencies have made significant progress. However, an important link has been missing. Policy-makers have failed to establish a connection between performance results and their funding decisions. Until that link is firmly in place, the Results Act will remain largely a paperwork exercise, and the effectiveness of funding decisions will remain largely untested.

Fortunately, the current Administration is intent on establishing this link. President Bush designated Budget and Performance Integration as one of five governmentwide initiatives in his President's Management Agenda.

In furtherance of this initiative, the Office of Management and Budget has developed a "Program Assessment Rating Tool," known as "PART." We will hear much about this assessment tool today. During the fiscal year 2004 budget cycle, the PART process will be used to evaluate the performance of Federal programs that account for more than 20 percent of all Federal spending. In future budget cycles, these evaluations will be extended to all other Federal programs.

The PART process and the broader presidential initiative to integrate budgets and performance represent an important effort to launch the Federal Government on the road toward results-oriented, performance-based decision-making.

All of our outstanding witnesses today are important leaders in this quest. I welcome you and look forward to your testimony.

I am also pleased that another outstanding leader in this effort, Senator Fred Thompson, has submitted a written statement for the hearing. Senator Thompson wanted to join us today, but was unable to attend due to the press of Senate business. Without objection, his statement will be included in the record.

I now yield to my Co-chair of today's hearing, Ms. Pryce.

Statement of Representative Carolyn B. Maloney

Joint Hearing

Hearing: "Linking Program Funding to Performance Results"

September 19, 2002

Mr. Chairman, thank you for holding this hearing.

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

The Government Performance and Results Act has had a long history of bipartisan support. GPRA began under the (George Herbert Walker) Bush Administration and was championed by Delaware Senator Bill Roth. Vice President Gore's Task Force on Reinventing Government contributed to it greatly, and it was President Clinton's first major reinventing government step.

GPRA was intended to shift the focus to performance, to improve government management by requiring the executive agencies to set measurable goals for themselves and then report annually on whether or not those goals were met. Regrettably, despite its intent and to reiterate the Chairman and Ranking Member's point, this Act has made little impact.

I thank the witnesses for being here today and for their service to our government. I look forward to the testimony. I trust it will enlighten us, for we in Congress need to know when the Executive Branch will finally work toward achieving the goals of GPRA.

I did have one question in particular, and I hope the OMB Director can address this when he discusses the new Program Assessment Rating Tool (PART). According to the OMB document titled, "Current List of Programs to be Assessed for FY 2004 Budget," the U.S. Census Bureau is not included in the list of programs. Why would the Administration exclude the Census Bureau? I would think that a government entity that spent $6.5 billion over the decade to conduct the decennial census should be subjected to performance goals. As you may know, in July, the Bureau's funding was cut in the Senate Commerce-Justice-State mark by $200 million below the President's request. This is troubling news.

I would urge you to look into the Administration's exclusion of the Census Bureau from the PART list.

Thank you.

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