

**ADMINISTRATION EFFORTS ON LINE-BY-LINE
BUDGET REVIEW**

HEARING
BEFORE THE
SUBCOMMITTEE ON OVERSIGHT AND
INVESTIGATIONS
OF THE
COMMITTEE ON ENERGY AND
COMMERCE
HOUSE OF REPRESENTATIVES
ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

OCTOBER 5, 2011

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¹Mr. Brass did not answer a submitted question for the record from Mr. Terry by the time of printing.

ADMINISTRATION EFFORTS ON LINE-BY-LINE BUDGET REVIEW

WEDNESDAY, OCTOBER 5, 2011

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS,
COMMITTEE ON ENERGY AND COMMERCE,
Washington, DC.

The subcommittee met, pursuant to call, at 9:34 a.m., in room 2123 of the Rayburn House Office Building, Hon. Cliff Stearns (chairman of the subcommittee) presiding.

Members present: Representatives Stearns, Terry, Sullivan, Murphy, Blackburn, Bilbray, Scalise, Gardner, Griffith, Barton, DeGette, Schakowsky, Green, Christensen, and Waxman (ex officio).

Staff present: Carl Anderson, Counsel, Oversight; Mike Gruber, Senior Policy Advisor; Todd Harrison, Chief Counsel, Oversight and Investigations; Katie Novaria, Legislative Clerk; Alan Slobodin, Deputy Chief Counsel, Oversight; Sam Spector, Counsel, Oversight; Peter Spencer, Professional Staff Member, Oversight; Kristin Amerling, Democratic Chief Counsel and Oversight Staff Director; Alvin Banks, Democratic Investigator; Brian Cohen, Democratic Investigations Staff Director and Senior Policy Advisor; and Anne Tindall, Democratic Counsel.

OPENING STATEMENT OF HON. CLIFF STEARNS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. STEARNS. Good morning, everybody.

We convene this hearing to find out what this administration has done to implement the President's repeated promise to conduct a page-by-page, line-by-line review of the Federal budget and what more can be done. The aim of such a review is to eliminate unnecessary, duplicative, or wasteful government programs and to cut costs and create new efficiencies.

The urgent need for such a review, of course, is obvious. Under the Obama administration, Federal spending has increased by more than 20 percent a year, or more than \$600 billion per year. Under the Obama administration, the size of the cumulative Federal debt has increased about 40 percent, from \$10.6 trillion to \$14.8 trillion, and, frankly, it continues to climb.

President Obama promised a fresh, in-depth, and exhaustive review of the Federal budget. What measurable actions have been taken, and of course, what are the results?

Unfortunately, the Office of Management and Budget, the agency in charge of the line-by-line review, declined to provide a witness

today to testify to answer these questions. It is curious that OMB claims that it has no witness to testify on this issue when Jack Lew, the OMB Director, discussed line-by-line review in February 2011 testimony before the House Budget Committee, and Jeffrey Zients, OMB's Chief Performance Officer and Deputy Director for Management, is the official that President Obama linked to conducting the review.

This line-by-line review has supposedly been a top priority for the Obama administration for the last 3 years. With that understanding, one would think there are things they would want to talk about and they would come today and testify. Unfortunately, they did not.

This is not the first time during this Congress that OMB has refused to send a witness. Jeffrey Zients, the Deputy Director for Management, failed to appear at the June 24th hearing on Solyndra, and OMB is the only agency to require a subpoena from this committee because of its refusal to provide documents. One can't help but wonder whether OMB's refusal to provide a witness is because they don't have anything to say or because they are upset that their stonewalling tactics in the Solyndra investigation have not worked.

In a letter to the committee, OMB noted that a major accomplishment of its effort to comb through the budget line by line has been the identification of innumerable so-called "terminations, reductions, and savings." However, as Clint Brass, a Congressional Research Service analyst, has confirmed, "The Obama administration's issuance of a volume like the Terminations, Reductions and Savings"—or TRS is what it is called—"document among a President's budget proposals was not new." "Generally speaking," he continues, "these kinds of budget documents have been produced by Presidents dating back to President Ronald Reagan, if not before, in a variety of configurations."

The TRS document is, by nature, an inadequate tool for achieving the ambitious goal of line-by-line review. Aside from being non-exhaustive, there is no clear one-to-one correspondence between the line-by-line review and the proposals included in the TRS documents. In any event, the proposed \$17 billion to be saved by the way of 121 cuts or restructurings to discretionary programs and mandatory spending in the fiscal year 2010 budget is not that impressive. In comparison, in fiscal year 2009, the Bush administration proposed double that amount, or \$34 billion. Ultimately, the Obama administration's proposed \$17 billion in cuts, of which \$11.5 billion was on the discretionary side of the budget, resulted in only \$6.9 billion in cuts approved by Congress.

Now, complicating things further, as Mr. Brass pointed out, "Typically, these kinds of TRS documents have not been followed by subsequent publications that showed in detail the extent to which Congress adopted the President's recommendations." Thus, there is little proof of what the actual savings are. Also, it is not unusual for the budget authority behind these proposed terminations, reductions and savings to simply be transferred or consolidated elsewhere. More than offsetting any administration effort toward real progress in restoring fiscal discipline is the inconvenient fact that despite the cuts it has proposed thus far, Federal spend-

ing is soaring and the budget deficit is exceeding over \$1 trillion a year. As a share of gross domestic product, spending grew from 18 percent in 2001 to 24 percent in 2011, while debt held by the public jumped from 33 percent to 67 percent. The Congressional Budget Office projects that without reforms, spending and debt will continue to rise for decades to come. No \$17 billion or even \$50 billion, for that matter, worth of proposed terminations, reductions and savings in any given year is enough to reverse this harmful trend.

We need to find out the actual results from this review, build on ongoing initiatives, pursue new approaches to find more cuts and save more money.

Today's hearing can be a good start to help us deal more effectively with the enormous challenges of getting Federal spending under control.

[The prepared statement of Mr. Stearns follows:]

**Opening Statement of the Honorable Cliff Stearns
Chairman, Subcommittee on Oversight and Investigations
Administration Efforts on Line-by-Line Budget Review
October 5, 2011**

(As Prepared for Delivery)

We convene this hearing to find out what this Administration has done to implement the President's repeated promise to conduct a "page by page, line by line" review of the federal budget and what more can be done. The aim of such a review is to eliminate unnecessary, duplicative, or wasteful government programs and to cut costs and create new efficiencies.

The urgent need for such a review is obvious. Under the Obama Administration, federal spending has increased by more than 20 percent a year, or more than \$600 billion per year. Under the Obama Administration, the size of the cumulative federal debt has increased about 40 percent, from \$10.6 trillion to \$14.8 trillion, and it continues to climb.

President Obama promised a fresh, in-depth, and exhaustive review of the federal budget. What measurable actions have been taken? What are the results?

Unfortunately, the Office of Management and Budget, the agency in charge of the line-by-line review, declined to provide a witness to testify here today to answer such questions. It is curious that OMB claims that it has no witness to testify on this issue when Jack Lew, the OMB Director, discussed line-by-line review in February 2011 testimony before the House Budget Committee, and Jeffrey Zients, OMB's Chief Performance Officer and Deputy Director for Management, is the official that President Obama linked to conducting the review. This line-by-line review has supposedly been a top priority for the Obama Administration for the last three years. One would think there are things they would want to talk about.

However, this is not the first time during this Congress that OMB has refused to send a witness. Jeffrey Zients, the Deputy Director for Management, failed to appear at the June 24th hearing on Solyndra. And OMB is the only agency to require a subpoena from this Committee because of its refusal to provide documents. One can't help but wonder whether OMB's refusal to provide a witness is because they don't have anything to say or because they are upset that their stonewalling tactics in the Solyndra investigation haven't worked.

In a letter to the Committee, OMB noted that a major accomplishment of its effort to comb through the budget line-by-line has been the identification of innumerable so-called “terminations, reductions, and savings.” However, as Clint Brass, a Congressional Research Service analyst has confirmed – “[t]he Obama Administration’s issuance of a volume like the [Terminations, Reductions, and Savings, or TRS] Document among a President’s budget proposals was not new.” “Generally speaking,” Brass continues, “these kinds of budget documents have been produced by Presidents dating back to President Ronald Reagan, if not before, in a variety of configurations.”

The TRS Document is, by its nature, an inadequate tool for achieving the ambitious goal of line-by-line review. Aside from being non-exhaustive, there is no clear one-to-one correspondence between the line-by-line review and the proposals included in the TRS Documents. In any event, the proposed \$17 billion to be saved by way of 121 cuts or restructurings to discretionary programs and mandatory spending in the fiscal year 2010 budget is not that impressive. In comparison, in fiscal year 2009, the Bush Administration proposed double that amount, or \$34 billion. Ultimately, the Obama Administration’s proposed \$17 billion in cuts, of which \$11.5 billion was on the discretionary side of the Budget, resulted in only \$6.9 billion in cuts approved by Congress.

Complicating things further, as Brass points out, “[t]ypically, these kinds of [TRS] documents. . . have not been followed by subsequent publications that showed, in detail, the extent to which Congress adopted the President’s recommendations.” Thus, there is little proof of what the actual savings are. Also, it is not unusual for the budget authority behind these proposed terminations, reductions, and savings to simply be transferred or consolidated elsewhere. More than offsetting any Administration effort toward real progress in restoring fiscal discipline is the inconvenient fact that despite the cuts it has proposed thus far, federal spending is soaring and the budget deficit is exceeding over \$1 trillion per year. As a share of gross domestic product, spending grew from 18 percent in 2001 to 24 percent in 2011, while debt held by the public jumped from 33 percent to 67 percent. The Congressional Budget Office projects that without reforms, spending and debt will continue to rise for decades to come. No \$17 billion – or even \$50 billion, for that matter – worth of proposed terminations, reductions, and savings in any given year is enough to reverse this harmful trend.

We need to find out the actual results from this review, build on ongoing initiatives and pursue new approaches to find more cuts and save more money.

Today's hearing can be a good start to help us deal more effectively with the enormous challenge of getting federal spending under control.

Mr. STEARNS. I ask unanimous consent that the majority's supplemental memo and attached letter from OMB be introduced into the record.

Ms. DEGETTE. I will review and then I will let you know.

Mr. STEARNS. All right. The gentlelady said they will review.

With that, I recognize the distinguished lady from Colorado for her opening statement.

OPENING STATEMENT OF HON. DIANA DEGETTE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF COLORADO

Ms. DEGETTE. Thank you very much, Mr. Chairman.

As we embark on this line-by-line budget review hearing series, I want to urge my colleagues to keep the important passages of the Constitution in mind, which I am sure they all remember since we read the Constitution at the beginning of this session of Congress. "No money shall be drawn from the Treasury but in consequence of appropriations made by law," and "The Congress shall have the power to lay and collect taxes and to borrow money on the credit of the United States." These provisions of Article 1, clause 8, of our Constitution grant the power of the purse to Congress. That means that legislation to authorize the Nation's fiscal path begins in Congress, and Congress is the steward of our Nation's budget.

I note these provisions because I believe if my colleagues on the other side of the aisle are going to use today's hearing as a forum to express concern about whether the President and the administration have done a "line-by-line" review of the budget. They should have to answer whether they have done this review themselves. Right here next to me on the desk is the President's fiscal year 2012 budget proposal, the document that launches the Federal budget cycle and provides the President's views on how Congress should develop budget legislation. It includes volumes on the budget, analytical perspectives, historical tables and an appendix of detailed budget estimates for each agency. I would like to ask my colleagues on the other side of the aisle, have you done a line-by-line review of these documents or of Congress's budget? Have you done a line-by-line review of the proposal specifically regarding agencies under this committee's jurisdiction?

I am not asking these questions to suggest that oversight of the budget, particularly the agencies we oversee, is inappropriate. No one can dispute that Congress has a legitimate oversight role with respect to the administration's budgeting process and decisions. Reigning in the deficit obviously should be a priority at both ends of Pennsylvania Avenue, and I also agree with the chairman that OMB should have sent a witness, and the minority told the administration as much.

But the issue is not whether the President or even members of Congress have done a line-by-line review of the budget. Rather, Congress should be taking a close look at substantive questions relating to the budget. We should be asking, are we making appropriate expenditures to promote job creation, biomedical research and ensure important public health and safety protections for the American public. We should be asking whether we should be cutting the budget for unnecessary wars or duplicative programs. We

should be working to ensure that programs that serve the Nation's neediest do not receive disproportionate cuts while subsidies to multibillion-dollar industries remain intact.

I hope that today's hearing will provide a constructive examination of the budget process under President Obama. To that end, let us review some basic facts. When President Obama took office, he inherited a deficit of over \$1 trillion created in large part by two massive tax cuts, a new Medicare prescription drug program, not paid for, and wars in Afghanistan and Iraq, none of which was paid for on budget by the Bush administration.

The Obama administration proposed a budget that would have cut this deficit in half by 2013. In his first two budgets, President Obama identified 120 terminations, reductions and savings totaling \$20 billion in each year. His 2012 budget proposal proposed 211 terminations, reductions and savings amounting to an estimated \$33 billion in savings for 2012. These budgets were marked by a new level of transparency as well. For example, unlike his predecessor, who kept the war funding off the books, President Obama's budget acknowledged the conflicts in Iraq and Afghanistan and that they had an impact on our Nation's bottom line.

Now, this approach stands in stark contrast to the approach of my friends on the other side of the aisle who would impose massive cuts on Medicare and Medicaid, balancing the budget on the backs of seniors, the poor and the middle class while cutting taxes for millionaires and billionaires.

I look forward to hearing from our witnesses about how the budget process has been improved in the Obama administration and could be improved further, particularly with respect to budget issues affecting programs under the committee's jurisdiction, and I hope that today's discussion is fact-based and productive. I yield back.

Mr. STEARNS. I thank the gentlelady, and I recognize the gentleman from Texas, Mr. Barton, for 2 minutes.

Mr. BARTON. Thank you, Mr. Chairman.

OPENING STATEMENT OF HON. JOE BARTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

As you know, there is a privacy hearing going on in another subcommittee, so I will have to, after I give an opening statement, go and attend to that.

Mr. Chairman, nearly 3 years ago, then-President-elect Obama said, and this is a direct quote, "In these challenging times when we are facing both rising deficits and a sinking economy, budget reform is not an option; it is an imperative. We will go through our Federal budget page by page, line by line, eliminating programs we don't need and insisting on those that we do operating a sensible, cost-effective way."

Mr. Chairman, here we are 3 years and \$4 trillion of additional Federal debt later, and we still don't have that line-by-line examination. However, House and Senate Democrats along with the President and his agency administrators appear to have rejected every effort to truly reform the budget, and as far as I can tell, are spending much more time increasing the financial and regulatory burden on the taxpayers of our Nation.

Today I hope that we can begin to uncover what, if anything, the President has done to truly reform our budget and get the Nation's fiscal house in order. I want to echo your disappointment, Chairman Stearns, that the Office of Management and Budget could not supply a witness for today's hearing. Perhaps they are too busy meeting with large political donors like those who encouraged the investment in the Solyndra loan guarantee to come before the Congress and tell the American people exactly where their tax dollars are going.

With that, Mr. Chairman, I yield back.

Mr. STEARNS. The gentlelady from Tennessee, Ms. Blackburn, is recognized for 2 minutes.

OPENING STATEMENT OF HON. MARSHA BLACKBURN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE

Mrs. BLACKBURN. Thank you, Mr. Chairman. I also am going to be back and forth with the privacy hearing, but unlike a lot of our colleagues who had great hope when President Obama stated that he would go through the budget line by line to eliminate wasteful and duplicative government, I was further encouraged when he stated in Executive Order 13571 that, and I'm quoting, "Government managers must learn from what is working in the private sector and apply these best practices to deliver services better, faster and at a lower cost."

Unfortunately, while this administration routinely repeats this line, they simultaneously force job creators, innovators and American taxpayers, hardworking American taxpayers to the very end of the line, only to pave the way for the golden era of government regulation.

Furthermore, I have cause for concern that the President's initiative since the man who oversaw it was Jeffery Zients, and we heard from him last week on the half-billion-dollar Solyndra loan. While Mr. Zients may not be present, it is my hope that we can assist him this morning in carrying out his stated goal on the June 13, 2011, conference call when he said, and I am quoting, "to crack down on waste, step up oversight and hold bad actors accountable."

I yield back.

Mr. STEARNS. The gentlelady yields back, and I recognize the gentleman from Nebraska. Mr. Terry is recognized for 2 minutes.

OPENING STATEMENT OF HON. LEE TERRY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEBRASKA

Mr. TERRY. I appreciate that.

Obviously, I think all of us are united in our effort to reduce the size of government to eliminate overlapping agency responsibilities, therefore, wasteful spending, abusive spending and simply just making sure that taxpayers have confidence that their money is being used wisely and efficiently, which they do not have that confidence today. So this effort could go a long ways in providing people confidence.

I am disappointed that OMB does not have a representative here to show where we could work together, but also as the gentlelady from Colorado mentioned, if they are proud of their efforts, then I

want to hear what successes they have had and we could help them perhaps achieve them. There may be obstacles to implementing them within the Executive Branch that controls the agencies, and my fear is that that is why they aren't here is because they would probably have to embarrass the Executive Branch for failing to follow through on the recommendations of those respective agencies.

With that, I will yield back.

Mr. STEARNS. The gentleman yields back, and the gentleman from Virginia, Mr. Griffith, has 35 seconds if he would like.

OPENING STATEMENT OF HON. H. MORGAN GRIFFITH, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF VIRGINIA

Mr. GRIFFITH. Thank you, Mr. Chairman.

I would just say that I would like to see a line-by-line of the Executive Branch done by the Executive Branch but I also agree that it wouldn't hurt for the Congressional offices to take a look line by line on their budgets as well. I think our country needs us working together to find every penny that we can find that would help with our national debt and deficit situation, and I yield back, Mr. Chairman.

Mr. STEARNS. The gentleman yields back, and with that, I recognize the distinguished ranking member of the full committee, Mr. Waxman, for 5 minutes.

OPENING STATEMENT OF HON. HENRY A. WAXMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. WAXMAN. Mr. Chairman, I am not sure what this hearing is all about. If it is about whether the Obama administration has scrutinized the Federal budget to eliminate wasteful spending, this is an important hearing and I support it. But if this hearing is a "gotcha" hearing to examine whether the administration has actually done a line-by-line review of the Federal budget, I reject its premise.

There is no question that the Obama administration has carefully examined the Federal budget to eliminate wasteful spending. The budget process each year involves close review by each agency of its spending needs. Through its terminations, reductions, and savings review, the Obama administration has recommended cuts in hundreds of programs totaling over \$60 billion.

But if the question is whether there has been a literal line-by-line review of the Federal budget, which Republican members say the President promised, I am afraid my colleagues have misunderstood a figure of speech. The phrase "reading line by line" in American English is commonly understood to mean performing a careful review. Likewise, "meeting you halfway" in negotiations, which seems to be a forgotten art in this Congress, does not mean that you literally have to move your chairs closer together. And "bridging our differences", another devalued skill, does not involve major construction projects.

And I know we are going to "get down to brass tacks" because our first witness is Mr. Brass, but "getting down to brass tacks"

doesn't mean what some people might have thought it meant when the furniture industry developed the term "brass tacks." It means getting down to the facts and reality.

Well, these are all figures of speech, and I hope we have not arrived at the absolute bottom of political discourse in which the Oversight Subcommittee is checking to see if the President's figures of speech are literally true.

Unfortunately, I think the most important question we need to ask is why our budget system has become so dysfunctional. And the answer, I believe, will be found here in Congress, not in the White House.

Let us take a brief look at how Republicans have handled the budget in this Congress. First there was the promise from the Speaker at the beginning of his term that there is not going to be any more omnibus appropriations bills. He told the American Enterprise Institute that he would do away with comprehensive bills. At another point he said that the House would do all separate appropriations bills and that 2,000-page bills are not in anyone's interest. Yet today we are operating on the heels of a 4-day continuing resolution, which will be followed by a 6-week continuing resolution, which will be followed by an omnibus appropriation, if we are lucky.

Then there was the debt ceiling standoff. Every Republican and Democratic economic and financial observer said that this ceiling had to be lifted to preserve the American credit rating and not to rattle the markets. Instead, the Republicans held the ceiling hostage until default was imminent, using it for negotiation leverage and headline value.

And now there is the Super Committee. For members who say they want a line-by-line review of the budget and for a party that claims it doesn't want omnibus bills because they are too big to review, it seems pretty strange that the Super Committee is the method that has been adopted. This process sweeps past all authorizing committees' consideration and all amendments and input from members of Congress. If it is successful, the Super Committee will create a giant omnibus bill, bigger than any before, and give us perhaps 3 weeks to read it but not change it, not even to offer changes to it. If it fails, it will produce an across-the-board cut in programs that could be accomplished by a pocket calculator but that will reflect no public policy, no economic realities, and no sense of justice and fairness.

Well, I hope the Super Committee process achieves positive results, but if we are really serious about ensuring sound fiscal policy for our Nation, Congress needs to take a long, hard look in the mirror. I believe that examining ways to meet halfway and bridge differences would take us a lot further than examining whether the President did a line-by-line budget review.

I remember a conversation I had with my son when he was quite little, and we had to explain to him that "stopping on a dime" did not mean we literally stopped for a dime. There are figures of speech and expressions, and I am pleased now that the Oversight Subcommittee has become the arbiter of whether people are actually stopping on a dime, getting down to brass tacks, literally reading a budget line by line. This is a wonderful exercise and I only

wish the cameras were here so the American people could see what Congress has come to.

And I think my time is now expired, so I will yield back.

Mr. STEARNS. I thank the gentleman.

I hope the gentleman will stay for the questions that I will have. I am going to actually show the video clip of the President mentioning——

Mr. WAXMAN. Nothing could make me more excited, Mr. Chairman. If I can do that, I will certainly try to get back.

Mr. STEARNS. Yes, “line by line”——

Mr. WAXMAN. But otherwise I am going to read the testimony line by line very carefully.

Mr. STEARNS. Well, you wouldn’t want to miss the President mentioning “line by line,” and you will clearly understand his intent with this video clip.

I ask unanimous consent again from the gentlelady that the majority’s supplemental memo and attached letter from OMB be introduced into the record. Without objection, the documents will be entered into the record.

[The information follows:]



THE COMMITTEE ON ENERGY AND COMMERCE
MEMORANDUM

October 3, 2011

TO: Members, Subcommittee on Oversight and Investigations
FROM: Subcommittee on Oversight and Investigations Staff
RE: Hearing on "Administration Efforts on Line-by-Line Budget Review"

On Wednesday, October 5, 2011, at 9:30 a.m. in 2322 Rayburn House Office Building, the Subcommittee on Oversight and Investigations will hold a hearing entitled "Administration Efforts on Line-by-Line Budget Review." This hearing is the first in a series of hearings on line-by-line review of the federal budget. It will examine the Obama Administration's efforts, specifically as directed by the Office of Management and Budget (OMB), to implement the President's repeated commitment to conduct a "page by page, line by line"¹ review of the federal budget to eliminate unnecessary, duplicative, or wasteful government programs and to cut costs and create new efficiencies in retained programs.

I. WITNESSES

Panel I²

Clinton T. Brass
Analyst in Government Organization and Management
Congressional Research Service

Panel II

Thomas A. Schatz
President
Citizens Against Government Waste

¹ President-elect Barack Obama, OMB Announcement in Chicago, Illinois (Nov. 25, 2008) available at http://change.gov/newsroom/entry/president_elect_barack_obama_announces_office_of_management_and_budget_dir/.

² The Committee extended a timely invitation to Jacob Lew, the Director of the Office of Management and Budget, to testify at this hearing. OMB informed the Committee that Mr. Lew does not testify before subcommittees and that given the OMB Deputy Director nominee had not been confirmed, OMB had no other official who could testify on this subject.

Patrick L. Knudsen
Grover M. Hermann Senior Fellow in Federal Budgetary Affairs
The Heritage Foundation

Veronique de Rugy
Senior Research Fellow
Mercatus Center, George Mason University

Tad DeHaven
Budget Analyst
Cato Institute

Andrew Moylan
Vice President of Government Affairs
National Taxpayers Union

Gary Kalman
Director, Federal Legislative Office
U.S. PIRG

Additional witnesses may be called at the discretion of the Majority.

II. BACKGROUND

The need for restoring fiscal responsibility to the federal government, especially in view of the current economic crisis, is obvious. Indeed, in translating the need for fiscal discipline into practice, President Obama has often touted his Administration's commitment to performing a "line by line" review of the federal budget to reduce unnecessary spending. In fact, from the transition to the Obama Administration in late-2008 until the present day, the imperative to perform a "line by line" budget review has been a guiding principle behind White House efforts to achieve fiscal responsibility and a crucial focus of OMB in particular.³

In announcing his selection of Peter Orszag to serve as Director of OMB on November 25, 2008, then President-elect Obama insisted that "we must be willing to shed the spending we don't [need]. . . . That is why I will ask my team to think anew and act anew to meet our new challenges. We will go through our federal budget – page by page, line by line – eliminating those programs we don't need, and insisting that those we do operate in a sensible cost-effective way."⁴

Now, more than two years into the Administration, the President's stated commitment to conduct a fresh, exhaustive, and in-depth review of the federal budget has not flagged. In a

³ <http://www.whitehouse.gov/issues/fiscal>.

⁴ President-elect Barack Obama, OMB Announcement in Chicago, Illinois (Nov. 25, 2008) *available at* http://change.gov/newsroom/entry/president_elect_barack_obama_announces_office_of_management_and_budget_dire/.

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Page 3

message accompanying the President's Budget for fiscal year 2012, the President reaffirmed his commitment to a thorough budget review process, noting that "we took many steps to re-establish fiscal responsibility...[including] going line by line through the budget looking for outdated, ineffective or duplicative programs to cut or reform."⁵ As recently as September 19, 2011, while delivering remarks on economic growth, the President reiterated the importance of crafting an approach to deficit reduction, enabling Washington "to live within its means," by way of combing through the budget, "line-by-line looking for waste."

The Committee requested that the Congressional Research Service prepare a background memorandum evaluating the President's call for a "line by line" review of the federal budget and its relationship to the budget formulation process and the practices of past Administrations, as well as identifying policy options that Congress might consider to increase transparency and enhance credibility of presidential budget proposals. The resulting memorandum, entitled "Analysis of the Obama Administration's 'Line-by-Line' Budget Review," and authored by Clinton T. Brass, an Analyst in Government Organization and Management, is appended to this memorandum.

III. ISSUES

The following issues will be examined at the hearing:

- The extent to which the President and OMB honored the pledge of conducting a line-by-line budgetary review across the federal government.
- The proposed cuts resulting from this review and how many were actually executed.
- The potential for identifying further cuts from line-by-line budget review.
- Identification of characteristics of federal programs suggestive of waste, fraud, and abuse.

IV. STAFF CONTACTS

If you have any questions regarding this hearing, please contact Sam Spector or Carl Anderson with the Subcommittee on Oversight and Investigations staff at (202) 225-2927.

Attachment

⁵ President Barack Obama, The Budget Message of the President (Feb. 14, 2011) *available at* http://www.whitehouse.gov/sites/default/files/omb/assets/budget/03_Presidents_Message.pdf.

**MEMORANDUM**

September 28, 2011

To: House Committee on Energy and Commerce
Attention: Samuel J. Spector

From: Clinton T. Brass, Analyst in Government Organization and Management, 7-4536

Subject: **Analysis of the Obama Administration's "Line-by-Line" Budget Review**

This memorandum responds to your request for an analysis of the Barack Obama Administration's "line-by-line" budget review and the relationship of the review to several topics. Specifically, you asked for analysis of what the line-by-line review appears to entail. You also requested analysis of how the review may relate to

- Administration proposals for "terminations, reductions, and savings";
- the processes and institutions that are involved in formulating the President's annual budget request; and
- practices by past Administrations.

Finally, you requested that the memorandum briefly identify policy options that Congress might consider to bring

- additional transparency to presidential budget proposals, including the outcomes of such proposals after Congress considers them; and
- enhanced credibility to representations that an Administration may make in these requests regarding how well an agency or program has performed—for example, assurance that the representation that an Administration makes portrays performance information fairly, in the context of an agency's or program's statutory mission.

Line-by-Line Budget Review and its Relationship to Other Topics

This section analyzes what the Obama Administration's line-by-line review appears to entail, and how the review may relate to other topics identified above. The analysis is based on statements that the Administration has used to characterize the line-by-line review, when the statements are viewed in context with institutions and processes that appear to have been involved, and also in context with long-standing budget practices in the executive branch.

Several caveats arguably are necessary, however, when interpreting publicly available information that concerns this subject. It should be noted, for example, that formulation of the President's budget largely occurs outside of public view. As a consequence, it is frequently not possible to make definitive

statements of how a process like this one is undertaken in any given year. In addition, the Office of Management and Budget (OMB) closely manages and monitors the budget formulation process on behalf of the President to, among other things, prevent so-called “pre-decisional” information from leaving the executive branch.¹ OMB also may attempt to influence agencies in how they characterize problems and priorities in public documents.

Even with these qualifications, analysis suggests that the line-by-line review appears to relate closely to annual development of the President’s budget proposals, and may be another name for the Obama Administration’s perspective on how it formulates the President’s budget.²

The first mention of plans for a line-by-line review appeared during the 2008 presidential campaign and subsequent transition.³ In a transition document, the incoming Administration characterized the upcoming review as “an exhaustive line-by-line review of the federal budget,” in which the Administration would “work to eliminate government programs that are not performing, and demand that new initiatives be selected on the basis of their merits -- not through a political process that rewards lobbyists and campaign donors.”⁴ This language suggested the review would focus not only on identifying budget cuts, but also more generally on how to allocate funds. During the transition, President-elect Obama announced that an OMB official, the deputy director for management, would have a role in the review.⁵

It was not immediately clear what the incoming Administration considered a “line” to be. The federal appropriations process focuses on lump-sum appropriations that are enacted into law for specifically stated purposes. Multiple programs or organizations may be funded by a single lump-sum appropriation. Historically, public sector budgeting also has used a form of budgeting called “line item” budgeting, which shows allocations of funding for a program or agency that is broken out into categories (“line items”) like salaries and rent. At the federal level, supporting information may be provided by an agency to the President and Congress that breaks down a budget account into so-called object classes, which are similar to these line item categories.⁶ It is possible that the “line-by-line” expression was intended to refer to object class information, but it also appears to be possible that the expression may have been metaphorical in nature, to communicate that an extensive review would occur without omitting any program or agency from scrutiny.

On February 26, 2009, OMB released an initial budget overview for FY2010, acting on behalf of the President.⁷ A more detailed submission of proposals was expected later in the spring.⁸ In the meantime,

¹ U.S. Executive Office of the President, Office of Management and Budget (hereafter OMB), *Circular No. A-11, Preparation, Submission, and Execution of the Budget*, Section 22, August 2011, at http://www.whitehouse.gov/omb/circulars_a11_current_year_a11_toc.

² For discussion and analysis of how the line-by-line review has appeared to fit within the Obama Administration’s agenda for government performance, see CRS Congressional Distribution Memorandum, *Obama Administration Agenda for Government Performance: Evolution and Related Issues for Congress*, January 19, 2011, by Clinton T. Brass.

³ *Ibid.*, pp. 4-5.

⁴ See Obama-Biden Transition Team, “Agenda: Ethics,” at http://change.gov/agenda/ethics_agenda/.

⁵ CRS Congressional Distribution Memorandum, *Obama Administration Agenda for Government Performance: Evolution and Related Issues for Congress*, January 19, 2011, by Clinton T. Brass, p. 5.

⁶ Object class information for the President’s most recent budget proposal may be found on OMB’s website at <http://www.whitehouse.gov/omb/budget/Supplemental>, under the heading “Supporting Documents.”

⁷ OMB, *A New Era of Responsibility: Renewing America’s Promise* (Washington: GPO, February 26, 2009).

⁸ The statutory deadline for submission of the President’s annual budget proposal to Congress is no later than the first Monday in February each year. However, recent Presidents have delayed submitting their first full budget proposals until the spring following their inaugurations. For discussion, see CRS Report RS20752, *Submission of the President’s Budget in Transition Years*, by Robert Keith.

the overview described some of the new Administration's priorities and plans. The overview argued for "investing taxpayer dollars in efforts and programs with proven records of success and reallocating or cutting programs that do not work or whose benefits are not worth their cost."⁹ In support of that objective, the Administration said it had begun an "exhaustive line-by-line review of the Federal Budget." The Administration said it would release related proposals in the full FY2010 Budget and in subsequent years. Meanwhile, the document identified several cuts and savings proposals that would be articulated in more detail in the Administration's full budget submission.¹⁰

On May 7, 2009, the Administration issued a document that proposed program "terminations, reductions, and savings" (hereafter *FY2010 TRS Document*).¹¹ The Administration characterized the *FY2010 TRS Document* as "the first report" from the line-by-line effort, and also as identifying "programs that do not accomplish their intended objectives, are not efficient, or that replicate efforts being completed by another initiative and [as recommending] these programs for either termination or reduction."¹² By the Administration's count, the document proposed 121 cuts or restructurings totaling "approximately \$17 billion." Typically, each item corresponded to only a portion of the funding within a budget account. Each item in the volume included a brief justification, but in many cases did not provide detailed information about the relevant budget account or entity within an agency that was the subject of attention. OMB released a more detailed *Budget Appendix* the same day, with account-by-account budget proposals from the Administration, but generally without explicit reference to the *FY2010 TRS Document*. Executive branch agencies also submitted to Congress their considerably more detailed budget justifications. Generally speaking, these justifications are reviewed and modified by OMB to be consistent with the President's policy preferences.

In subsequent years, the Obama Administration released additional *TRS Documents* for the FY2011 and FY2012 budgets. In these and other Administration budget documents, references to the line-by-line review often referred to budget cutting proposals. However, it is not clear that there is necessarily a one-to-one correspondence between the line-by-line review and the proposals included in the *TRS Documents*. More generally, it is also not clear if there is a one-to-one correspondence between the line-by-line review and proposed cuts. As noted above, the Administration had made previous statements that the review also focused on allocation of funds, including allocations based on what it characterized as merit and evidence.¹³ In addition, proposals associated with the line-by-line review were sometimes couched as being driven not by performance, but by fiscally difficult times and a need for "shared sacrifices."¹⁴

The Obama Administration's issuance of a volume like the *TRS Document* among a President's budget proposals was not new. For example, the George W. Bush Administration released similar documents for President Bush's FY2006, FY2007, FY2008, and FY2009 budget proposals.¹⁵ Generally speaking, these

⁹ OMB, *A New Era of Responsibility: Renewing America's Promise*, p. 34.

¹⁰ *Ibid.*, pp. 34-36.

¹¹ OMB, *Terminations, Reductions, and Savings—Budget of the U.S. Government, Fiscal Year 2010* (Washington: 2009), at <http://www.gpoaccess.gov/usbudget/fy10/browse.html>.

¹² OMB Web page, "Terminations, Reductions and Savings," at <http://www.whitehouse.gov/omb/budget/TRS/>.

¹³ The Obama Administration has previously identified two types of evidence: (1) evidence about "what works and what does not"; and (2) evidence that "identifies the greatest needs and challenges." See CRS Congressional Distribution Memorandum, *Obama Administration Agenda for Government Performance: Evolution and Related Issues for Congress*, January 19, 2011, by Clinton T. Brass, p. 25.

¹⁴ OMB, *Terminations, Reductions, and Savings—Budget of the U.S. Government, Fiscal Year 2012* (Washington: 2011), p. 1, at <http://www.whitehouse.gov/omb/budget/TRS>.

¹⁵ Each was titled *Major Savings and Reforms in the President's 200x Budget*, with "x" corresponding to the last digit of the relevant fiscal year. PDF versions of these volumes are located at <http://www.gpoaccess.gov/usbudget/browse.html>.

kinds of budget documents have been produced by Presidents dating back to President Ronald Reagan, if not before, in a variety of configurations.¹⁶ These documents have highlighted some, but not necessarily all, of the President's proposals to cut or modify federal programs and agencies, or to redirect priorities to align with the President's policy preferences.¹⁷ Typically, these kinds of documents also have *not* been followed by subsequent publications that showed, in detail, the extent to which Congress adopted the President's recommendations. Instead, most were silent on the topic of congressional actions, although a handful of them portrayed limited information about congressional actions from a previous year, without supporting detail.¹⁸ One exception appears to have occurred in 2005, when the Bush Administration reportedly released to some media outlets a retrospective, 85-page volume indicating how Congress acted on the President's termination and reduction proposals for FY2006.¹⁹ Apparently, this volume was not posted on a publicly accessible, government website.

Representations that an Administration makes in these documents about the performance of an agency or program may provide information that not all observers would perceive to be complete. Past experience in the federal budget process suggests that a President may make representations about performance from the perspective of one definition of "success," while omitting any mention of other perspectives.²⁰ During the George W. Bush Administration, for example, federally supported vocational education could have been rated either effective or ineffective, depending on whether "success" was defined as increased earnings for education recipients, on one hand (effective), or increased incidence of seeking higher education, on the other (ineffective).²¹ Consequently, when the President or his or her Administration make representations to Congress about performance for a particular policy or program, Congress may consider whether the definition of success that is being used, such as a goal, reflects congressional intent for the underlying program (e.g., as expressed in statute) and the major perspectives that the program's broader community of stakeholders may have, or reflects a less comprehensive perspective.²²

¹⁶ For example, see U.S. President Ronald W. Reagan, *America's New Beginning: A Program for Economic Recovery*, February 18, 1981 (Washington: GPO, 1981) [President Reagan's initial FY1982 budget revision, after his transition from the Jimmy Carter Administration]; (2) OMB, *Fiscal Year 1982 Budget Revisions, Additional Details on Budget Savings* (Washington: GPO, Apr. 1981) [a subsequent FY1982 budget revision]; (3) OMB, *Budget of the United States Government, Fiscal Year 1983* (Washington: GPO, 1982), pp. 5-42 and 5-106; and (4) OMB, *Major Policy Initiatives, Fiscal Year 1987* (Washington: GPO, 1986), pp. 91-110.

¹⁷ Some proposals have appeared repeatedly in such compilations.

¹⁸ The Obama Administration's *FY2012 TRS Document*, for example, said "[w]hile recent administrations have seen between 15 and 20 percent of their proposed discretionary cuts approved by the Congress, the Administration saw 60 percent of its proposed discretionary cuts become law for 2010" (p. 1). The George W. Bush Administration's *FY2007 Major Savings and Reforms* document said with respect to FY2006 that "[t]he Congress answered the call for restraint and accepted 89 of the President's 154 proposals for a total savings of \$6.5 billion" (p. 3).

¹⁹ See blog entry for December 23, 2005, titled "WH Touts Budget Successes," at <http://hotlineblog.nationaljournal.com/archives/2005/12/>. Related PDF files, apparently released by the Bush Administration, are posted online at <http://hotlineblog.nationaljournal.com/save1.pdf>; and <http://hotlineblog.nationaljournal.com/save2.pdf>. The first document, "save1.pdf", was posted on the OMB website and is now archived at http://georgewbush-whitehouse.archives.gov/omb/pubpress/2005/fact_sheet_restraining_spend_122205.pdf.

²⁰ See CRS Congressional Distribution Memorandum, *Obama Administration Agenda for Government Performance: Evolution and Related Issues for Congress*, January 19, 2011, by Clinton T. Brass, p. 31.

²¹ See discussion of contrasting definitions of success for federally supported vocational education in CRS Report RL33301, *Congress and Program Evaluation: An Overview of Randomized Controlled Trials (RCTs) and Related Issues*, by Clinton T. Brass, Erin D. Williams, and Blas Nuñez-Neto.

²² Congress has indicated in statute that when agencies set goals and arguably thereby define success, the agencies are required to do so after consulting with Congress and stakeholders. Specifically, under the GPRA Modernization Act of 2010 (P.L. 111-352), executive branch agencies are required to develop strategic plans that identify goals and objectives. When developing these plans, the law states that an agency "shall consult periodically with the Congress, including majority and minority views from the appropriate authorizing, appropriations, and oversight committees, and shall solicit and consider the views and suggestions of (continued...)"

Potential Issues for Congress

Pursuant to your request, this section of the memorandum briefly identifies some policy options that Congress might consider to bring additional transparency to presidential budget proposals, including the outcomes of such proposals after Congress considers them, and enhanced credibility to representations that an Administration may make in such requests regarding how an agency or program has performed. CRS takes no position on whether these options are advisable, in comparison to the status quo. However, some potential advantages and disadvantages may be identified for each option that is considered.

With enactment of the Budget and Accounting Act of 1921,²³ now codified in part at 31 U.S.C. § 1105, Congress required the President to annually submit a consolidated budget proposal to Congress. This statute currently goes into some detail regarding the information that the President is required to submit.²⁴ Separately, the GPRA Modernization Act of 2010 (P.L. 111-352), which amended the Government Performance and Results Act of 1993 (P.L. 103-62), included a provision to require an agency to annually “identify low-priority program activities based on an analysis of their contribution to the mission and goals of the agency and include an evidence-based justification for designating a program activity as low priority” (codified at 31 U.S.C. § 1115(b)(10)).

If Congress deemed it advisable to increase the transparency regarding presidential proposals to significantly increase, cut, or modify an existing program or activity and what happened afterward, Congress might consider options to bring additional structure to how the President, OMB, and agencies implement the statutes cited in the preceding paragraph. For example, Congress might require that an annual accounting of what Congress has done with prior year Administration proposals for major increases or decreases be included in future budget submissions, to help make congressional policymaking and oversight easier, when considering such proposals.

To enhance the credibility of any such representations, Congress might also consider providing some structure regarding how agencies or OMB make determinations of “low-priority program activities.” Among other options, the statute might be modified to require that an agency’s analysis of a program’s success be based on the agency’s statutory mission and related congressional intent, to address the possibility that a presidential budget submission may include information about performance that primarily reflects the President’s policy preferences and omits other information. The term “evidence” as used in the GPRA Modernization Act also might be further defined to produce information that may be helpful to Congress.

Nevertheless, options such as these may be perceived as also bringing some disadvantages. For example, efforts to increase transparency or enhance the credibility of budget presentations may cause additional workload for agencies and OMB. In addition, the President may prefer to have his or her budget requests be as unencumbered as possible, with fewer statutory requirements from Congress. Consequently, options like these may entail difficult trade-offs.

(...continued)

those entities potentially affected by or interested in such a plan” (124 Stat. 3867; 5 U.S.C. § 306(d)).

²³ For more information about the act, see CRS Report RL30795, *General Management Laws: A Compendium*, by Clinton T. Brass et al., pp. 98-102.

²⁴ The required components have increased in number over time. In a 1989 report, the General Accounting Office (now the Government Accountability Office) identified 53 such provisions. See U.S. General Accounting Office, *Budget Issues: The President’s Budget Submission*, GAO/AFMD-90-35, October 1989, p. 5.

These options are a sampling of a broader number of options that might be considered, if they were of further interest. In the meantime, I trust that this memorandum is responsive to your request. Please feel free to contact me if you have questions or would like to discuss any of these topics further.



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

September 30, 2011

The Honorable Fred Upton
Chairman
Committee on Energy and Commerce
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Cliff Stearns
Chairman
Subcommittee on Oversight and Investigations
Committee on Energy and Commerce
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Upton and Chairman Stearns:

Thank you for your letter of September 15, 2011 to Jacob Lew, the Director of the Office of Management and Budget (OMB), regarding the role of OMB in preparing the Federal budget and the efforts of this Administration to restore fiscal discipline to the Federal Government.

OMB's principal mission is to assist the President in overseeing the preparation of the Budget and to supervise its administration by executive branch agencies. In reviewing and preparing the Budget, OMB evaluates the effectiveness of agency programs, policies, and procedures, and sets funding priorities. Although this process has always included a careful review of budgetary proposals, OMB has also implemented several additional initiatives that are a key part of this Administration's line-by-line review of the Federal budget to fulfill the President's commitment to eliminate waste and reduce the deficit. These initiatives are described further below and in the enclosed materials.

First and foremost, OMB's identification of outdated, ineffective, or duplicative programs has been a critical part of the Administration's effort to put the Nation on a sustainable fiscal path. Through our publication of the *Terminations, Reductions, and Savings* volume accompanying each Budget during this Administration, OMB has identified numerous programs that were not effective or efficient, or did a job already done by another program. This section also reflects tough, balanced cuts to worthy programs that had to be made in light of current fiscal challenges. As Director Lew explained in his testimony before the House Committee on the Budget in February of this year, in each of the first two budgets of this Administration, 120 programs were identified for termination, reduction, and savings. Furthermore, after careful review in preparing the 2012 Budget, OMB identified 211 programs for termination, reduction, or savings.

As you know, the President also called on his Cabinet members to identify \$100 million in administrative savings within 90 days of his first Cabinet meeting in April 2009. Through this initiative, OMB worked with agencies to develop a set of proposals that would generate this additional amount of savings and that could be implemented in a short amount of time. Through this work, 77 proposals were identified, representing 15 separate agencies. These proposals amounted to \$243 million in savings through 2010, and \$265 million over 10 years. The enclosed materials provide additional information regarding the content of these proposals, including the agencies that proposed them and an itemization of the amount of savings by category. We have also enclosed a chapter from the 2011 Budget that articulates how agencies have continued to identify savings proposals.

OMB has also implemented initiatives aimed at making the Federal Government operate more efficiently and effectively. In the last three budget submissions, a chapter in the *Analytical Perspectives* volume of the Budget¹ has outlined the Administration's principles and strategies for improving performance and accountability, and delivering efficient and effective government services. Specifically, as part of the 2011 Budget guidance, OMB requested that agencies identify a limited number of high-priority performance goals. OMB asked agencies to choose ambitious goals that did not require additional resources or legislative action to achieve within an 18- to 24-month period. In order to maintain accountability, OMB conducts quarterly reviews of agency progress on all priority goals. These reviews also provide an opportunity to identify areas for improvement and, where problems have arisen, to understand why and make sure agencies are addressing them. To illustrate how this initiative is implemented, enclosed within the materials we are providing is a list of agency priority goals covering 2010 and 2011. Chapter 7 of the *Analytical Perspectives* in the 2012 Budget also provides an updated description of agencies' priority goals.

The Administration has also recognized the unique insights of frontline Federal employees and has enlisted their participation in helping to eliminate waste and inefficiency. To fulfill the President's commitment to involve government workers in the process of identifying efficiencies and savings as part of the annual budget process, OMB administers the President's SAVE (Securing Americans Value and Efficiency) Award. Under this initiative, Federal employees submit their ideas for creating a government that spends taxpayers' dollars efficiently and effectively; the best idea from all the submissions is then included in the Budget, along with other finalist ideas. For instance, in 2010 a Federal employee recommended an "opt-in" mechanism for receipt of hard copies of the *Federal Register* to replace the automatic delivery of approximately 8,000 hard copies. Because this idea had the potential to yield considerable savings associated with printing and posting, it is currently being implemented by this Administration. Enclosed is further information regarding the SAVE award and OMB's guidance on that subject.

In addition to these initiatives, OMB's annual guidance to agencies on their proposed budget submissions under this Administration has further helped advance the President's commitment to more efficient and cost-effective governing. These guidance documents include specific funding targets, as well as direction on the agencies' creation and review of their budget and management plans. Most recently, OMB instructed agencies to provide options to support

¹ In the 2010 Budget, Chapter 2 of the Analytical Perspective, entitled "Building a High Performing Government" provided this detail, and in the Budgets for 2011 and 2012, the description of this initiative was provided in Chapter 7 entitled "Delivering High-Performance Government."

the President's commitment to cut waste and reorder priorities to achieve deficit reduction while investing in those areas critical to job creation and economic growth. In particular, agencies were instructed that their proposed budget submissions to OMB for 2013 should be at least 5 percent below their agency's 2011 enacted discretionary appropriation. Furthermore, the 2013 Budget guidance directed agencies to identify additional discretionary funding reductions that would bring the requests to a level that is at least 10 percent below their 2011 enacted discretionary appropriation.

Finally, OMB's Circular No. A-11, entitled "Preparation, Submission, and Execution of the Budget," provides additional information responsive to your request. This circular is transmitted annually to the heads of executive departments and establishments and provides technical guidance on preparing the Budget and budget execution. Within this Circular are sections that include requirements for agency proposed budget submissions— including budget policy figures consistent with Administration priorities and the Government-wide budget formulation process—agency priority goals, performance indicators, and consideration of measures of efficiency and effectiveness.

Your letter also asked for specific information regarding the efforts of the Department of Health and Human Services, the Department of Energy, the Department of Commerce, and the Environmental Protection Agency to eliminate waste and inefficiency. We are compiling this information and will be sending you an additional letter describing the efforts of these agencies next week. We also understand that you have written to these agencies directly, and this letter is not intended to be a response on their behalf.

If any additional information on these issues would be helpful, we would be happy to schedule a follow up briefing with your staff.

Sincerely,



Allie Neill
Acting Associate Director
for Legislative Affairs

Enclosures

cc: The Honorable Henry A. Waxman
Ranking Member
Committee on Energy and Commerce

The Honorable Diana DeGette
Ranking Member
Subcommittee on Oversight and Investigations
Committee on Energy and Commerce

Mr. STEARNS. And with that, Mr. Brass, you are aware that the committee is holding an investigative hearing and when doing so has had the practice of taking testimony under oath. Do you have any objection to taking testimony under oath?

Mr. BRASS. No, Mr. Chairman.

Mr. STEARNS. The chair then advises you that under the rules of the House and the rules of the committee, you are entitled to be advised by counsel. Do you desire to be advised by counsel during your testimony today?

Mr. BRASS. No, Mr. Chairman.

Mr. STEARNS. In that case, if you would please rise and raise your right hand, I will swear you in.

[Witness sworn.]

Mr. STEARNS. Mr. Brass, you are now under oath and subject to the penalties set forth in Title XVIII, section 1001 of the United States Code. You may now give your 5-minute opening statement. Please proceed.

STATEMENT OF CLINTON T. BRASS, ANALYST IN GOVERNMENT ORGANIZATION AND MANAGEMENT, CONGRESSIONAL RESEARCH SERVICE

Mr. BRASS. Thank you. Chairman Stearns, Ranking Member DeGette, members of the subcommittee, thank you for the invitation to testify today.

The subcommittee requested that CRS discuss the Obama administration's line-by-line budget review and what it appears to entail. The subcommittee also requested that CRS identify some policy options that Congress might consider in this context. The CRS written statement goes into these subjects in detail, so I will provide some highlights.

At the outset, several caveats arguably are necessary. It should be noted, for example, that formulation of the President's budget largely occurs outside of public view. The Office of Management and Budget, OMB, closely manages this process to prevent so-called pre-decisional information from leaving the Executive Branch. As a consequence, it is frequently not possible to make definitive statements about a process like this one. Even with qualifications like these, analysis suggests that the line-by-line review appears to be closely related to the annual development of the President's budget proposals. The line-by-line review may be another name for the Obama administration's perspective on how it formulates the President's budget.

The first mention of this topic appeared during the 2008 Presidential campaign and subsequent transition. The incoming administration characterized the effort as an exhaustive line-by-line review of the budget in which the administration would focus not only on identifying cuts but also more generally on how to allocate funds. In February 2009, OMB released an initial budget overview for the upcoming fiscal year saying it had begun a line-by-line review and would release related proposals for that in subsequent fiscal years. In May 2009, the administration issued a document that included selected proposals for "terminations, reductions and savings." The Obama administration's issuance of a volume like this among a President's budget proposals was not new. Presidents dat-

ing back to President Ronald Reagan, if not before, have occasionally produced similar documents.

The Obama administration characterized the document as the first report from the line-by-line effort. On the same day, OMB released a more comprehensive budget appendix, account-by-account budget proposals. Agencies also submitted to Congress their much more detailed budget justifications. In subsequent years, the Obama administration released similar sets of documents. In these documents, representations that an administration makes about the performance of a program may provide information that not all observers would necessarily perceive to be complete or fair. Past experience suggests that a President may in some cases make representations about performance from the perspective of one definition of success while omitting any mention of other perspectives. Consequently, Congress may consider whether the definition of success that is being used reflects underlying authorizing statutes or Congressional intent. Congress has indicated in statute that when agencies set goals, and arguably, thereby define success, the agencies are first required to consult with Congress and stakeholders. Statutes like this may provide Congress with an opportunity to influence how agencies and OMB present information to Congress.

The subcommittee also requested that CRS identify some policy options that Congress might consider to accomplish the following outcomes. These include bringing additional transparency to Presidential budget proposals including the outcomes of such proposals are Congress considers them, options to bring enhanced credibility to representations that an administration may make regarding an agency's or program's performance, and options to bring more effective engagement between Congress and agencies on topics like these.

The CRS written statement mentions a few options, and CRS takes no position on whether changes from the status quo are advisable. However, some potential advantages and disadvantages might be explored if options were of further interest. In the meantime, I would be happy to answer any questions you may have. Thank you.

[The prepared statement of Mr. Brass follows:]



**Statement of Clinton T. Brass
Analyst in Government Organization and Management
Congressional Research Service**

Before

**The Committee on Energy and Commerce
Subcommittee on Oversight and Investigations
U.S. House of Representatives**

October 5, 2011

on

“Administration Efforts on Line-by-Line Budget Review”

One-Page Summary

The Subcommittee requested that this testimony discuss the Barack Obama Administration's "line-by-line" budget review and what it appears to entail. In addition, the Subcommittee expressed interest in discussion of how the line-by-line review may relate to additional topics. Finally, the Subcommittee requested that the testimony briefly identify policy options that Congress might consider to bring additional transparency to presidential budget proposals; enhance the credibility of the representations about performance that an Administration may make in these requests; and engage with agencies more systematically and effectively on topics like these.

Several caveats arguably are necessary when interpreting publicly available information that concerns this subject. It should be noted, for example, that formulation of the President's budget largely occurs outside of public view. As a consequence, it is frequently not possible to make definitive statements of how a process like this one is undertaken in any given year.

Even with these qualifications, analysis suggests that the line-by-line review appears to relate closely to annual development of the President's budget proposals, and may be another name for the Obama Administration's perspective on how it formulates the President's budget. The Administration has said the line-by-line review relates to specific budget cut proposals, but also has said the review relates more generally the Administration's views on how to allocate funds. The Obama Administration's issuance of a volume of proposed "terminations, reductions, and savings" among a President's budget proposals was not new. For example, the George W. Bush Administration released similar documents for President Bush's FY2006, FY2007, FY2008, and FY2009 budget proposals.

The testimony identifies some policy options for Congress and potential advantages and disadvantages.

Written Statement

Chairman Stearns, Ranking Member DeGette, and Members of the Subcommittee:

Thank you for inviting the Congressional Research Service to testify today at your Subcommittee's hearing. At CRS, I help cover several subjects, including the executive branch's role in the federal budget process, government performance issues, and congressional-executive relations.

The Subcommittee requested that CRS's testimony discuss the Barack Obama Administration's "line-by-line" budget review and what it appears to entail. In addition, the Subcommittee expressed interest in discussion of how the line-by-line review may relate to these topics:

- Administration proposals for "terminations, reductions, and savings" that are contained in a separate volume of the President's annual budget request;
- the processes and institutions that are involved in formulating the President's annual budget request; and
- practices by past Administrations.

Finally, the Subcommittee requested that CRS briefly identify policy options that Congress might consider to

- bring additional transparency to presidential budget proposals, including the outcomes of such proposals after Congress considers them;
 - enhance the credibility of the representations about performance that an Administration may make in these requests—for example, assurance that the representation that an Administration makes about a program's performance does so fairly, in the context of an agency's or program's statutory mission; and
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- promote more systematic and effective engagement between Congress and agencies on topics like these.

This testimony draws substantially from a memorandum that the Committee requested earlier and adds some discussion regarding how Congress might consider engaging with agencies.

Line-by-Line Budget Review and its Relationship to Other Topics

First, the Subcommittee requested analysis of what the Obama Administration's line-by-line review appears to entail, and how the review may relate to other topics identified above. This analysis is based on statements that the Administration has used to characterize the line-by-line review, when the statements are viewed in context with institutions and processes that appear to have been involved, and also in context with long-standing budget practices in the executive branch.

Several caveats arguably are necessary, however, when interpreting publicly available information that concerns this subject. It should be noted, for example, that formulation of the President's budget largely occurs outside of public view. As a consequence, it is frequently not possible to make definitive statements of how a process like this one is undertaken in any given year. In addition, the Office of Management and Budget (OMB) closely manages and monitors the budget formulation process on behalf of the President to, among other things, prevent so-called "pre-decisional" information from leaving the executive branch.¹ OMB also may attempt to influence agencies in how they characterize problems and priorities in public documents.

¹ U.S. Executive Office of the President, Office of Management and Budget (hereafter OMB), *Circular No. A-11, Preparation, Submission, and Execution of the Budget*, Section 22, August 2011, at http://www.whitehouse.gov/omb/circulars_a11_current_year_a11_toc. OMB has characterized its mission primarily as one of "[implementing] the commitments and priorities of the President" and "[implementing and enforcing] Presidential policy government-wide." See OMB, "The Mission and Structure of the Office of Management and Budget," at http://www.whitehouse.gov/omb/organization_mission.

Even with these qualifications, analysis suggests that the line-by-line review appears to relate closely to annual development of the President's budget proposals, and may be another name for the Obama Administration's perspective on how it formulates the President's budget.²

The first mention of plans for a line-by-line review appeared during the 2008 presidential campaign and subsequent transition.³ In a transition document, the incoming Administration characterized the upcoming review as "an exhaustive line-by-line review of the federal budget," in which the Administration would "work to eliminate government programs that are not performing, and demand that new initiatives be selected on the basis of their merits -- not through a political process that rewards lobbyists and campaign donors."⁴ This language suggested the review would focus not only on identifying budget cuts, but also more generally on how to allocate funds. During the transition, President-elect Obama announced that an OMB official, the deputy director for management, would have a role in the review.⁵

It was not immediately clear what the incoming Administration considered a "line" to be. The federal appropriations process focuses on lump-sum appropriations that are enacted into law for specifically stated purposes.⁶ Multiple programs or organizations may be funded by a single lump-sum appropriation. Historically, public sector budgeting also has used a form of budgeting called "line item" budgeting, which shows allocations of funding for a program or agency that is broken out into categories ("line items") like salaries and rent. At the federal level, supporting information may be provided by an agency to the President and Congress that breaks down a budget account into so-called object classes, which are

² For discussion and analysis of how the line-by-line review has appeared to fit within the Obama Administration's agenda for government performance, see CRS Congressional Distribution Memorandum, *Obama Administration Agenda for Government Performance: Evolution and Related Issues for Congress*, January 19, 2011, by Clinton T. Brass (available upon request).

³ *Ibid.*, pp. 4-5.

⁴ See Obama-Biden Transition Team, "Agenda: Ethics," at http://change.gov/agenda/ethics_agenda/.

⁵ CRS Congressional Distribution Memorandum, *Obama Administration Agenda for Government Performance: Evolution and Related Issues for Congress*, January 19, 2011, by Clinton T. Brass, p. 5.

⁶ In the annual appropriations process, these lump-sum appropriations typically take the form of unnumbered paragraphs of statutory text, including in each paragraph an amount of budget authority that is to be provided to an agency or program, along with any restrictions or directions Congress may have. A paragraph also may be called an "appropriation account."

similar to these line item categories.⁷ It is possible that the “line-by-line” expression was intended to refer to object class information, but it also appears to be possible that the expression may have been metaphorical in nature, to communicate that an extensive review would occur without omitting any program or agency from scrutiny.

On February 26, 2009, OMB released an initial budget overview for FY2010, acting on behalf of the President.⁸ A more detailed submission of proposals was expected later in the spring.⁹ In the meantime, the overview described some of the new Administration’s priorities and plans. The overview argued for “investing taxpayer dollars in efforts and programs with proven records of success and reallocating or cutting programs that do not work or whose benefits are not worth their cost.”¹⁰ In support of that objective, the Administration said it had begun an “exhaustive line-by-line review of the Federal Budget.” The Administration said it would release related proposals in the full FY2010 Budget and in subsequent years. Meanwhile, the document identified several cuts and savings proposals that would be articulated in more detail in the Administration’s full budget submission.¹¹

On May 7, 2009, the Administration issued a document that proposed program “terminations, reductions, and savings” (hereafter *FY2010 TRS Document*).¹² The Administration characterized the *FY2010 TRS Document* as “the first report” from the line-by-line effort, and also as identifying “programs that do not accomplish their intended objectives, are not efficient, or that replicate efforts being completed by another

⁷ Object class information for the President’s most recent budget proposal may be found on OMB’s website at <http://www.whitehouse.gov/omb/budget/Supplemental>, under the heading “Supporting Documents.”

⁸ OMB, *A New Era of Responsibility: Renewing America’s Promise* (Washington: GPO, February 26, 2009).

⁹ The statutory deadline for submission of the President’s annual budget proposal to Congress is no later than the first Monday in February each year. However, recent Presidents have delayed submitting their first full budget proposals until the spring following their inaugurations. For discussion, see CRS Report RS20752, *Submission of the President’s Budget in Transition Years*, by Robert Keith.

¹⁰ OMB, *A New Era of Responsibility: Renewing America’s Promise*, p. 34.

¹¹ *Ibid.*, pp. 34-36.

¹² OMB, *Terminations, Reductions, and Savings—Budget of the U.S. Government, Fiscal Year 2010* (Washington: 2009), at <http://www.gpoaccess.gov/usbudget/fy10/browse.html>.

initiative and [as recommending] these programs for either termination or reduction.”¹³ By the Administration’s count, the document proposed 121 cuts or restructurings totaling “approximately \$17 billion.” Typically, each item corresponded to only a portion of the funding within a budget account. Each item in the volume included a brief justification, but in many cases did not provide detailed information about the relevant budget account or entity within an agency that was the subject of attention. OMB released a more detailed *Budget Appendix* the same day, with account-by-account budget proposals from the Administration, but generally without explicit reference to the *FY2010 TRS Document*. Executive branch agencies also submitted to Congress their considerably more detailed budget justifications. Generally speaking, these justifications are reviewed and modified by OMB to be consistent with the President’s policy preferences.

In subsequent years, the Obama Administration released additional *TRS Documents* for the FY2011 and FY2012 budgets. In these and other Administration budget documents, references to the line-by-line review often referred to budget cutting proposals. However, it is not clear that there is necessarily a one-to-one correspondence between the line-by-line review and the proposals included in the *TRS Documents*. More generally, it is also not clear if there is a one-to-one correspondence between the line-by-line review and proposed cuts. As noted above, the Administration had made previous statements that the review also focused on allocation of funds, including allocations based on what it characterized as merit and evidence.¹⁴ In addition, proposals associated with the line-by-line review were sometimes couched as being driven not by performance, but by fiscally difficult times and a need for “shared sacrifices.”¹⁵

¹³ *Ibid.*, p. 1, and OMB Web page, “Terminations, Reductions and Savings,” at <http://www.whitehouse.gov/omb/budget/TRS/>.

¹⁴ The Obama Administration has previously identified two types of evidence: (1) evidence about “what works and what does not”; and (2) evidence that “identifies the greatest needs and challenges.” See CRS Congressional Distribution Memorandum, *Obama Administration Agenda for Government Performance: Evolution and Related Issues for Congress*, January 19, 2011, by Clinton T. Brass, p. 25.

¹⁵ OMB, *Terminations, Reductions, and Savings—Budget of the U.S. Government, Fiscal Year 2012* (Washington: 2011), p. 1, at <http://www.whitehouse.gov/omb/budget/TRS>.

The Obama Administration's issuance of a volume like the *TRS Document* among a President's budget proposals was not new. For example, the George W. Bush Administration released similar documents for President Bush's FY2006, FY2007, FY2008, and FY2009 budget proposals.¹⁶ Generally speaking, these kinds of budget documents have been produced by Presidents dating back to President Ronald Reagan, if not before, in a variety of configurations.¹⁷ These documents have highlighted some, but not necessarily all, of the President's proposals to cut or modify federal programs and agencies, or to redirect priorities to align with the President's policy preferences.¹⁸ Typically, these kinds of documents also have *not* been followed by subsequent publications that showed, in detail, the extent to which Congress adopted the President's recommendations. Instead, most were silent on the topic of congressional actions, although a handful of them portrayed limited information about congressional actions from a previous year, without supporting detail.¹⁹ One exception appears to have occurred in 2005, when the Bush Administration reportedly released to some media outlets a retrospective, 85-page volume indicating how Congress acted on the President's termination and reduction proposals for FY2006.²⁰ Apparently, this volume was not posted on a publicly accessible, government website.

¹⁶ Each was titled *Major Savings and Reforms in the President's 200x Budget*, with "x" corresponding to the last digit of the relevant fiscal year. PDF versions of these volumes are located at <http://www.gpoaccess.gov/usbudget/browse.html>.

¹⁷ For example, see U.S. President Ronald W. Reagan, *America's New Beginning: A Program for Economic Recovery*, February 18, 1981 (Washington: GPO, 1981) [President Reagan's initial FY1982 budget revision, after his transition from the Jimmy Carter Administration]; (2) OMB, *Fiscal Year 1982 Budget Revisions, Additional Details on Budget Savings* (Washington: GPO, Apr. 1981) [a subsequent FY1982 budget revision]; (3) OMB, *Budget of the United States Government, Fiscal Year 1983* (Washington: GPO, 1982), pp. 5-42 and 5-106; and (4) OMB, *Major Policy Initiatives, Fiscal Year 1987* (Washington: GPO, [1986]), pp. 91-110.

¹⁸ Some proposals have appeared repeatedly in such compilations.

¹⁹ The Obama Administration's *FY2012 TRS Document*, for example, said "[w]hile recent administrations have seen between 15 and 20 percent of their proposed discretionary cuts approved by the Congress, the Administration saw 60 percent of its proposed discretionary cuts become law for 2010" (p. 1). The George W. Bush Administration's *FY2007 Major Savings and Reforms* document said with respect to FY2006 that "[t]he Congress answered the call for restraint and accepted 89 of the President's 154 proposals for a total savings of \$6.5 billion" (p. 3).

²⁰ See blog entry for December 23, 2005, titled "WH Touts Budget Successes," at <http://hotlineblog.nationaljournal.com/archives/2005/12/>. Related PDF files, apparently released by the Bush Administration, are posted online at <http://hotlineblog.nationaljournal.com/save1.pdf>; and <http://hotlineblog.nationaljournal.com/save2.pdf>. The first document, "save1.pdf", was posted on the OMB website and is now archived at http://georgewbush-whitehouse.archives.gov/omb/pubpress/2005/fact_sheet_restraining_spend_122205.pdf.

Representations that an Administration makes in these documents about the performance of an agency or program may provide information that not all observers would necessarily perceive to be complete or fair. Past experience in the federal budget process suggests that a President may, in some cases, make representations about performance from the perspective of one definition of “success,” while omitting any mention of other perspectives.²¹ During the George W. Bush Administration, for example, federally supported vocational education could have been rated either effective or ineffective, depending on whether “success” was defined as increased earnings for education recipients, on one hand (effective), or increased incidence of seeking higher education, on the other (ineffective).²² Consequently, when the President or his or her Administration make representations to Congress about performance for a particular policy or program, Congress may consider whether the definition of success that is being used, such as a goal, reflects congressional intent for the underlying program (e.g., as expressed in statute) and the major perspectives that the program’s broader community of stakeholders may have, or reflects a less comprehensive perspective.

Congress has indicated in statute that when agencies set goals and arguably thereby define success, the agencies are required to do so after consulting with Congress and stakeholders. Specifically, under the GPRA Modernization Act of 2010 (P.L. 111-352), executive branch agencies are required to develop four-year strategic plans that identify goals and objectives. When developing these plans, the law states that an agency “shall consult periodically with the Congress, including majority and minority views from the appropriate authorizing, appropriations, and oversight committees, and shall solicit and consider the views and suggestions of those entities potentially affected by or interested in such a plan.”²³ The statute

²¹ See CRS Congressional Distribution Memorandum, *Obama Administration Agenda for Government Performance: Evolution and Related Issues for Congress*, January 19, 2011, by Clinton T. Brass, p. 31.

²² See discussion of contrasting definitions of success for federally supported vocational education in CRS Report RL33301, *Congress and Program Evaluation: An Overview of Randomized Controlled Trials (RCTs) and Related Issues*, by Clinton T. Brass, Erin D. Williams, and Blas Nuñez-Neto.

²³ 124 Stat. 3867; 5 U.S.C. § 306(d).

additionally says that consultations are required to take place “with the appropriate committees of Congress” at least once every two years.

Potential Issues for Congress

The Committee also requested that this testimony briefly identify some policy options that Congress might consider to bring

- additional transparency to presidential budget proposals, including the outcomes of such proposals after Congress considers them;
- enhanced credibility to representations that an Administration may make in such requests regarding how an agency or program has performed; and
- more systematic and effective engagement between Congress and agencies on topics like these.

CRS takes no position on whether these options are advisable, in comparison to the status quo.

However, some potential advantages and disadvantages may be identified for each option that is considered.

With enactment of the Budget and Accounting Act of 1921,²⁴ now codified in part at 31 U.S.C. § 1105, Congress required the President to annually submit a consolidated budget proposal to Congress. This statute currently goes into some detail regarding the information that the President is required to submit.²⁵ Notably, the statute does not require the President to submit a document like the Obama Administration’s *TRS Document* or the Bush Administration’s *Major Savings and Reforms*. Rather, Presidents have

²⁴ For more information about the act, see CRS Report RL30795, *General Management Laws: A Compendium*, by Clinton T. Brass et al., pp. 98-102.

²⁵ The required components have increased in number over time. In a 1989 report, the General Accounting Office (now the Government Accountability Office) identified 53 such provisions. See U.S. General Accounting Office, *Budget Issues: The President’s Budget Submission*, GAO/AFMD-90-35, October 1989, p. 5.

produced such documents at their discretion. Separately, the GPRA Modernization Act of 2010 (P.L. 111-352), which amended the Government Performance and Results Act of 1993 (P.L. 103-62), included a provision to require an agency to annually “identify low-priority program activities based on an analysis of their contribution to the mission and goals of the agency and include an evidence-based justification for designating a program activity as low priority” (codified at 31 U.S.C. § 1115(b)(10)).

If Congress deemed it advisable to increase the transparency regarding presidential proposals to significantly increase, cut, or modify an existing program or activity and what happened afterward, Congress might consider options to bring additional structure to how the President, OMB, and agencies implement the statutes cited in the preceding paragraph. For example, Congress might require that an annual accounting of what Congress has done with prior year Administration proposals for major increases or decreases be included in future budget submissions, along with more detailed information about relevant budget accounts and organizational units, to help make congressional policymaking and oversight easier, when considering such proposals.

To enhance the credibility of any such representations, Congress might also consider providing some structure regarding how agencies or OMB make determinations of “low-priority program activities.” Among other options, the statute might be modified to require that an agency’s analysis of a program’s success be based on the agency’s statutory mission and related congressional intent, to address the possibility that a presidential budget submission may include information about performance that primarily reflects the President’s policy preferences and omits other information. The term “evidence” as used in the GPRA Modernization Act also might be further defined to produce information that may be helpful to Congress.

Finally, Congress might consider options that relate to how its committees engage with agencies on topics such as budgeting and performance. For example, a committee might consider directing agencies under its jurisdiction to begin systematic and periodic consultations with the committee. For agencies that have multiple committees of jurisdiction, a committee might furthermore attempt to hold such consultations jointly with other committees, in order to foster collaboration within Congress and reduce an agency's workload. These consultations might concern any of several subjects, including the selection of agency goals, methods for assessing performance, improvements in performance, organizational learning, reprogramming of funds, and management of major risks. In the face of constrained staff resources within congressional committees, Congress might also consider involving key stakeholders and the public in agency processes such as agency goal-setting, to help the committees to focus their resources on key items of interest. For example, if an agency were required to publish draft goals and objectives in the *Federal Register* for public notice and comment, Congress might be able to more systematically enlist stakeholders' expertise in helping Congress to detect if an agency or the President implements policy in a way that is unintended or undesirable, or if a program could be designed or implemented in a better way. Assisted in this way, Congress then may use various tools to engage on the subject.²⁶

Nevertheless, options such as these may be perceived as also bringing some disadvantages. For example, efforts to increase transparency or enhance the credibility of budget and performance presentations may cause additional workload for agencies and OMB. In addition, the President may prefer to have his or her budget requests be as unencumbered as possible, with fewer statutory requirements from Congress.

Consequently, options like these may entail difficult trade-offs.

²⁶ See Mathew D. McCubbins and Thomas Schwartz, "Congressional Oversight Overlooked: Police Patrols versus Fire Alarms," *American Journal of Political Science*, vol. 28, no. 1 (February 1984), pp. 165-179. One scholar has argued that laws like the Administrative Procedure Act (codified at 5 U.S.C. § 551 et seq.) and Government Performance and Results Act require agency processes to embrace values such as open information, participation, and representation. According to this view, the laws impart legislative values into how agencies exercise delegated legislative authority. See David H. Rosenbloom, *Building a Legislative-Centered Public Administration: Congress and the Administrative State, 1946-1999* (Tuscaloosa, AL: University of Alabama Press, 2000).

These options are a sampling of a broader number of options that might be considered, if they were of further interest. In the meantime, Mr. Chairman, I would be happy to answer any questions that you, the Ranking Member, and Members of the Subcommittee might have. Thank you.

**MEMORANDUM**

January 19, 20

Subject: Obama Administration Agenda for Government Performance: Evolution and Related Issues for Congress

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This memorandum was prepared to enable distribution to more than one congressional office.

This memorandum responds to congressional interest in the Barack Obama Administration's agenda for government performance, how the agenda has evolved, and related issues for Congress. Specifically, the memorandum discusses milestones in the agenda's development, including the Administration's statements of plans and commitments regarding how it would work with Congress and agencies.

Two tools of policy analysis—program evaluation and performance measurement—often are used to inform assessments of government performance. That is, these tools generate information for multiple audiences, including Congress, agencies, the President, and the public, to help inform assessments of how agencies, programs, and policies are performing or might be improved. Consequently, program evaluation and performance measurement may inform related oversight, substantive lawmaking, and resource allocation by Congress. Congress also may intend for the tools to inform related policy making, budgeting, implementation, and management in agencies and the Executive Office of the President.

However, perfunctory reliance on, and use of, such tools also can present challenges. For example, evaluations and measurements may be flawed or may be presented in a biased or selective fashion. Without careful use, they also may drive unintended behaviors by entities that are being evaluated.

The Obama Administration's approach to government performance may be of ongoing relevance to Congress in at least two ways. First, the Administration's approach may be of interest when Members and committees of Congress assess the credibility and relevance of evaluations or measurements that are presented in attempts to influence and inform Congress's thinking, lawmaking, and oversight. Second, and more broadly, the Administration's approach may be of interest when Members and committees consider establishing or modifying federal performance-related policies and processes such as evaluation, planning, and budgeting. Processes like these often are intended to generate useful information for Congress, agencies, the President, and the public, and thereby to inform both policy making and the process of faithfully and effectively executing the laws.

The memorandum concludes by analyzing several issues in each of these two areas.

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Introduction

On January 7, 2009, President-elect Barack Obama announced part of his agenda for improving the performance of the federal government. He said he would establish a new, non-statutory position in the White House with the title Chief Performance Officer (CPO). The CPO would report directly to the President and would seek to make the federal government more efficient, effective, transparent, and accountable. The President-elect also announced his intention to appoint Nancy Killefer, a consulting firm partner, to the CPO position, and to nominate her also to be Deputy Director for Management (DDM) at the Office of Management and Budget (OMB). The DDM position was established by law and is subject to Senate-confirmation.¹ OMB's DDM is responsible for establishing general management policies for executive agencies across a variety of mission-support functions. In occupying White House and OMB positions, Ms. Killefer would wear "dual hats." On February 3, 2009, however, Ms. Killefer withdrew from her expected appointment as CPO and nomination for DDM to avoid potential controversy related to a personal tax issue. Two months later, President Obama named Jeffrey Zients, the founder of a private equity firm, to be CPO and DDM. The Senate confirmed Mr. Zients as DDM on June 19, 2009. A succession of related developments followed in 2009 and 2010.

This memorandum focuses on the Obama Administration's agenda related to "government performance," much of which has been led by the CPO-DDM (hereafter CPO). In particular, it focuses on issues related to program evaluation and performance measurement.² Program evaluation and performance measurement may help inform assessments of how agencies, programs, and policies are performing. Consequently, they may help inform related policy making, budgeting, oversight, implementation, and management. However, the nature of the CPO position and the Administration's agenda have emerged gradually and are still evolving. For example, after Ms. Killefer's withdrawal, the Administration no longer referred to the CPO as a White House position. In addition, although the CPO's portfolio was articulated in some detail during the 2008 presidential campaign, the Administration later modified aspects of these plans. Over time, the Administration has announced a series of "frameworks"—that is, strategies intended to guide actions—and commitments for how the Administration would proceed, both administratively with agencies and in working with Congress. Because the Administration's agenda continues to evolve, the memorandum discusses selected developments chronologically.

Congress and Government Performance

The Obama Administration's agenda for government performance arrives as the most recent in a line of presidential initiatives. To help frame this subject, however, the memorandum first presents a brief discussion of potential *congressional* roles and activities related to government performance. Many writings on the subject of government performance treat the subject from the perspective of agencies or the President.³ Fewer seem to approach the subject from the perspective of Congress. To conclude on this basis that Congress's roles are secondary to those of agencies and the President, however, may be a

¹ Chief Financial Officers Act of 1990 (CFO Act), P.L. 101-576; 104 Stat. 2839; codified at 31 U.S.C. § 502(c).

² Other statutorily established, presidentially appointed, and mostly Senate-confirmed positions at OMB and the Office of Personnel Management (OPM) more directly supervise other mission-support or "management" functions. These functions, which generally are not the focus of this memorandum, include financial management, procurement policy, information technology, information and regulatory policy, and human resources management.

³ For example, see Chris Wye, *Performance Management for Career Executives: A "Start Where You Are, Use What You Have" Guide* (Washington: IBM Center for the Business of Government, October 2004); and Barry White and Kathryn E. Newcomer, eds., *Getting Results: A Guide for Federal Leaders and Managers* (Vienna, VA: Management Concepts, Inc., 2005).

misinterpretation. Current law grants significant discretion in this area to agencies and OMB. However, in possessing the Constitution's Article I legislative powers, among others, Congress's potential roles are pervasive and difficult to overstate. Congress routinely legislates on the subject and conducts related oversight, variously cooperating and competing with the President for control of agencies and policies.

In particular, two tools of policy analysis—program evaluation and performance measurement—often are used to inform assessments of government performance.⁴ They also may be used along with other policy analysis tools to inform policy making. In either case, Congress may assume at least two major roles.⁵

First, Congress may use specific evaluations and measurements to help inform its thinking, policy making, and oversight activities. In the course of Congress's legislative work, actors inside and outside of government frequently cite evaluations and measures to justify policy proposals and recommendations. In these situations, consumers of performance information, including Congress, can face challenges of assessing (1) quality and depth of evaluation information, which can be uneven, and (2) the relevance of the information to a policy problem, which can vary. Should Congress want to scrutinize these representations in its legislative work, insight into how to assess the quality, coverage, and relevance of evaluations and measurements may be helpful.

Second, Congress often makes policy regarding how agencies are to conduct and use evaluations and measurements. Congress may, among other things, establish processes for the production and consideration of evaluation information, establish entities to evaluate programs and policies, set aside related funding, articulate questions to be researched, and specify methods to be used. When policy makers consider these options, many observers would likely view at least two perspectives as being important: the institutional arrangements under which agencies produce and use performance information, such as who does it, how they do it, and for which audiences' needs; and also the practical capabilities and limitations of various evaluation and measurement approaches. Both of these perspectives might be used when assessing the Administration's agenda, formulating congressional responses, or acting independently of the agenda in areas of congressional interest.

Announcements from Presidential Transition

During the 2008 presidential campaign, then-Senator Obama outlined detailed plans for a CPO and other related initiatives.⁶ After the election, the website of the presidential transition referred to many of the plans, including establishing the CPO position, creating a special "SWAT" team in the White House, setting "performance targets" for which managers and programs would be held responsible, and

⁴ As discussed later in this memorandum (see **Box 3**), program evaluations may use one or more methods to assess how, and the extent to which, programs achieve intended objectives or cause unintended consequences. By contrast, performance measurement is narrower in focus and typically refers to periodic monitoring of data that are related to government programs.

⁵ See discussion in CRS Report RL33301, *Congress and Program Evaluation: An Overview of Randomized Controlled Trials (RCTs) and Related Issues*, by Clinton T. Brass, Erin D. Williams, and Blas Nuñez-Neto.

⁶ See Obama '08, *Blueprint for Change: Obama and Biden's Plan for America*, no date (83 pp.), p. 20, at <http://www.barackobama.com/pdf/ObamaBlueprintForChange.pdf>; and Obama-Biden, *The Change We Need in Washington: Stop Wasteful Spending and Curb Influence of Special Interests So Government Can Tackle Our Great Challenges*, no date [September 22, 2008], pp. 5-7, http://obama.3cdn.net/0080cc578614b42284_2a0mvyxpxz.pdf. See also CQ Transcripts Wire, "Sen. Barack Obama Speaks at Campaign Event in Green Bay, Wisconsin," September 22, 2008, at <http://www.washingtonpost.com/wp-dyn/content/article/2008/09/22/AR2008092201500.html>.

conducting a “line-by-line” review of the budget.⁷ Additional details soon emerged about the Administration’s performance agenda.

New CPO Duties

On January 7, 2009, President-elect Obama announced that he would appoint Nancy Killefer to serve as CPO.⁸ According to the presidential transition website, the CPO would be a “new White House position.”⁹ Consistent with campaign proposals, the website indicated that the CPO “will report directly to the president.”¹⁰ The President-elect also announced that he would nominate Ms. Killefer to be DDM at OMB. Her previous writings on government performance suggested strategies that she might pursue.¹¹ At the press conference, the President-elect tied the CPO appointment to his campaign plans to conduct a “line-by-line” review of the federal budget.¹² He also described other CPO duties. For example, he said he would instruct members of the cabinet and key members of their staffs to meet with the CPO soon after taking office—and on a regular basis thereafter—to discuss how they can run their agencies with greater efficiency, transparency and accountability. The President-elect also announced that by February 2009, when a “rough budget outline” would be released for FY2010, further details would be forthcoming about “how we’re going to approach eliminating waste in government, one of Nancy’s tasks.”¹³

Already Established DDM Duties

The President-elect’s announcement signaled a decision to combine the DDM and new CPO positions in one individual. By statute, the DDM reports to the Director of OMB.¹⁴ The DDM position has statutory responsibility—subject to the direction and approval of the Director of OMB—to establish general management policies for executive agencies across a large number of “management functions,” which also are known as “mission-support functions.” These include financial management, “managerial systems” (including performance measurement), procurement policy, grant management, information and statistical policy, property management, human resources management, regulatory affairs, organizational studies, long-range planning, program evaluation, productivity improvement, and experimentation and demonstration programs. The DDM also chairs or plays roles in interagency councils of “chief officers.”¹⁵ In practice, the DDM may exert considerable influence over agencies through these councils.

⁷ See Obama-Biden Transition Team, “Agenda: Ethics,” at http://change.gov/agenda/ethics_agenda/.

⁸ At the time of the announcement, Ms. Killefer was a senior partner and director of the management consulting firm McKinsey and Company. From 1997 to 2000, she was Assistant Secretary for Management and Chief Financial Officer at the Department of the Treasury. See Office of the President-elect (Obama), “President-elect Names Nancy Killefer as Chief Performance Officer,” press release, January 7, 2009, at http://change.gov/newsroom/entry/president-elect_obama_names_nancy_killefer_as_chief_performance_officer.

⁹ Office of the President-elect (Obama), “New and More Efficient Ways of Getting the Job Done,” press release, January 7, 2009, at http://change.gov/newsroom/entry/new_and_more_efficient_ways_of_getting_the_job_done.

¹⁰ Obama-Biden Transition Team, “Agenda: Ethics,” at http://change.gov/agenda/ethics_agenda/.

¹¹ For example, see Tony Danker, Thomas Dohrmann, Nancy Killefer, and Lenny Mendonca, “How Can American Government Meet its Productivity Challenge?,” McKinsey and Company, July 2006, p. 4, at http://www.mckinsey.com/aboutus/mckinseynews/americangovt_prodchallenge.asp.

¹² Office of the President-elect (Obama), “President-elect Names Nancy Killefer as Chief Performance Officer,” press release, January 7, 2009.

¹³ “Press Conference with President-elect Barack Obama; Announcement of Nancy Killefer for Chief Performance Officer,” transcript, *Federal News Service*, January 7, 2009, at <http://www.nexis.com> (subscription required).

¹⁴ The position was established by P.L. 101-576 (1990). Many of the DDM’s statutory functions are codified at 31 U.S.C. § 503.

¹⁵ For an analysis of some “chief officers” and related councils, see CRS Report RL32388, *General Management Laws: Major* (continued...)

The DDM also has statutory responsibility—subject to the direction and approval of the OMB Director—to “coordinate and supervise the general management functions of [OMB].”¹⁶ This responsibility refers to supervision of statutorily established offices in OMB that focus on mission-support functions. These so-called “statutory offices” include the Office of Information and Regulatory Affairs (OIRA), the Office of Federal Procurement Policy (OFPP), the Office of Federal Financial Management (OFFM), and the Office of Electronic Government (E-Gov Office).¹⁷ OMB has no statutory office that covers functions including program evaluation, performance measurement, or general management, leaving these functions to the DDM.

Statements at Confirmation Hearings for OMB Officials

Additional details about the Administration’s performance agenda emerged at early Senate confirmation hearings. On January 13 and 14, 2009, the Committees on the Budget and on Homeland Security and Governmental Affairs held hearings to consider the anticipated nominations of Peter Orszag to be OMB Director and Rob Nabors to be OMB Deputy Director. Director-designate Orszag’s prepared testimony before the Budget Committee shared some of the incoming Obama Administration’s “initial thinking about priorities” relating to government performance and transparency.¹⁸ He covered several mission-support functions, including performance, information technology (IT), human capital, and regulation. With regard to performance, he said that under the CPO’s leadership, the Administration

will create a set of performance metrics that are outcome-oriented and in line with public expectations, as well as a central repository of performance data that will be available to departments and agencies, Congress, and the general public... We also plan to build a team of management experts within OMB who will work with individual agencies to improve the skills of their workforce. We will launch pilot programs with individual agencies to serve as demonstration projects through which we can test our approaches to improve program effectiveness and efficiency [and] share best practices....¹⁹

In subsequent questioning, Senator Robert Menendez asked Deputy Director-designate Nabors how he foresaw OMB and CPO-designate Killefer evaluating programs and working with Congress on appropriations. Mr. Nabors responded by emphasizing transparency and a commitment to consulting with Congress and stakeholders about how to evaluate programs.²⁰

(...continued)

Themes and Management Policy Options, by Clinton T. Brass.

¹⁶ 31 U.S.C. § 503(b)(1).

¹⁷ The CFO Act’s legislative history notes that the heads of OMB’s statutory offices, such as the administrators of OIRA and OFPP, “are statutorily required to report to the Director [of OMB],” but that the legislation establishing the DDM position would provide flexibility in this regard. A key committee report said the legislation suggests that the reporting relationship of the heads of the statutory offices to the OMB Director “be through the new [DDM position].” See U.S. Congress, House Committee on Government Operations, *Chief Financial Officer Act of 1990*, report to accompany H.R. 5687, 101st Cong., 2nd sess., October 6, 1990, H.Rept. 101-818 (Washington: GPO, 1990), p. 18.

¹⁸ U.S. Congress, Senate Committee on the Budget, *Nomination of Hon. Dr. Peter Orszag, of Massachusetts, to be Director of OMB and The Nomination of Robert Nabors, of New Jersey, to be the Deputy Director of OMB*, 111th Cong., 1st sess., January 13, 2009, S.Hrg. 111-1 (Washington: GPO, 2009).

¹⁹ *Ibid.*, p. 23.

²⁰ Nabors’ response suggested how the Administration might approach the issue. Specifically, he said that he saw the CPO as a partner with OMB officials and Congress in developing metrics of program effectiveness, and that there would be “more openness in terms of sitting down with the affected parties and with other stakeholders to determine exactly how programs should be measured.” Nabors contrasted this approach with his perception of how previous administrations evaluated programs, where “there really has not been enough interaction with other stakeholders, including the Congress, as to exactly how programs should (continued...)”

Messrs. Orszag and Nabors appeared the next day before the Senate Committee on Homeland Security and Governmental Affairs.²¹ Several topics in the hearing related to the Administration's performance agenda, including execution of economic stimulus legislation, assessments of program effectiveness, large IT projects, and Administration proposals to terminate programs. In response to a question about the incoming Administration's plans for gauging a program's effectiveness, Director-designate Orszag commented on the George W. Bush Administration's Program Assessment Rating Tool (PART). The Bush Administration previously had described the PART—a multi-attribute questionnaire that resulted in a score ranging from 0 to 100—as rating a program's "overall effectiveness."²² Mr. Orszag responded to the hearing question by saying the PART was "not particularly effective," because most federal officials do not know about it and, of those who are knowledgeable about it, "most do not use it."²³ The lack of use, he asserted, stemmed from the PART's development "without consultation with the Congress and with the agencies," and because the PART was "too focused on process rather than outcomes." Commenting on the PART, Deputy Director-designate Nabors said that as a former staff director of the House Appropriations Committee, he was "routinely asked what ... [he] thought about various PART scores."²⁴ He said that the PART was not helpful to appropriations or authorizing committees, because, among other things, congressional and other stakeholders were not involved in specifying the "appropriate measures by which a program's success or failure can be determined." In addition, he said a bad evaluation might be grounds for eliminating a program, but it also could be grounds for attempting to fix it.

Post-Inauguration Agenda and Activities

Inauguration and Killefer Withdrawal

On January 20, 2009, President Obama gave his inaugural address. A section of the speech emphasized assessing whether a government activity "works," ending activities that do not "work," managing in an accountable way, correcting deficiencies, and increasing transparency.²⁵ More detail about the CPO's roles and Administration's performance agenda was expected in President Obama's first set of budget proposals for FY2010. Ms. Killefer's withdrawal on February 3, 2009, however, may have affected the Administration's plans. In a letter that the White House posted online, Ms. Killefer asked the President to "withdraw my name from consideration," citing a "personal tax issue" that might distract from her duties as CPO.²⁶ The Obama Administration would not announce another appointee for CPO and DDM until

(...continued)

be evaluated," and that "too often those decisions have been made behind closed doors." Quotations are from *ibid.*, p. 52.

²¹ U.S. Congress, Senate Committee on Homeland Security and Governmental Affairs, *Nomination of Peter R. Orszag*, 111th Cong., 1st sess., January 14, 2009, S.Hrg. 111-549 (Washington: GPO, 2010); and *Nomination of Robert L. Nabors II*, 111th Cong., 1st sess., January 14, 2009, S.Hrg. 111-440 (Washington: GPO, 2010).

²² See **Box 2** for more on the PART. For information about the PART's initial design and implementation, see CRS Report RL32663, *The Bush Administration's Program Assessment Rating Tool (PART)*, by Clinton T. Brass.

²³ U.S. Congress, Senate Committee on Homeland Security and Governmental Affairs, *Nomination of Peter R. Orszag*, 111th Cong., 1st sess., January 14, 2009, S.Hrg. 111-549 (Washington: GPO, 2010), p. 24.

²⁴ U.S. Congress, Senate Committee on Homeland Security and Governmental Affairs, *Nomination of Robert L. Nabors II*, 111th Cong., 1st sess., January 14, 2009, S.Hrg. 111-440 (Washington: GPO, 2010), p. 8.

²⁵ U.S. President (Obama), *The White House Blog*, "President Barack Obama's Inaugural Address," [January 20, 2009], posted January 21, 2009, at <http://www.whitehouse.gov/blog/inaugural-address/>.

²⁶ The White House, "Letter from Nancy Killefer to President Obama," February 3, 2009, at http://www.whitehouse.gov/the_press_office/LetterfromNancyKilleferToPresidentObama/.

April 2009. Nevertheless, more details about the CPO's role and Administration's agenda emerged shortly, as the Administration pursued efforts that reportedly were intended to set the stage for the CPO.

Obama Administration Budget Overview for FY2010

On February 26, 2009, the Administration released an initial budget overview for FY2010.²⁷ A more detailed submission of proposals was expected later in the spring.²⁸ In the meantime, the overview described some of the new Administration's priorities and plans regarding management and performance, including topics related to the CPO's duties. Among other things, the Administration proposed to "eliminate, cut, or place under intensive review" programs in the U.S. Department of Education that "are not helping to improve educational outcomes for students."²⁹ The Administration said these programs "lack strong evidence to justify taxpayer support and... in many cases, could be funded in competitive funding streams that require evidence of results." The Administration also said it is "critical to invest in learning which programs are effective and in growing the ones that are." Consequently, it proposed to "[increase] funding for rigorous evaluation ... for education research." These education proposals continued a focus on evaluation policy that inspired controversy during the previous Administration, regarding how to define and use evidence when making policy, and what the term *rigorous* should mean in that context.³⁰

The overview also argued for "investing taxpayer dollars in efforts and programs with proven records of success and reallocating or cutting programs that do not work or whose benefits are not worth their cost."³¹ In support of that objective, the Administration said it had begun an "exhaustive line-by-line review of the Federal Budget." The Administration would release related proposals in the full FY2010 Budget and in subsequent years. Meanwhile, the document identified several cuts and savings proposals that would be articulated in more detail in the Administration's full budget submission.

Under the heading "Making Government More Effective," the Administration identified other strategies it would pursue.³² Some were consistent with, or identical to, more detailed statements from presidential transition and campaign documents.³³ The document said the President "will meet regularly with cabinet officers to review the progress their agencies are making toward meeting performance improvement targets." However, the document no longer said the CPO would report directly to the President. The heading also covered other management-related topics, including procurement and technology.

²⁷ U.S. Executive Office of the President, Office of Management and Budget (hereafter OMB), *A New Era of Responsibility: Renewing America's Promise* (Washington: GPO, February 26, 2009).

²⁸ Recent Presidents have delayed submitting their full budget proposals until some time after they assumed office. For discussion, see CRS Report RS20752, *Submission of the President's Budget in Transition Years*, by Robert Keith.

²⁹ OMB, *A New Era of Responsibility: Renewing America's Promise*, p. 25.

³⁰ For discussion, see CRS Report RL33301, *Congress and Program Evaluation: An Overview of Randomized Controlled Trials (RCTs) and Related Issues*, by Clinton T. Brass, Erin D. Williams, and Blas Nuñez-Neto; and Stewart I. Donaldson, Christina A. Christie, and Melvin M. Mark, eds., *What Counts as Credible Evidence in Applied Research and Evaluation Practice?* (Los Angeles: Sage Publications, 2009).

³¹ OMB, *A New Era of Responsibility: Renewing America's Promise*, p. 34.

³² *Ibid.*, pp. 38-41.

³³ Among these were plans to address redundancy in administrative functions; create a team in the White House to work with agency leaders and OMB; and establish a CPO position to work with agencies to set performance targets. With regard to the Bush Administration's PART, the Obama Administration said it would, among other things, "fundamentally reconfigure" the PART; "open up the insular performance measurement process" to Congress and the public; and assess individual programs in the context of other programs that are "serving the same population or meeting the same goals."

Announcement of Zients Nomination

On April 18, 2009, President Obama announced his intention to appoint and nominate individuals for CPO and another new position, Chief Technology Officer (CTO).³⁴ For CPO, the President selected Jeffrey D. Zients, who also would be nominated to serve as DDM at OMB.³⁵ The announcement did not go into detail, but said Mr. Zients “will work to streamline processes, cut costs, and find best practices throughout our government.”³⁶ On the same day, OMB Director Orszag provided more information about the CPO’s duties. Mr. Zients would “lead the President’s efforts on contracting and procurement reform, improve government productivity by helping to root out error and waste, build a performance agenda across government, and enhance the transparency of the government’s finances.” In addition, Mr. Zients would work closely with the CTO, Mr. Aneesh Chopra, and the Federal Chief Information Officer [CIO], Vivek Kundra.³⁷ The Administration’s inclusion of contracting, procurement, and financial management within the CPO’s portfolio was new. The inclusion likely reflected the DDM’s statutory role to coordinate and supervise OMB’s “general management functions,” and, therefore, the activities of OMB’s management-related statutory offices.³⁸

Detailed Budget Proposals for FY2010 and Related Policies

On May 7 and 11, 2009, the Obama Administration submitted to Congress more detailed components of the President’s budget request for FY2010. The contents of some documents related closely to the previous announcements of the Administration’s performance agenda and CPO’s responsibilities.

Proposals for Program Terminations and Reductions

On May 7, 2009, the Administration issued a document that proposed program “terminations, reductions, and savings” (hereafter *FY2010 TRS Document*).³⁹ The Administration characterized the *FY2010 TRS Document* as identifying “programs that do not accomplish their intended objectives, are not efficient, or that replicate efforts being completed by another initiative and recommends these programs for either termination or reduction.”⁴⁰ By the Administration’s count, the document proposed 121 cuts or

³⁴ The White House, Office of the Press Secretary, “Weekly Address: President Obama Discusses Efforts to Reform Spending, Government Waste; Names Chief Performance Officer and Chief Technology Officer,” press release, April 18, 2009, at http://www.whitehouse.gov/the_press_office/Weekly-Address-President-Obama-Discusses-Efforts-to-Reform-Spending/. For an overview of the CTO position, see CRS Report R40150, *A Federal Chief Technology Officer in the Obama Administration: Options and Issues for Consideration*, by John F. Sargent Jr.

³⁵ At the time of the announcement, Mr. Zients was founder and managing partner of Portfolio Logic, a Washington, DC, private equity firm. Previously, he served in executive positions in two business research and executive education firms, the Advisory Board Company and the Corporate Executive Board, and as a management consultant.

³⁶ The White House, Office of the Press Secretary, “Weekly Address: President Obama Discusses Efforts to Reform Spending, Government Waste; Names Chief Performance Officer and Chief Technology Officer.”

³⁷ OMB, OMB Director Peter R. Orszag, “Move Over R2, CPO is Here,” April 18, 2009, at <http://www.whitehouse.gov/omb/blog/09/04/18/MoveOverR2CPOisHere/>. The CIO position refers to the Obama Administration’s non-statutory title for the Administrator of OMB’s E-Gov Office, a presidentially appointed position.

³⁸ 31 U.S.C. § 503(b)(1). This report does not focus in detail on the core activities of OMB’s statutory offices, including regulatory review (OIRA), information policy (OIRA), financial management (OFFM), procurement policy (OFFPP), and information technology investment (shared between OIRA and the E-Gov Office).

³⁹ OMB, *Terminations, Reductions, and Savings—Budget of the U.S. Government, Fiscal Year 2010* (Washington: 2009), at <http://www.gpoaccess.gov/usbudget/fy10/browse.html>.

⁴⁰ OMB Web page, “Terminations, Reductions and Savings,” at <http://www.whitehouse.gov/omb/budget/TRS/>. The George W. Bush Administration released similar documents for President Bush’s FY2006, FY2007, FY2008, and FY2009 budget proposals.

restructurings totaling “approximately \$17 billion.” Each item in the volume included a brief justification. Notably, the document made no reference to the Bush Administration’s PART. According to one media outlet, OMB Director Orszag was asked in connection to the *FY2010 TRS Document* whether the Administration used the Bush Administration’s PART or something similar to identify inefficient programs.⁴¹ He reportedly responded that OMB is “in the process of overhauling the performance metrics system” and, in addition, that “overhauling the way [OMB] evaluates program performance will be a top priority for Jeffrey Zients.” Furthermore, he reportedly said that OMB employees already were working to ensure the process could move along quickly once Mr. Zients took office. Indications of what the process might involve became public only days later.

Themes for a “New Management and Performance Agenda”

On May 11, 2009, OMB released the *Analytical Perspectives* volume of the President’s budget.⁴² The volume did not mention the CPO, but included more detail about the Administration’s performance-related plans. In a section titled “Building a High-Performing Government,” the document outlined the first in a succession of evolving frameworks that the Administration would release. In this case, the Administration put forward six “themes” for a “new management and performance agenda” (see **Box 1**).⁴³ At the time, it appeared that all six themes might fall under the statutory responsibilities of OMB’s DDM, depending on how the OMB Director assigned duties to subordinates. At a later hearing, OMB Director Orszag said the CPO position’s role would embrace the entire agenda.⁴⁴ Prior announcements and the *Analytical Perspectives* volume suggested, nevertheless, that day-to-day leadership in pursuit of the last four or five themes would come from other officials.

Box 1: “Themes” for a “New Management and Performance Agenda”

- I. Putting Performance First: Replacing PART with a New Performance Improvement and Analysis Framework
- II. Ensuring Responsible Spending of Recovery Act Funds
- III. Transforming the Federal Workforce
- IV. Managing Across Sectors
- V. Reforming Federal Contracting and Acquisition
- VI. Transparency, Technology, and Participatory Democracy

Announcement of a “Performance Improvement and Analysis Framework”

Of the six themes, the first, relating to a “new performance improvement and analysis framework,” received the most extensive discussion.⁴⁵ This theme focused primarily on issues related to program evaluation and performance measurement. In the context of past announcements, these emphases suggested the CPO would play a primary role in establishing and implementing the new framework. To set the stage for the framework, the Administration discussed prior developments during the William Clinton and George W. Bush Administrations and cited three in particular: enactment of the Government

⁴¹ Elizabeth Newell, “Administration Short on Details About Program Review Process,” *GovExec.com*, May 7, 2009, at <http://www.govexec.com/dailyfed/0509/050709e1.htm>.

⁴² OMB, *Analytical Perspectives, Budget of the U.S. Government, FY2010* (Washington: GPO, 2009).

⁴³ *Ibid.*, pp. 9-12.

⁴⁴ U.S. Congress, House Committee on Appropriations, Subcommittee on Financial Services and General Government, *Financial Services and General Government Appropriations for 2010*, hearings, 111th Cong., 1st sess., part 8 [May 20, 2009] (Washington: GPO, 2009), p. 74.

⁴⁵ OMB, *Analytical Perspectives, Budget of the U.S. Government, FY2010*, pp. 9-10. The other five themes appeared to be more closely supervised by other presidential appointees who focus on IT, financial management, contracting, and human resources (i.e., the CTO, heads of OMB’s statutory offices, and the Director of OPM), and are not discussed in this memorandum.

Performance and Results Act of 1993 (GPRA), implementation the Bush Administration's PART, and issuance of the Bush Administration's Executive Order (E.O.) 13450. (See **Box 2** for highlights.)

Box 2: Recent Developments Related to Government Performance and Evaluation

Enactment and implementation of GPRA (active from 1993-present).⁴⁶ GPRA requires executive agencies to develop five-year strategic plans, annual performance plans, and annual program performance reports; to consult with Congress and stakeholders when developing strategic plans, but not when developing annual plans or indicators; and to specify in these plans and reports, among other things, mission statements, general goals and objectives, performance goals, performance indicators, and some descriptions of program evaluations. As drafted and implemented, GPRA has emphasized using performance information during the budget formulation process, but not necessarily when managing agencies or programs. The law has been tightly bound with the process of formulating presidential budget proposals, which occurs largely outside of public view. Annual plans, goals, performance indicators, and program evaluation priorities are formulated within discretion available to agencies and the President and are not required by GPRA to be revised to reflect congressional budget decisions. The law also has emphasized *performance measurement* considerably more than *program evaluation*. Program evaluation and performance measurement are different but often are used for complementary purposes; see **Box 3** (p. 12) for explanation of these terms.

Implementation of the Bush Administration's non-statutory PART initiative (active 2003-2009). For approximately 1,000 Bush Administration-defined "programs," the PART used a questionnaire to generate an index score. The score ranged from 0-100 and resulted in a corresponding rating: "effective" for a score between 85-100; "moderately effective," 70-84; "adequate," 50-69; and "ineffective," 0-49. When OMB and agencies disagreed on how to assess program performance (e.g., how to define "success") or when OMB believed a program lacked performance data, OMB gave another designation: "results not demonstrated." OMB said the PART was intended to "formalize" the Administration's efforts to achieve "budget and performance integration," which the Administration said "stresses making budget decisions based on results."⁴⁷

Issuance of Bush Administration E.O. 13450 (active November 13, 2007-present).⁴⁸ This E.O. adopts and codifies some aspects of the PART. It also centralizes decision making in OMB and the White House about many aspects of agencies' GPRA-related efforts. The E.O. requires an agency head to designate a career or noncareer member of the Senior Executive Service (SES) as "performance improvement officer" (PIO). A PIO is to work under the direction of the agency head and the OMB DDM. The E.O. also establishes a Performance Improvement Council (PIC) within OMB, which is to be directed by the DDM and composed of OMB-selected PIOs. Referring to the PART and its process, a Bush Administration OMB official reportedly said the E.O. was issued as "an effort to sustain what we think is valuable beyond this administration."⁴⁹

The Obama Administration briefly described its perceptions of these three developments, especially focusing on the PART. Congress and previous Administrations had made "some meaningful progress, but much more could be done." For example, the Obama Administration said the PART helped to establish performance measures, "[b]ut it has been less successful in encouraging the actual use of performance measurement as a performance improvement tool."⁵⁰ In support of this statement, the Administration cited a 2007 Government Accountability Office (GAO) survey. The survey results, which were published in 2008, indicated that among federal managers familiar with the PART, only "a minority—26 percent—indicated that PART results are used in decision making, and 14 percent viewed PART as improving performance."⁵¹ The survey finding may not be surprising, however. OMB guidance explicitly told agencies that a program's PART questionnaire should include performance goals that "provide

⁴⁶ P.L. 103-62, 107 Stat. 285 (1993), and later amended. Substantially amended in the 111th Congress, the new version of the law has not yet been implemented. See this memorandum's final section for discussion.

⁴⁷ Quotations are from OMB, *Budget of the United States Government, Fiscal Year 2004, Performance and Management Assessments* (Washington: GPO, 2003), p. 9. Some of the Bush Administration's rhetorical emphasis behind the PART changed in July 2007, when the name of the umbrella initiative was changed from "budget and performance integration" to "performance improvement." See The White House, Results.gov (archived website), "The President's Management Agenda," link entitled "What's in a name?" (July 30, 2007), at <http://georgewbush-whitehouse.archives.gov/results/agenda/budgetperformance.html>.

⁴⁸ E.O. 13450, "Improving Government Program Performance," 72 *Federal Register* 64519, November 13, 2007.

⁴⁹ Attributed to Robert Shea in Robert Brodsky, "Commanding Performance," *National Journal*, April 19, 2008, p. 65.

⁵⁰ OMB, *Analytical Perspectives, Budget of the U.S. Government, FY2010*, p. 9.

⁵¹ U.S. Government Accountability Office (hereafter GAO), *Government Performance: Lessons Learned for the Next Administration on Using Performance Information to Improve Results*, GAO-08-1026T, July 24, 2008, p. 9.

information that helps make budget decisions,” but need not include “performance goals to improve the management of the program.”⁵²

Box 3: Program Evaluation, Performance Measurement, and Logic Models

Like other subjects of federal policy, performance-related policy often involves special terms. Many terms that are used in lawmaking, policy implementation, and oversight may sound similar but often have distinct meanings.

Program evaluation is broader in scope than performance measurement. See **Figure 1** (p. 13), which illustrates that performance measurement activities may be a subset of some kinds of program evaluation. Program evaluation uses one or more systematic, analytic methods to answer questions about how well programs are working, whether they are achieving their objectives or causing unintended consequences; why they are performing as they are, and how they can be improved.⁵³ Evaluation may encompass one or more studies, or may be pursued as an ongoing activity. Program evaluations also may be conducted to assess nonfederal activities, such as when an industry self-regulates. Program evaluation “types” may be categorized in many ways.⁵⁴ In areas of complexity, there is increasing consensus that a single study of any type or method is rarely sufficient to reliably support decision making.⁵⁵ Rather, program evaluation often is viewed as a cumulative process of using multiple studies, methods, and analyses to better inform learning and decision making.⁵⁶ *Systematic reviews*, which sometimes are called *evaluation syntheses*, draw conclusions about the current state of knowledge from many evaluations.

Performance measurement is much narrower in focus and typically refers to periodic monitoring and reporting of data that are related to government policies and programs. In isolation, performance measurement data often are viewed as managerially useful. However, performance measures, which sometimes are called *indicators*, do not necessarily reflect how well a government program or policy is working, because they may be significantly driven by “external factors” other than the program or policy. Types of performance measures have been categorized in many ways. They may correspond to a program’s *activities*, such as actions taken in the process of completing a good or service; *outputs*, such as completed goods or services; *intermediate outcomes*, such as modified behaviors or new knowledge; and *end outcomes*, such as an improved condition or altered status for an inherently valued topic like poverty or economic well-being.⁵⁷

A *logic model* may be used to integrate program evaluation and performance measurement. A logic model shows how multiple inputs, activities, and outputs are expected to influence outcomes in a causal chain. See **Figure 2** (p. 13) for the diagram of a simple logic model. In a job training program, for example, an agency may offer classes to clients. The classes might be considered to be an activity. The classes culminate with clients who complete a course. These course completions might be called an *output*. If the clients learn new skills—an *intermediate outcome*—they may have a better chance of finding employment or increasing earnings, which might be viewed as *end outcomes*. Logic models may assist with understanding the relationships among activities and policy outcomes and thereby help determine how well programs work. These relationships sometimes are called *program theory*—that is, the theory behind how a program is intended or understood to achieve policy goals. Like other kinds of policy analysis, program evaluations, performance measurement, and logic models may raise more refined questions about how well a program is working or about the conditions that may be necessary for achieving success in certain circumstances. Therefore, evaluations, measurement, and logic models often complement each other when they inform policy making, oversight, or study.

⁵² OMB, “Performance Measurement Challenges and Strategies,” June 18, 2003, p. 4, at http://www.whitehouse.gov/sites/default/files/omb/part/challenges_strategies.pdf.

⁵³ In this context, the term *program* may be a policy, project, initiative, law, tax provision, regulation, or mix thereof.

⁵⁴ For two different presentations of types, see “Evaluation Dialogue Between OMB Staff and Federal Evaluators: Digging a Bit Deeper into Evaluation Science,” July 2006, Table 1 (slide 14 of PDF), http://www.whitehouse.gov/omb/assets/omb/performance/supp_materials/fed_eval_2006_slides.pdf; and GAO, *Performance Measurement and Evaluation: Definitions and Relationships*, GAO-05-739SP, May 2005.

⁵⁵ For discussion of analogous developments in medicine, see Committee on Reviewing Evidence to Identify Highly Effective Clinical Services, Institute of Medicine, Jill Eden, et al., eds., *Knowing What Works in Healthcare: A Roadmap for the Nation* (Washington: National Academies Press, 2008), p. 83.

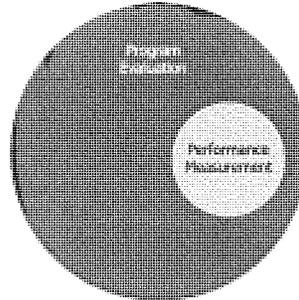
⁵⁶ CRS Report RL33301, *Congress and Program Evaluation: An Overview of Randomized Controlled Trials (RCTs) and Related Issues*, by Clinton T. Brass, Erin D. Williams, and Blas Nuñez-Neto.

⁵⁷ For discussion, see Harry P. Hatry, *Performance Measurement: Getting Results*, 2nd ed. (Washington: Urban Institute Press, 2006), pp. 26-27; and Lawrence B. Mohr, *Impact Analysis for Program Evaluation*, 2nd ed. (Thousand Oaks, CA: Sage Publications, 1995), pp. 15-18.

After setting the stage with discussion of these three developments, the Administration outlined how it would develop a new framework and related plans. Working along with the Performance Improvement Council (PIC; established by E.O. 13450), the Administration said it eventually would “fundamentally reconfigure how the Federal Government assesses program performance.” The PART would be replaced with a “performance improvement and analysis framework,” which would

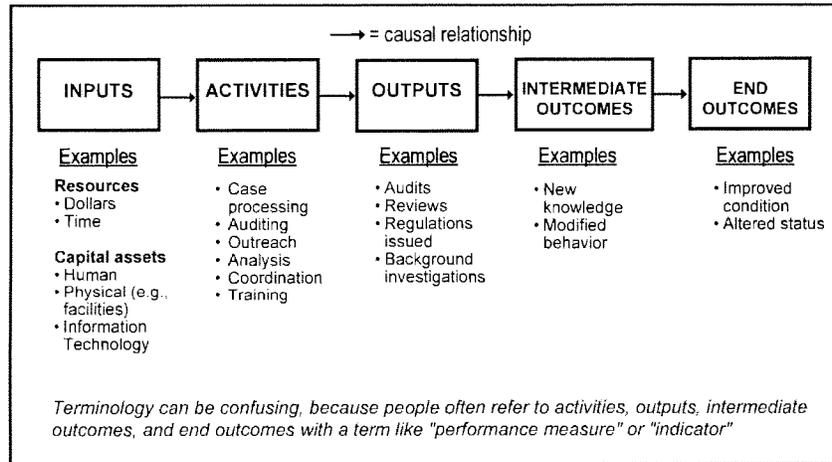
switch the focus from grading programs as successful or unsuccessful to requiring agency leaders to set priority goals, demonstrate progress in achieving goals, and explain performance trends. In order to break down silos, cross-program and cross-agency goals would receive as much or more focus as program-specific ones. In developing this new approach, the Administration will engage the public, Congress, and outside experts to develop a better and more open performance measurement process...⁵⁸

Figure 1. Program Evaluation vs. Performance Measurement



Source: CRS.

Figure 2. Basic Framework for A Logic Model: Evaluating How a Policy May Work



Source: CRS, adapted and modified from Hatry, p. 26 (2006) and United Way of America, *Measuring Program Outcomes: A Practical Approach* (1996), at <http://americallivesunited.com/Outcomes/Resources/MPOModel.cfm>.

⁵⁸ OMB, *Analytical Perspectives, Budget of the U.S. Government, FY2010*, p. 9.

Pursuit of Performance Improvement: Three Related Efforts

The Administration announced three efforts that would begin soon in pursuit of the performance improvement and analysis framework.⁵⁹ First, the Administration planned to identify “high priority goals.” As a first step in that process, the Administration said OMB would ask each major agency to “identify a limited set of high priority goals, supported by meaningful measures and quantitative targets, that will serve as the basis for the President’s meetings with cabinet officers to review their progress toward meeting performance improvement targets.” The Administration also said it would “identify on-going opportunities to engage the public, stakeholders, and Congress in this effort.”

Second, the Administration said the framework also would “emphasize program evaluation.” The Administration said it would “conduct quality research evaluating the effectiveness of government spending,” making an analogy to what has been called “comparative effectiveness research” in health care.⁶⁰ The *Analytical Perspectives* document did not elaborate further. However, subsequent statements from OMB about “evidence-based policy” and “rigorous evidence” suggested a possible emphasis on using particular evaluation methodologies, potentially including randomized controlled trials (RCTs),⁶¹ to ascertain the impact of government policy interventions on policy outcomes.⁶² RCTs were the subject of some controversy during the George W. Bush Administration.⁶³ Later, OMB Director Orszag characterized this effort as “evidence-based policy” and related it to the President’s budget proposals for program terminations and reductions, saying the targeted programs “have been determined to be ineffective, duplicative, or obsolete.”⁶⁴

⁵⁹ Unless otherwise noted, quotations are taken from *ibid.*, pp. 9-10.

⁶⁰ For background on this topic in health care, see CRS Report RL34208, *Comparative Clinical Effectiveness and Cost-Effectiveness Research: Background, History, and Overview*, by Gretchen A. Jacobson.

⁶¹ OMB, OMB Director Peter R. Orszag, “Building Rigorous Evidence to Drive Policy,” June 8, 2009, at <http://www.whitehouse.gov/omb/blog/09/06/08/BuildingRigorousEvidenceToDrivePolicy/>. Director Orszag’s blog entry linked to an advocacy group, the Coalition for Evidence-Based Policy, that primarily has emphasized its views on the merits of RCTs and disadvantages of other evaluation methods. See Coalition for Evidence-Based Policy, “Mission & Activities,” at http://coalition4evidence.org/wordpress/?page_id=6.

⁶² An RCT is a form of “impact evaluation” that quantitatively estimates the extent to which a policy causes a change in an outcome of interest, compared to what would have happened without the policy. For a discussion of impact evaluations, see **Figure 3** and related discussion later in this memorandum. An “outcome of interest” is a policy goal that one or more stakeholders care about (e.g., unemployment rate). There can be many outcomes of interest related to a program, but there may not be consensus on which are most important.

⁶³ Topics that were subjects of debate included how to define “success” for a program or policy; how the term “effectiveness” is used and defined; what kinds of information and analysis constitute “evidence”; what constitutes “rigorous” evaluation; what methodology or methodologies are capable of producing “evidence”; how evidence should be presented and used; and what kinds of information and analysis should inform learning, management, and policy making. For discussion, see CRS Report RL33301, *Congress and Program Evaluation: An Overview of Randomized Controlled Trials (RCTs) and Related Issues*, by Clinton T. Brass, Erin D. Williams, and Blas Nuñez-Neto.

⁶⁴ Written testimony of OMB Director Orszag, in U.S. Congress, House Committee on Appropriations, Subcommittee on Financial Services and General Government, *Financial Services and General Government Appropriations for 2010*, hearings, 111th Cong., 1st sess., part 8 [May 20, 2009] (Washington: GPO, 2009), p. 111. He also mentioned *cost-benefit analysis* at the hearing as a methodology capable of “demonstrat[ing] results.” Under cost-benefit analysis, a person seeks to estimate the costs and benefits of a policy option for different actors, denominating both costs and benefits in dollar terms, although some costs and benefits may not be possible to quantify. Cost-benefit analysis then shows the distribution of benefits and costs among these actors and provides a perspective on whether the total benefits for society justify the total costs. As an input to that assessment, the analysis may produce a computation of “net benefits” or “net costs.” Many economists are uncomfortable with cost-benefit analysis, if it computes overall net benefits or costs for an option but does not take into account distributional concerns among winners and losers, or if the analysis is used to justify decisions without making side payments to compensate any losers. See Edward M. Gramlich, *A Guide to Benefit-Cost Analysis*, 2nd ed. (Englewood Cliffs, NJ: Prentice Hall, 1990), pp. 30-33.

Third, the Administration would develop further options for the framework. In the coming months, the Administration said it would work with agencies and the PIC to develop options for five evaluation-related topics. The *Analytical Perspectives* volume did not indicate whether Congress and stakeholders would be involved. The topics included (1) establishing a “comprehensive program and performance measurement system that shows how Federal programs link to agency and Government-wide goals”; (2) changing “program assessment and performance measurement processes to emphasize the reporting of performance trends, explanations for the trends, mitigation of implementation risks, and plans for improvement with accountable leads”; (3) “streamlining” GPRA- and PART-related reporting to reduce workload on agencies and OMB; (4) changing how evaluation-related information is presented to Congress, the public, and stakeholders, both in agency reports and on OMB’s ExpectMore.gov website;⁶⁵ and (5) beginning a “comprehensive research program to study the comparative effectiveness of different program strategies to ensure that programs achieve their ultimate desired outcomes.”

Zients Statements About Plans at Confirmation Hearing

On June 10, 2009, the Senate Committee on Homeland Security and Governmental Affairs held Mr. Zients’ confirmation hearing for the DDM position.⁶⁶ Mr. Zients said that, if confirmed, he would “focus on the five areas the President has emphasized,” including (1) creating an outcome-oriented measurement system; (2) helping to transform the Federal workforce; (3) improving acquisition practices and having the right mix of public and private labor; (4) ensuring that funding from the American Recovery and Reinvestment Act (ARRA; P.L. 111-5) would be spent quickly and wisely; and (5) achieving “unprecedented transparency and accountability” throughout government operations.⁶⁷ On the subject of IT investments, Mr. Zients alluded to an effort to “create a dashboard which will allow us to see where projects are, spot problems early and get them ... back on track.”⁶⁸ With regard to program evaluation and performance measurement, Mr. Zients said the Administration would transition away from PART to a

collaborative approach, working with the stakeholders at the senior-most level to understand what matters, what are the overall goals, how are they being translated to ... operating plans? And then, what are the best handful of outcomes-based metrics to track progress across time? And that you have the flexibility in the system ... to look at problems ... not just by program, but across agency. So, I’m wary of anything that’s one size fits all. At the same time, I think the ultimate test is ... is the system being used by senior managers, senior leaders, senior stakeholders to make decisions?⁶⁹

This approach appeared to view “senior-most” stakeholders as the primary audiences for collaborating on definitions of “success,” and as the primary audiences for encouraging use of the resulting information. It

⁶⁵ The website was established the Bush Administration in early 2006 to house PART-related information and is available at <http://www.whitehouse.gov/omb/expectmore/index.html>.

⁶⁶ U.S. Congress, Senate Committee on Homeland Security and Governmental Affairs, *Nominations*, 111th Cong., 1st sess., June 10, 2009 (hereafter, *Zients Nomination Hearing*), at http://hsgac.senate.gov/public/index.cfm?FuseAction=Hearings.Hearing&Hearing_ID=19476cae-7f0c-403e-a1fe-f06160b2f7e7; transcript at <http://www.cq.com> (subscription required).

⁶⁷ The fourth and fifth themes that appeared in the President’s FY2010 budget appeared to be combined here. Written testimony of Jeffrey Zients, in *Zients Nomination Hearing*, at http://hsgac.senate.gov/public/_files/061009Zients.pdf.

⁶⁸ Testimony in *Zients Nomination Hearing*. This referred to creation of a website that would show information about projects’ status with regard to cost, schedule, and performance using “earned value management” (EVM). The website was established as “IT Dashboard” on June 30, 2009, at <http://it.usaspending.gov/>. For more on EVM, see CRS Report RL34257, *Earned Value Management (EVM) as an Oversight Tool for Major Capital Investments*, by Clinton T. Brass.

⁶⁹ Oral testimony in *Zients Nomination Hearing*. Mr. Zients added that “[s]ome programs probably aren’t conducive to metric-based tracking across time, ... and ... therefore, require longer term studies around effectiveness and efficiency.”

was unclear, however, how the Administration might approach the subject of more numerous operational metrics and analyses that often are used at lower levels of an agency to assist with management, learning, and research. In addition, Mr. Zients' testimony did not elaborate on how the Administration and agencies would provide for public transparency and participation in the process of developing goals and metrics.

Planning for High-Priority Performance Goals and FY2011 Budget

On June 19, 2009, the Senate confirmed Mr. Zients to be DDM by unanimous consent.⁷⁰ His confirmation set the stage for executive branch-wide implementation of an OMB memorandum that was issued shortly after his confirmation hearing. On June 11, 2009, OMB Director Orszag issued a memorandum to heads of agencies that provided more details about how the Administration would establish the framework that it previously announced in the FY2010 President's budget.⁷¹ The memorandum also assigned several "deliverables" to agencies, including that they identify near-term "high-priority performance goals" and include certain performance information and termination proposals in FY2011 budget submissions.⁷²

Development of a "Management and Performance Framework"

The June 2009 memorandum described a forthcoming process to establish a "management and performance framework." The memorandum suggested the framework might encompass many of the presidential priorities that Mr. Zients outlined at his confirmation hearing.

Over the next several months, OMB also will work with Congress, interagency management councils, experts in Federal management policy, Federal employees, and other key stakeholders to craft a broad management and performance framework that will achieve near-term priorities and overcome long standing management challenges. This effort will include addressing the high-priority performance goals ... and will help inform budget decisions. The framework also will further promote reforms to Federal procurement and financial management processes, improve the openness and transparency of government, and maintain a focus on implementation of [ARRA].⁷³

Publication in August 2009 of OMB's updated version of *Circular No. A-11*, which guides agencies annually on how to develop budget submissions and comply with GPRA, shed little additional light on the Administration's framework other than removing references to the Bush Administration's PART.⁷⁴

High-Priority Performance Goals (HPPGs)

The June OMB memorandum provided detailed instructions to agencies on how to identify "high-priority performance goals" (HPPGs) that could be achieved in 12-24 months. Agencies would have six weeks,

⁷⁰ "Executive Calendar," *Congressional Record*, daily edition, vol. 155, part 93 (June 19, 2009), pp. S6840-S6841. On July 1, 2009, the White House released a list of White House Office employees. The list did not include Mr. Zients, which indicated that the CPO is not a White House position, but instead is a non-statutory, additional title for OMB's DDM position. The White House, "Annual Report to Congress on White House Staff," July 1, 2009; at <http://www.whitehouse.gov/blog/Annual-Report-to-Congress-on-White-House-Staff-2009/>.

⁷¹ OMB, "Planning for the President's Fiscal Year 2011 Budget and Performance Plans," memorandum, M-09-20, June 11, 2009 (hereafter *OMB June 2009 Memo*), at http://www.whitehouse.gov/omb/memoranda_2009/.

⁷² Other deliverables focused on the federal hiring process, employee survey findings, and employee wellness.

⁷³ *OMB June 2009 Memo*, pp. 1-2.

⁷⁴ OMB, *Circular No. A-11, Preparation, Submission, and Execution of the Budget*, August 2009, Part 6, at http://www.whitehouse.gov/sites/default/files/omb/assets/a11_current_year/a_11_2009.pdf.

until July 31, 2009, to submit candidate goals to OMB. When developing the goals, agencies would be required to “engage with and consider input” from OMB, policy councils in the Executive Office of the President (EOP), congressional authorizers and appropriators, and “agency program and management leadership, front-line employees, external partners, the public, and other stakeholders.” The memorandum did not explain how input would be solicited or whether it would be made publicly available.

OMB outlined numerous guidelines for the HPPGs (see **Box 4**). In combination, the guidelines appeared to be difficult to satisfy or reconcile. For example, OMB required that the HPPGs be “highly valued by the public,” which suggested that many HPPGs might be end outcomes (see **Figure 2**, p. 13). However, factors that are separate from a government program, which sometimes are called “external factors,” such as overall economic conditions, also may influence whether end outcomes are achieved.⁷⁵ Therefore, simple performance measurement of these end outcomes might leave unclear whether the program is contributing toward achievement of the goal, or if achievement or non-achievement instead is due to external factors that are separate from the program.⁷⁶ In addition, goals that are achievable and measurable in the short-term often tend to be more operational in character—for example, activities, outputs, or intermediate outcomes in a logic model, toward the left side of **Figure 2**—which might make it more difficult to select goals that are of high value to the public.

Box 4. OMB Guidance for HPPGs

OMB said the goals should be “near-term” (achievable in 12-24 months); highly valued by the public or reflecting achievement of “key agency missions”; authorized by law; and sufficiently funded by Congress in order to be achieved. OMB also said, however, that the goals should not be focused on internal agency management issues. The goals also would need to be quantifiable, “measurable in a timely fashion,” and chosen such that “outcomes ... can be clearly evaluated.” Acceptable goals would need to be difficult to achieve unless multiple challenges were overcome. Challenges could include resolution of “coordination, operational, or other implementation challenges including across multiple agencies,” or the need for a “concerted focus of agency resources.”

For each goal, the memorandum said an agency should define the problem being addressed and the goal to be accomplished. A goal would comprise one or more performance measures with “targets and timeframes.” In addition, the memorandum said an agency should identify programs inside and outside of the agency that contribute to achieving a goal; identify persons within and outside the agency who are responsible for policy direction, program management, and implementation; identify “who will be held accountable for whether the goal is achieved”; and outline the agency’s strategy to achieve the goal.

After the July 31 deadline, OMB reportedly was “working closely with agencies to tweak performance goals” that had been sent to OMB.⁷⁷ Later, Mr. Zients reportedly said the goals would be posted online “after they are finalized as part of the fiscal 2011 budget process.”⁷⁸ It is not clear how agencies solicited stakeholder input when developing the goals, including from Congress.

Aspects of this initiative appeared to be similar in some respects to previous presidential initiatives. For example, the Richard M. Nixon and Gerald R. Ford Administrations pursued “Management by Objectives” (MBO), under which agencies were instructed in 1973 to “select objectives which are of Presidential significance” and that are “capable of accomplishment in the coming year.”⁷⁹ In addition, the

⁷⁵ See **Figure 2** for an illustration of end outcomes and **Box 3** for more on external factors.

⁷⁶ See **Box 3** for discussion of how program evaluation is broader in scope and often more appropriate for addressing such questions than performance measurement.

⁷⁷ Elizabeth Newell, “Agencies Submit ‘Fresh, Innovative’ Performance Goals to OMB,” *GovExec.com*, August 4, 2009, at <http://www.govexec.com/dailyfed/0809/080409e1.htm>.

⁷⁸ Jason Miller, “OMB Wants to Change the Tone of Management,” *Federalnewsradio.com*, October 21, 2009, at <http://www.federalnewsradio.com/?mid=35&sid=1791266>.

⁷⁹ Chester A. Newland, “Policy/Program Objectives and Federal Management: The Search for Government Effectiveness,” *Public Administration Review*, vol. 36 (January/February 1976), p. 21.

Clinton Administration's National Performance Review recommended in 1993 that the "President should develop written performance agreements with department and agency heads."⁸⁰ The HPPG effort also resembles an initiative in the United Kingdom under former Prime Minister Tony Blair. In this initiative, which was led by the Prime Minister's Delivery Unit (PMDU), departments were assigned targets for certain performance measures and received high level attention from the Prime Minister.⁸¹

Planning for the President's FY2011 Budget Proposals

The June 2009 OMB memorandum also began the process of developing the President's FY2011 budget proposals. According to previous Administration statements, several of the memorandum's topics were supposed to have been influenced by Mr. Zients. Among other things, the memorandum directed each agency to identify at least five potential "significant" terminations or reductions in its budget submission to OMB. Each potential termination or reduction was to include "analysis and evidence showing why the reductions are warranted."⁸² OMB also directed agencies to submit three alternative budget requests, reflecting different funding scenarios, with corresponding estimates of the "performance" associated with each request. For these requests, OMB directed agencies to highlight "methodologies used to allocate base funding" and specifically cited the use of cost-benefit analysis. Furthermore, the memorandum said agency requests for funding for a specific project or location "should provide a clear merit basis for inclusion in the budget" but did not explain what would constitute "merit."⁸³

Developing a New Performance Management System

Fall 2009 Congressional Hearings

From September 2009 through the calendar year's end, several developments suggested how the Obama Administration's framework might operate. For example, Mr. Zients testified at several congressional hearings about the Administration's plans for developing a new "performance management" framework. At a hearing on September 24, 2009, for example, he announced the appointment of Shelley H. Metzenbaum as his deputy with responsibility for performance-related topics.⁸⁴ After the 2008 presidential election, Ms. Metzenbaum wrote a 66-page report that recommended what the Obama Administration should do regarding "performance management" (see **Box 5** for highlights).⁸⁵

⁸⁰ Office of the Vice President (Gore), *From Red Tape to Results: Creating a Government That Works Better & Costs Less, Report of the National Performance Review* (Washington: GPO, 1993), pp. 75-77, and *From Red Tape to Results: Creating a Government That Works Better & Costs Less, Mission-Driven, Results-Oriented Budgeting, Accompanying Report of the National Performance Review* (Washington: GPO, 1993), pp. 9-14.

⁸¹ The PMDU effort received mixed reviews. See Michael Barber, *Instruction to Deliver: Tony Blair, Public Services, and the Challenge of Achieving Targets* (London: Politico's, 2007); and Christopher Hood, "Gaming in Targetworld: The Targets Approach to Managing British Public Services," *Public Administration Review*, vol. 66 (July/August 2006), pp. 515-521.

⁸² *OMB June 2009 Memo*, p. 4.

⁸³ Some observers have called presidential budget requests that specify funds for a specific project or location a form of executive branch earmarking. For discussion, see CRS Report RL34648, *Bush Administration Policy Regarding Congressionally Originated Earmarks: An Overview*, by Clinton T. Brass, Garrett Hatch, and R. Eric Petersen.

⁸⁴ U.S. Congress, Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, *Getting to Better Government: Focusing on Performance*, 111th Cong., 1st sess., September 24, 2009, at http://hsgac.senate.gov/public/index.cfm?FuseAction=Hearings.Hearing&Hearing_ID=4a27d8ec-2e50-4e6e-aaba-72b62ca9a0ee.

⁸⁵ In **Box 5**, page citations refer to Shelley H. Metzenbaum, *Performance Management Recommendations for the New Administration* (Washington: IBM Center for the Business of Government, [January] 2009), at (continued...)

Box 5: Highlights of Recommendations from Metzenbaum Report

Ms. Metzenbaum's report recommended retaining a "revised" PART to be conducted by OMB, because it "introduced a useful program management discipline" (p. 52). A revised PART would emphasize using analysis to improve, rather than attaining targets or scoring well on overall program ratings (pp. 43, 52-54). It also would decrease emphasis on holding agencies accountable for using effective performance management practices, such as planning and management (p. 54). Separately, there would be four levels of performance measures or "targets":

- presidential,
- cross-agency,
- agency, and
- program (pp. 38, 41).

White House "policy councils" and OMB would identify cross-agency measures and targets (pp. 43, 53). Agencies would "identify a broader set of agency priority targets in their areas of responsibility" (p. 38). Echoing the Obama campaign's plans for a White House performance team, the report recommended that the CPO use practices somewhat analogous to the PMDU of the United Kingdom. A group of "highly regarded public and private sector managers" would provide feedback to members of the Cabinet about how to meet the President's targets and priorities (p. 42). The report focused primarily on performance measurement and analysis of these measures (pp. 41-42), but did not explicitly include the subject of program evaluation in its scope or how program evaluations could address the recommended analyses.

The report identified some ways in which agencies might interact with Congress and the public, but was largely silent about how the President and OMB should work or consult with Congress. For example, the report recommended that OMB "strongly encourage agencies to invite outside expertise and multiple perspectives to inform the selection of targets, performance measures, and strategies to improve performance" and particularly emphasized engagement with "outside experts" (p. 45). Whether Congress and the public would be invited by agencies to participate in specifying overall goals, however, seemed unclear. The report did not address the topic of presidential or OMB consultations with Congress about goal-setting. Non-executive branch involvement in goal-setting focused on allowing comments on already completed reviews under a revised PART (pp. 45, 53-54). The report emphasized reaching out to "key audiences" to address their information needs (pp. 44-45, 50-51). With respect to Congress, for example, the report recommended that agencies consult with "key committees to understand their performance information needs," including how to format information (pp. 50-51).

At the same time, the report described GPRA as a potential tool to "advance [the President's] agenda" (p. 10). The report's recommendations seemed to be premised on the President and agencies using discretion, where available, to engage in goal-setting to "advance [the President's] priorities" and agenda (pp. 10, 38, 49, 53). The report summarized a view under which Congress and the public would have a reactive role: "[g]oals, reinforced by measurement, ... [clarify] agency priorities to the public, allowing Congress and the public to take action if they disagree with the choices that have been made" (p. 10).

At the September 2009 hearing, Mr. Zients described how the performance framework would be developed. In addition to finalizing agencies' HPPGs, he and Ms. Metzenbaum also would develop an "improved Federal performance management framework that aligns these high priority performance goals, GPRA performance reporting, and many of the program-level performance measures developed for the PART."⁸⁶ He said the Administration's "government-wide performance measurement framework" would focus on outcomes, allow comparisons across programs and agencies, and show trends over time.

Mr. Zients also addressed how the success or failure of the Obama Administration's efforts might be assessed and which stakeholders' needs he was seeking to address. He said that the "ultimate test of our performance management efforts is whether or not the information is used." In so doing, he identified the targeted audiences for the effort's performance measures. This information, he said, ideally should be used "not just by government agencies, but also by Congress, the public, our service delivery partners,

(...continued)

<http://www.businessofgovernment.org/report/performance-management-recommendations-new-administration>.

⁸⁶ Prepared testimony of Jeffrey D. Zients, p. 3, at

http://hsgac.senate.gov/public/index.cfm?FuseAction=Hearings.Hearing&Hearing_ID=4a27d8ec-2e50-4e6e-aaba-72b62ca9a0ee.

and others.” Mr. Zients defined “useful” information in two categories, as that information which supports (1) “long-term, central office strategic decisions about targets and organizational strategies,” and (2) “key decision-makers in the service delivery chain including those in Federal field offices, State and local partners, non-profit grantees, and contractors.”⁸⁷ IT and “historic investments” in comparative effectiveness research and evaluations would make greater use possible, he said.

At a subsequent hearing on October 29, 2009, Mr. Zients identified five “key principles” that would guide the Administration’s efforts to develop a “performance management system.”⁸⁸ The principles included

- ownership of the process by senior agency leaders, who would set agency goals and be “held responsible for performance against those goals”;
- cascading goals, where a “clear line must link agency strategic goals and measurements to unit-level, program-level and ultimately individual targets”;
- development of outcome-oriented, cross-agency goals and measurements, with “clear delineation of lines of responsibility” and an emphasis on “outcomes [that require] contributions from multiple actors” inside and outside government;
- “relentless” reviews of performance against plans at all levels of government, including “program, unit and agency level reviews” and reviews of overall agency performance by OMB and other White House entities; and
- transparency, with “active engagement” of the public, Congress, and federal workers.

Where current practices did not meet the five principles, Mr. Zients said the Administration would seek to eliminate or streamline the practices. He also identified new plans. He said the Administration planned to implement “management dashboards,” in addition to the previously announced IT Dashboard.⁸⁹ The dashboards would focus on functions like procurement, financial management, and human resources.⁹⁰

OMB Emphasis on Impact Evaluations

On October 7, 2009, an OMB memorandum announced the Administration would put an emphasis on a specific type of program evaluation called *impact evaluation*.⁹¹ Previous OMB statements suggested the

⁸⁷ When Mr. Zients spoke about targeted audiences at his June 2009 confirmation hearing, he emphasized use of performance information by “senior-most” stakeholders and decision makers. It was not clear if Mr. Zients’ newer statements about audiences were intended to include middle and front-line managers and employees. The distinction may be significant, because service delivery personnel often have different needs compared to policy makers. See Charlie Bennett and Herb Hill, “Performance Management Systems: The Importance of Defining Their Purpose,” [2002], formerly at <http://www.dpb.state.va.us/>. The paper is available on request from the author of this CRS report.

⁸⁸ U.S. Congress, Senate Committee on the Budget, *Task Force Hearings*, hearings, 111th Cong., 1st sess. [October 29, 2009], S.Hrg. 111-381, pp. 1-63.

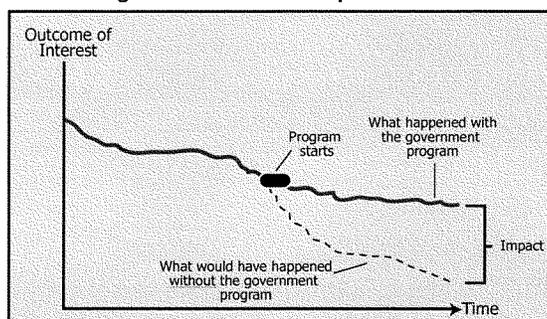
⁸⁹ For discussion of the IT Dashboard, see footnote 68 and accompanying text.

⁹⁰ A month later, the President issued E.O. 13520, which called for a dashboard of indicators on federal improper payments. See Section 2(b) of E.O. 13520, “Reducing Improper Payments,” 74 *Federal Register* 62201, November 20, 2009. OMB later established a related website, <http://www.PaymentAccuracy.gov>. See OMB Director Peter R. Orszag, “PaymentAccuracy.gov,” June 24, 2010, at <http://www.whitehouse.gov/omb/blog/10/06/24/PaymentAccuracygov/>. With regard to personnel management, on May 11, 2010, President Obama issued a memorandum that required OPM and OMB to develop a website to track “key human resource data,” including “progress on hiring reform implementation.” See The White House, Office of the Press Secretary, “Presidential Memorandum—Improving the Federal Recruitment and Hiring Process,” press release, May 11, 2010, at <http://www.whitehouse.gov/the-press-office/presidential-memorandum-improving-federal-recruitment-and-hiring-process>.

⁹¹ OMB, “Increased Emphasis on Program Evaluations,” memorandum, M-10-01, October 7, 2009, at (continued...)

memorandum specifically was referring to a particular meaning of that term: evaluations that quantitatively estimate the extent to which a policy causes a change in an outcome of interest, compared to what would have happened without the policy.⁹² To illustrate, if the U.S. were in a recession, observers might expect the number of jobs in the U.S. to decrease over time (see **Figure 3**). Further suppose that a policy was implemented during the recession with the objective of increasing employment, compared to what would have happened without any policy intervention. If an impact evaluation were conducted, and if the evaluation estimated that the policy caused an increase in the number of civilian jobs (e.g., 136 million jobs) compared to what would have happened otherwise (135 million), the estimated “impact” would be the difference (one million).⁹³

Figure 3. Illustration of Impact Estimate



Source: CRS.

Notes: In the figure, the dotted line is an estimate. The red line shows that performance continues to decrease after the start of a policy, but by less than it would have decreased without the government program.

The OMB memorandum cited several issues as problems. These included “many important programs [that] have never been evaluated”; insufficient influence of some evaluations on budget priorities and

(...continued)

http://www.whitehouse.gov/omb/assets/memoranda_2010/m10-01.pdf. See also OMB Director Peter R. Orszag, “Valuing Evaluation,” October 7, 2009, at <http://www.whitehouse.gov/omb/blog/09/10/07/ValuingEvaluation/>.

⁹² For background, see CRS Report RL33301, *Congress and Program Evaluation: An Overview of Randomized Controlled Trials (RCTs) and Related Issues*, by Clinton T. Brass, Erin D. Williams, and Blas Nuñez-Neto.

⁹³ That is, under this meaning of the term *impact evaluation*, an *impact* is defined as the difference between two numbers: (a) a measurement of what happened to an outcome after a policy was implemented, and (b) an estimate of what would have happened to the outcome, if the policy had not been implemented. The concept of (b)—what would have happened without the program—is not observed and must be estimated. Using the terminology of evaluation, (b) is called the *counterfactual* or *counterfactual estimate*. Under a second meaning of the term *impact evaluation*, an evaluation may be used to infer a cause-and-effect relationship, but without estimating quantitatively what would have happened without the program. In other words, estimation of a counterfactual is not the only way to demonstrate that a causal impact likely occurred. (For discussion, see Lawrence B. Mohr, *Impact Analysis for Program Evaluation*, 2nd ed. (Thousand Oaks, CA: Sage Publications, 1995), pp. 65, 248-273; and Stephen Gorard and Thomas Cook, “Where Does Good Evidence Come From?”, *International Journal of Research & Method in Education*, vol. 30 (November 2007), p. 311.) Some of the methods associated with the second meaning of impact evaluation may be used to understand how and why impacts occur. Hence, although the term *impact evaluation* may have two distinct meanings, both focus on whether a government policy causes a change and may be used to make causal inferences. A study’s focus on causation may be important when factors external to a program are known to influence outcomes. Otherwise, a study may leave unclear whether a change in outcomes is due to the program, external factors, or both.

management practices; a lack of evaluation offices and staffing in many agencies; studies of “insufficient rigor or policy relevance”; and a lack of evaluations that identify which of “multiple approaches to the same problem ... are most effective.” In response to these perceptions, OMB announced a three-part initiative to focus on impact evaluations of social and economic programs.

First, OMB would work with agencies to put information online about all federal impact evaluations that are planned or underway. Second, OMB and several White House policy councils would “re-constitute” an inter-agency evaluation working group under the PIC, which was established by E.O. 13450 (see **Box 2**, p. 11). The working group would build agencies’ evaluation capacities and develop government-wide guidance on program evaluation practices, with a goal of helping agencies “determine the most rigorous study designs appropriate for different programs given their size, stage of development, and other factors.”⁹⁴ Third, OMB invited agencies to propose funding for “high-priority” evaluation activities in their FY2011 budget submissions to OMB. OMB would include funding in the President’s budget proposal for up to 20 “rigorous” evaluations or efforts to improve evaluation capacity. Agencies wishing to be considered for such funding would need to assess the “adequacy of evidence” supporting their priorities. New initiatives and program expansions would need to provide “credible evidence of the program’s effectiveness.” In addition, OMB asked submitting agencies to identify statutes that “[limit] their ability to carry out rigorous evaluations, allocate evaluation resources to key priorities, or otherwise impede efforts to build evidence of what works.” OMB asked agencies to suggest strategies for working with Congress to address these topics.

The OMB memorandum generally characterized impact evaluations as supplying “evidence” regarding “what works” and how best to allocate taxpayer dollars. As discussed later in this memorandum, several kinds of evidence typically are relevant when making policy or allocating resources. Impact evaluations may provide information about the extent of a change caused by a policy intervention, but they do not necessarily indicate whether a policy would have a similar impact at other times or settings. Impact evaluations also oftentimes do not assess how and why impacts occur, how and why subpopulations are affected, how a program might be modified to improve, or a program’s cost-effectiveness. Other kinds of evaluations may provide complementary or more useful information to make such judgments.

Statements on Implementation Challenges and OMB’s Role

In two October 2009 speeches, Mr. Zients reportedly made commitments for how OMB would work with Congress and agencies in the future. After a “listening tour” during his first 100 days on the job, he identified four barriers to getting things done.⁹⁵ These included (1) a focus by political appointees on

⁹⁴ OMB’s focus on “appropriate” study designs suggested a change from previous OMB guidance on impact evaluations. In 2004, OMB almost exclusively emphasized RCTs for assessing impacts, and, less precisely, for assessing “effectiveness.” See OMB, “What Constitutes Strong Evidence of a Program’s Effectiveness?”, [2004], at http://www.whitehouse.gov/omb/assets/omb/performance/2004_program_eval.pdf. OMB’s 2004 guidance apparently was written with assistance from the Coalition for Evidence-Based Policy. Some federal agencies’ evaluation personnel and a task force of the American Evaluation Association (AEA) critiqued OMB’s guidance for over-emphasizing RCTs and not addressing other methods. The federal evaluators gave a briefing that OMB posted on its website: “Evaluation Dialogue Between OMB Staff and Federal Evaluators: Digging a Bit Deeper into Evaluation Science,” July 2006, at http://www.whitehouse.gov/omb/assets/omb/performance/supp_materials/fed_eval_2006_slides.pdf. The AEA task force sent a letter to OMB: Letter from William M.K. Trochim, President, American Evaluation Association, to Robert Shea, Associate Director for Administration and Government Performance, OMB, March 7, 2008, at <http://www.eval.org/aea08.omb.guidance.responseF.pdf>.

⁹⁵ Jason Miller, “OMB Wants to Change the Tone of Management,” *Federalnewsradio.com*, October 21, 2009, at <http://www.federalnewsradio.com/?nid=35&sid=1791266>; and Elizabeth Newell, “Performance Chief Promises to Help Managers Overcome Challenges,” *GovExec.com*, October 5, 2009, at <http://www.govexec.com/dailyfed/1009/100509e2.htm>.

policy rather than management and implementation; (2) insufficient exploitation of IT, with gaps in quality and productivity compared to the private sector; (3) federal contracting that does not take advantage of the government's purchasing leverage; and (4) slow processes for hiring federal employees. Mr. Zients reportedly emphasized a need to prioritize, saying "[t]o focus on everything is to focus on nothing." Commenting on OMB's approach, he reportedly committed to regular communication with Congress and a collegial instead of command-and-control role with agencies.⁹⁶

FY2011 President's Budget and Announcement of HPPGs

The President submitted his FY2011 budget proposals to Congress on February 1, 2010. The budget documents charted further evolution of the Administration's performance-related agenda, but also announced that substantial parts of the agenda were still to be developed.

High-Priority Performance Goals and "Performance Management Strategies"

Following up on OMB's June 2009 memorandum and guidance (see **Box 4**, p. 17), the Administration released HPPGs for 24 federal agencies and one executive order.⁹⁷ The Administration did not provide a precise count of the goals, but identified them using 128 bullets. Each bullet, in turn, identified one or more metrics, milestones, or objectives. Release of the finalized HPPGs provided an opportunity to see how agencies attempted to implement the Administration's previous guidance. In OMB's June 2009 memorandum, OMB said the goals should be of "high direct value to the public" and not focus on "internal agency management or other administrative priorities." Although some of the finalized HPPGs focused on end outcomes, most of the goals and supporting metrics focused on inputs, activities, outputs, and intermediate outcomes, as means through which to accomplish end outcomes that might be of comparatively more direct value to the public (see **Box 3** and **Figure 2**, pp. 12-13).⁹⁸

The FY2011 budget also announced a new framework. In the coming fiscal year and thereafter, the Administration would pursue three "performance management strategies." The strategies focused predominately on goal-setting and performance measurement. Highlights of the strategies are summarized in **Table 1**.

⁹⁶ Mr. Zients reportedly went into some detail on how OMB would work with agencies and Congress, saying "[w]e're going to move from OMB sets priorities to the agency sets priorities; from oversight to partnership; from shipping reams of guidance to two-way dialogue about how we achieve the desired outcome; from transparency not just for accountability, but for idea flow to find and share the best practices; from ad hoc engagement for stakeholders such as Congress, to regular communication. ... I'm positive we'll make mistakes, we'll slip into some old bad habits, but I commit to you that we will serve you differently than we have in the past." *Ibid.*

⁹⁷ OMB, *Analytical Perspectives, Budget of the U.S. Government, FY2011* (Washington: GPO, 2010), p. 75.

⁹⁸ The agencies' emphasis on process-related and other intermediate metrics may not be surprising, given the short-term nature of the goals, the Administration's emphasis that performance information should be useful during implementation, and the nature of how managers typically set short- and medium-term agendas. A broad literature suggests managers tend to focus on intermediate milestones and accomplishments that are necessary in order to achieve more long-term, strategic objectives. See John P. Kotter, "What Effective Managers Really Do," *Harvard Business Review*, vol. 77 (March-April 1999), pp. 145-159; and Henry Mintzberg, *The Nature of Managerial Work* (New York: HarperCollins, 1973), p. 153.

Table 1. "Performance Management Strategies" in President's FY2011 Budget

Strategy	Administration Plans
"Use performance information to lead, learn, and improve outcomes"	In addition to pursuing HPPGs at the agency level, the Administration said it would ask agency leaders to carry out a similar goal-setting exercise at the bureau level in the coming year. Both agency leaders and OMB would put in place quarterly feedback and review sessions that are modeled after so-called "Stat" efforts in state and local governments. ⁹⁹
"Communicate performance coherently and concisely for better results and transparency"	The Administration said it would "eliminate performance measurements and documents that are not useful" and convey information about agency-, cross-agency-, and program-level measures. In combined performance plans and reports, the Administration would explain "why goals were chosen, the size and characteristics of problems Government is tackling, factors affecting outcomes that Government hopes to influence, lessons learned from experience, and future actions planned." In addition, agencies would "take greater ownership" in communicating GPRA-required performance plans and reports to "key audiences." In an effort to make performance data useful to "all audiences—congressional, public, and agency leaders," a new federal performance portal would provide "a clear, concise picture of Federal goals and measures by theme, by agency, by program, and by program type." The portal also would link to "mission-support management dashboards." The dashboards would include the IT Dashboard and "similar dashboards planned for other ... functions including procurement, improper payments, and hiring." Information about all federal impact evaluations would be available through the portal as well.
"Strengthen problem-solving networks"	The Administration planned to use "existing and new practitioner networks," both inside and outside government. To address shared problems, the Administration would create cross-agency teams. The Performance Improvement Council (PIC), established by E.O. 13450 (see Box 2 , p. 11) would "function as the hub" of the overall network. OMB would work with the PIC to "advance a new set of Federal performance management principles, refine a Government-wide performance management implementation plan, and identify and tackle specific problems as they arise." The PIC, in turn, would establish communities of practice organized by program type, problem, and methods.

Source: OMB, *Analytical Perspectives, Budget of the U.S. Government, FY2011*, pp. 73-75.

Impact Evaluations and Characterizations of "Evidence-Based Policy"

The FY2011 President's budget proposal also displayed some evolution of OMB's three-part initiative to emphasize impact evaluations, which had been announced in October 2009.¹⁰⁰ After reiterating that impact evaluations that are "planned or already underway" would be put online (see **Table 1**), the Administration offered more detail about the operation of an "inter-agency working group" (hereafter IWG). The IWG would work with four entities in the Executive Office of the President: OMB, the Council of Economic Advisers (CEA), the Domestic Policy Council, and the Economic Policy Council. Among other things, the IWG and these EOP entities would help build evaluation capacity and networks, assist in selecting evaluation designs, devise strategies for "using data and evaluation to drive continuous improvement," and develop executive-branch-wide guidance on program evaluation practices with "sufficient flexibility for agencies to adopt practices suited to their specific needs." Nevertheless, the

⁹⁹ The "Stat" approach, at least under that name, was pioneered in New York City in the mid-1990s, when the police department there began a management system called "computerized statistics," or "Compstat" for short. The Obama Administration has cited CompStat and similar approaches when describing its goal-setting, performance measurement, and management efforts. See OMB, *Analytical Perspectives, Budget of the U.S. Government, FY2011*, p. 73. In July 2010, Senate Budget Committee's Task Force on Government Performance held a field hearing on the subject. See U.S. Congress, Senate Committee on the Budget, *Performance "Stat": Measuring Priorities, Progress and Results*, hearing 111th Cong., 2nd sess., July 12, 2010, at <http://budget.senate.gov/democratic/hearingstate.html>.

¹⁰⁰ Unfootnoted citations in this section are to OMB, *Analytical Perspectives, Budget of the U.S. Government, FY2011* (Washington: GPO, 2010), pp. 91-92. In a succeeding chapter of the same volume, the Administration devoted substantial discussion to benefit-cost analysis (BCA). Much of the discussion focused on the use of BCA prospectively with regulations. However, the chapter also newly focused on the use of BCA for regular programs. The chapter may signal the possibility of an increased Administration emphasis on the use of BCA as form of program evaluation.

budget left unclear whether the IWG would act autonomously or, alternatively, become a means through which the EOP would direct agency practices. The relationship between the IWG, which primarily is oriented toward program evaluation, and the PIC (see **Box 2**, p. 11), which primarily is oriented toward performance measurement, also was unclear.

Following up on the third part of the initiative, the Administration listed 35 FY2011 budget proposals for 18 agencies, amounting to “approximately \$100 million,” to conduct evaluations or build evaluation capacity. Of the 35 proposals, 28 focused on evaluating specific programs or policies. These proposals would fund new evaluations with “strong study designs that address important, actionable questions.” The remaining seven proposals would “strengthen agency capacity to support such strong evaluations.” OMB and CEA would “continue to work with these agencies on implementing strong research designs that answer important questions.” What would constitute a “strong” study design was not clear. The Administration also did not indicate what kind of relationship OMB and CEA would have with agencies.

The Administration also elaborated its views on the role that evidence should play when making policy, as well as how to define what constitutes evidence. The way the President or an agency characterizes evidence for policy making may have implications for Congress in the legislative process; for example, when justifying budget or policy proposals. Similar implications for Congress may be evident for purposes of oversight and transparency, when agencies or the President use discretion to allocate resources and implement policies based on this evidence.

Specifically, the Administration’s budget proposal said the President “has made it very clear that policy decisions should be driven by evidence.”¹⁰¹ The Administration identified two types: (1) evidence about “what works and what does not”; and (2) evidence that “identifies the greatest needs and challenges.” The Administration said little regarding how to define the second type of evidence. By contrast, with regard to the first type, investments would be made in programs that are supported by “strong” or “rigorous” evidence. The budget did not define what would constitute strong or rigorous evidence. However, for new initiatives, the Administration indicated it would use a “three-tiered approach” to “evidence-based policy making.” In the first or “top” tier, more resources would be allocated for programs backed by “strong” evidence. In the second tier, programs with “supportive” evidence would receive additional resources, “on the condition that programs will be rigorously evaluated.” Third, agencies could pursue approaches “supported by preliminary research findings or reasonable hypotheses.” The Administration said the three-tier approach provides “objective” criteria to inform resource allocation. As an example, the Administration cited the Department of Education’s (ED’s) Invest in Innovation Fund (i3).¹⁰²

The i3 program, therefore, may indicate how the Administration plans to define and use evidence in proposals to Congress and in administrative policy making. Shortly after publication of the President’s budget proposals, ED defined “evidence” in a final rule almost solely as the estimate of a program’s impact, as produced by an impact evaluation in the sense illustrated by **Figure 3** (p. 21). According to ED, impact evaluations would facilitate making “causal conclusions” and generalizing findings for “scaling up to the State, regional, or national level.”¹⁰³ By contrast, ED said it did not see a need to include in the definition of evidence the information provided by other types of evaluations that do not quantitatively estimate an impact, including qualitative, process, and “mixed method” approaches.¹⁰⁴ These evaluations

¹⁰¹ *Ibid.*, p. 92.

¹⁰² *Ibid.*

¹⁰³ U.S. Department of Education, “Investing in Innovation Fund; Final Rule and Notice,” 75 *Federal Register* 12004-12071, at 12063, March 12, 2010.

¹⁰⁴ *Ibid.*, pp. 12053 and 12055.

often are used to understand mechanisms and contexts of causation and, therefore, circumstances under which a program may have an impact in different settings, populations, and times.¹⁰⁵ Given this focus on impact evaluations and the omission of other kinds of evaluation information from the definition of “evidence,” past experience and the program evaluation literature suggest that if the Administration applied the i3 definition of “evidence” more widely, such a move may be controversial.¹⁰⁶ For example, similar controversy arose in 2010 in the context of a grant program established by the Patient Protection and Affordable Care Act of 2010 (PPACA; P.L. 111-148).¹⁰⁷

Line-by-Line Review and Proposals for Termination or Reduction

The Administration issued its second annual *Terminations, Reductions, and Savings* document (*FY2011 TRS Document*) based on a continued “line-by-line review” of the budget.¹⁰⁸ By its count, the Administration proposed 126 cuts or program restructurings amounting to \$23 billion for FY2011.¹⁰⁹ Fifteen of the proposals came from federal employee suggestions under the President’s SAVE Award initiative.¹¹⁰ Some of the proposals’ justifications referred explicitly to program evaluations or performance measures, but most made analytical arguments in support of Administration proposals. Some justifications, for example, argued for reducing “duplication” and favored administrative decision making processes for allocating resources instead of congressionally directed spending.

February 2010 Framework: Six “Performance Strategies”

On February 18, 2010, Mr. Zients followed up on the FY2011 budget with a speech that outlined a new framework for the Administration’s performance agenda. The framework comprised six “performance strategies” that “offer the greatest potential to improve [government] performance.”¹¹¹ In order of presentation, the strategies included (1) “eliminate waste”; (2) “drive top priorities”; (3) “leverage

¹⁰⁵ CRS Report RL33301, *Congress and Program Evaluation: An Overview of Randomized Controlled Trials (RCTs) and Related Issues*, by Clinton T. Brass, Erin D. Williams, and Blas Nuñez-Neto.

¹⁰⁶ See *ibid.* and William Easterly, “The Civil War in Development Economics,” (New York University Development Research Institute), December 3, 2009, at <http://aidwatchers.com/2009/12/the-civil-war-in-development-economics/>.

¹⁰⁷ The controversy arose in the context of a PPACA grant program (P.L. 111-148, Section 2951; 124 Stat. 335) and a related proposal by the Department of Health and Human Services (HHS) to establish “criteria for evidence of effectiveness of home visiting program models.” HHS’s proposed criteria generally would elevate RCTs above other forms of impact evaluation in terms of study “quality” and, in addition, would not provide a role for program evaluation methods other than impact evaluations to inform assessments of “evidence of effectiveness” for a program model. In the relevant PPACA provision, Congress required HHS to articulate its proposal through public notice and solicitation of comments. HHS’s notice prompted expressions of concern from groups including the American Evaluation Association (AEA) and the Center for Law and Social Policy (CLASP). The AEA is a professional association of evaluators, and CLASP is an advocacy group that focuses on policies that relate to low-income people. For the HHS proposal, see U.S. Department of Health and Human Services, “Maternal, Infant, and Early Childhood Home Visiting Program,” 75 *Federal Register* 43172, July 23, 2010. For comments from the AEA, see letter from Leslie Cooks, Debra J. Rog, and Jennifer Greene, AEA, to Mary K. Wakefield, Administrator, Health Resources and Services Administration (HRSA), HHS, August 17, 2010, at <http://www.eval.org/EPTF/aea10.eptf.visitation.comments.box.pdf>. Also see letter from Rutledge Q. Hutson and Tiffany Conway Perrin, CLASP, to Mary K. Wakefield, Administrator of HRSA, HHS, August 16, 2010, at http://www.clasp.org/federal_policy/pages?id=0015.

¹⁰⁸ OMB, *Terminations, Reductions, and Savings—Budget of the U.S. Government, Fiscal Year 2011* (hereafter *FY2011 TRS Document*) (Washington: 2010), at <http://www.whitehouse.gov/omb/budget/TRS/>.

¹⁰⁹ The Administration also said Congress enacted \$6.8 billion of the Administration’s *FY2010 TRS Document* proposals.

¹¹⁰ *Ibid.*, p. 1. According to the Administration, the 15 employee-suggested items did not require action by Congress to be implemented. For more on the SAVE initiative, see <http://www.whitehouse.gov/save-award>.

¹¹¹ Speech given at Center for American Progress, February 18, 2010. A transcript of the speech and a subsequent panel discussion is available at <http://www.americanprogress.org/events/2010/02/dww.html>.

purchasing scale”; (4) “close the IT performance gap”; (5) “open government to get results”; and (6) “attract and motivate top talent.” Mr. Zients placed many of the Administration’s previously announced initiatives within this framework. For example, he included within the first strategy the Administration’s *FY2011 TRS Document*, emphasis on impact evaluations, and focus on reducing improper payments. HPPGs were the primary focus of the second strategy. Publicly visible, online dashboards would support many strategies, especially including initiatives relating to improper payments, IT, and human resources. He said periodic “Stat” reviews would occur for HPPGs and IT projects.¹¹² Mr. Zients also announced that the Administration would establish a “government-wide performance portal” in the summer of 2010.

Looking Ahead to the President’s FY2012 Budget Proposals and 112th Congress

In July 2010, a White House document described an Accountable Government Initiative (AGI) that included many of the Administration’s performance-related initiatives from the framework that Mr. Zients outlined in his February 2010 speech.¹¹³ Several weeks later, the President and Mr. Zients issued two memoranda to the Senior Executive Service (SES) that more formally transmitted the AGI.¹¹⁴ It remains to be seen whether this framework will be presented in the President’s FY2012 budget, which will be submitted in early 2011 to the 112th Congress.

During the summer of 2010, OMB also issued documents in preparation for the FY2012 proposal and in anticipation of rolling out the Administration’s performance-related initiatives. With regard to the FY2012 budget, OMB and the White House issued two memoranda to the heads of agencies on June 8, 2010, that provided guidance for how agencies should submit their budget requests to OMB. In one memo, OMB Director Orszag and White House Chief of Staff Rahm Emanuel required agencies to identify discretionary programs that have the “lowest impact.... on your agency’s mission and relevant Presidential initiatives.”¹¹⁵ In particular, they urged agencies to identify at least 5% of their enacted FY2010 discretionary appropriations, excluding emergency and supplemental funding, as having the lowest impact. In the second memo, Director Orszag directed agencies to include at least five termination and reduction proposals with supporting “analysis and evidence showing the effects of the reductions and why they are warranted.”¹¹⁶ OMB also issued a memorandum to emphasize impact evaluations with the President’s FY2012 budget proposals,¹¹⁷ continuing the emphasis that OMB began in October 2009 for the President’s FY2011 budget proposals.

¹¹² For more on TechStat, see CIO Vivek Kundra, “TechStat: Improving Government Performance,” February 24, 2010, at <http://www.whitehouse.gov/blog/2010/02/24/techstat-improving-government-performance>.

¹¹³ See The White House, Office of the Press Secretary, “Backgrounder: The Accountable Government Initiative: The Obama Administration’s Effort to Cut Waste and Modernize Government,” July 22, 2010, at http://www.whitehouse.gov/sites/default/files/Background_on_Accountable_Government_Initiative.pdf. The PDF link may be found at <http://www.whitehouse.gov/the-press-office/president-obama-sign-inproper-payments-elimination-and-recovery-act>.

¹¹⁴ The White House, Office of the Press Secretary, “Presidential Memorandum—Accountable Government Initiative,” September 14, 2010; and OMB, “The Accountable Government Initiative—an Update on Our Performance Management Agenda,” September 14, 2010, at <http://www.whitehouse.gov/the-press-office/2010/09/14/presidential-memorandum-accountable-government-initiative>, and <http://www.whitehouse.gov/blog/2010/09/14/sending-out-ses>.

¹¹⁵ They urged agencies to focus on programs that have “an unclear or duplicative purpose, uncertain Federal role, completed mission, or lack of demonstrated effectiveness.” OMB, “Identifying Low-Priority Agency Programs,” memorandum, M-10-20, June 8, 2010, p. 2, at http://www.whitehouse.gov/sites/default/files/omb/assets/memoranda_2010/m10-20.pdf.

¹¹⁶ OMB, “Fiscal Year 2012 Budget Guidance,” memorandum, M-10-19, June 8, 2010, p. 3, at http://www.whitehouse.gov/sites/default/files/omb/assets/memoranda_2010/m10-19.pdf.

¹¹⁷ OMB, “Evaluating Programs for Efficacy and Cost-Efficiency,” memorandum, M-10-32, July 29, 2010, at (continued...)

In June and July of 2010, OMB also issued two documents that related to performance measurement and goal-setting. In a June memorandum, OMB Associate Director for Performance and Personnel Management Shelley Metzenbaum provided “transition” guidance to agencies on these matters. She said agencies “should consider this year a transition year during which OMB and the PIC will move to a more dynamic performance planning, management, improvement, and reporting framework.”¹¹⁸ The memorandum provided general guidance to agencies on three topics: achieving HPPGs that had been announced in the President’s FY2011 budget, establishing quarterly reviews of progress toward meeting HPPGs, and developing GRPA-related plans and reports. Just weeks later, OMB issued its annual guidance to agencies in *Circular No. A-11*, which included new instructions on how to comply with GPRA. The circular drew from the June memorandum and added that quarterly reviews would be held between agencies and OMB.¹¹⁹

Potential Issues for Congress

The Obama Administration’s performance agenda has evolved, with several announcements of frameworks to guide priorities and actions. Some of these frameworks closely relate to program evaluation and performance measurement, and also to the relationship of these tools to management and budgeting. These announcements have included

- identification of five “key principles” for a “performance management system” (October 2009, CPO testimony);
- three “performance management strategies” (February 2010, FY2011 budget proposal); and
- a “performance planning, management, improvement, and reporting framework” (June 2010, OMB memo).

Other announcements of frameworks appear to draw on the broader responsibilities of OMB’s DDM position to lead OMB’s statutory offices and establish general management policies for mission-support functions. The frameworks incorporated multiple efforts to use evaluation and measurement and included

- six themes for a “new management and performance agenda,” with further options to be developed (May 2009, FY2010 budget proposal);
- five areas of presidential emphasis (June 2009, OMB DDM confirmation hearing);
- an upcoming process to craft a “management and performance framework” (June 2009, OMB memo);
- six “performance strategies” (February 2010, CPO speech); and
- an Accountable Government Initiative (July-September 2010, White House documents).

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<http://www.whitehouse.gov/sites/default/files/omb/memoranda/2010/m10-32.pdf>.

¹¹⁸ OMB, “Performance Improvement Guidance: Management Responsibilities and Government Performance and Results Act Documents,” memorandum, M-10-24, June 25, 2010, p. 1, at http://www.whitehouse.gov/sites/default/files/omb/assets/memoranda_2010/m10-24.pdf.

¹¹⁹ OMB, *Circular No. A-11, Preparation, Submission, and Execution of the Budget*, July 2010, Part 6, Section 200, p. 2, at http://www.whitehouse.gov/sites/default/files/omb/assets/a11_current_year/a_11_2010.pdf.

As the Administration further develops and implements its agenda during the 112th Congress, complex policy, fiscal, and performance challenges will continue to face Congress. Agencies and OMB likely will present policy analysis tools such as program evaluation and performance measurement to Congress in efforts to inform and influence its deliberation, lawmaking, and oversight. At the same time, agencies will engage in performance-related activities while they formulate and implement federal government policies. OMB also may attempt to exert influence on agency activities, acting on the President's behalf. Any of these activities might be subjects of congressional oversight. Nevertheless, significant aspects of the Administration's performance-related agenda have yet to be articulated. In some cases, it remains to be seen if previous announcements of plans will come to fruition. Whether the Administration's agenda draws on previously announced plans or moves in new directions, the agenda suggests potential issues for Congress. The issues might be placed in two general categories.

First, if Congress acts to approach the agenda without attempting to modify it, and to consider the evaluation and performance information that agencies and OMB present to Congress, several issues may arise. During the legislative process, for example, appropriations and authorizing committees routinely receive proposals from agencies, OMB, and interest groups that cite evaluations and measurements to justify funding and policy changes.¹²⁰ Because evaluations and measurements may be flawed or may be presented in ways that some observers might view as biased, Congress might use several resources to scrutinize the credibility and relevance of the information. Congress also might conduct oversight over how well agencies are using evaluations and measurements when implementing policy, allocating funds through contracts or grants, creating incentives for good management, and conducting policy research.¹²¹

A second, broader category of issues may arise if, instead of taking the Administration's agenda on its own terms, Congress decides to scrutinize policies and practices that relate to government performance. In this second category, Congress might examine the extent to which the Administration's agenda seems appropriate for the federal government's current and future challenges. Congress also might consider whether federal performance-related statutes, like GPRA, and administratively pursued policies, such as E.O. 13450, merit reexamination. Furthermore, when agencies or OMB justify legislative proposals with evaluation and measurement information, issues that routinely face appropriations and authorizing committees, including issues of credibility and relevance, might be addressed more systematically through legislation or oversight.

Analysis of several issues in each category follows below.

Potential Issues When Evaluations and Performance Measures Are Presented to Congress

Scrutinizing Program Evaluations and Performance Measurements

Congress has numerous resources and opportunities to inform itself, make policy, and influence implementation. Consequently, participants in the policy process may, in an attempt to influence Congress, make representations about the supposed "performance" of a program or policy. Some of this

¹²⁰ For example, see CRS Report RL33071, *Even Start: Funding Controversy*, by Gail McCallion; and CRS Report RL34306, *Vulnerable Youth: Federal Mentoring Programs and Issues*, by Adrienne L. Fernandes-Alcantara.

¹²¹ For related discussion, see CRS Report RL33301, *Congress and Program Evaluation: An Overview of Randomized Controlled Trials (RCTs) and Related Issues*, by Clinton T. Brass, Erin D. Williams, and Blas Nuñez-Neto; and GAO, *A Variety of Rigorous Methods Can Help Identify Effective Interventions*, GAO-10-30, November 2009.

information may come in the form of program evaluations or performance measurement. As discussed earlier in **Box 3** and **Figure 1** (pp. 12-13), program evaluations and performance measurement focus on different kinds of information and may have different uses. Furthermore, they have distinct capabilities and limitations. The Administration's performance agenda has emphasized some aspects of performance measurement with a focus on HPPGs (**Box 4**, p. 17) and various dashboards, and one type of program evaluation with impact evaluations (**Figure 3**, p. 21). Other approaches to evaluation and measurement, such as logic modeling as described in **Box 3** and **Figure 2** (p.13), have not received explicit emphasis.

Issues that Congress may consider exploring, both generally and in specific policy areas, include whether the President, agencies, and interest groups are using evaluation and measurement methods consistently with their capabilities and limitations; whether findings are appropriately qualified and presented in an unbiased way; and whether the Administration's approaches to evaluation and measurement address the needs of key audiences. For example, for FY2010, the Administration proposed that Congress terminate ED's school-based "Student Mentoring Program" partly on the basis of an impact evaluation that found, "for the full sample of students, the program did not lead to statistically significant impacts" on outcomes relating to school engagement, academic achievement, and other topics.¹²² The information presented by the Administration was accurate, but did not provide a complete picture. For example, OMB and ED did not highlight that the study found statistically significant impacts in academic outcomes for a major subpopulation, girls;¹²³ did not provide cautions that the study's impact estimates may have been biased toward zero because of potential contamination of the experiment,¹²⁴ and did not address what the underlying study's lead author reportedly characterized as flaws in implementing the program and the failure to address those flaws, that, according to the author, "resulted in weak evaluation outcomes."¹²⁵

Members and committees of Congress might encounter issues like these in the context of annual appropriations, program and agency reauthorizations, and oversight. During the appropriations process, for example, appropriations subcommittees typically review the President's budget requests and justifications. In situations when proposals are justified by evaluation or measurement information, committees might use their own staff resources and other resources such as GAO and CRS to evaluate the credibility and relevance of the evaluations and measurements. Similar issues may arise in the context of substantive lawmaking, such as when a committee is considering changes to a program's authorizing statute. In an oversight context, Members and committees might examine whether agencies are using appropriate social science and other methods to support administrative policy making and allocation of funds. Finally, if Congress became more broadly interested in or concerned about how the Administration or agencies were using discretion to present or use performance information, Congress might address the topic on a government-wide basis as a matter of performance-related policy.

¹²² Italics added. See OMB, *FY2010 TRS Document*, p. 61. For more detailed discussion of the program, see CRS Report RL34306, *Vulnerable Youth: Federal Mentoring Programs and Issues*, by Adrienne L. Fernandes-Alcantara.

¹²³ Lawrence Bernstein, et al., *Impact Evaluation of the U.S. Department of Education's Student Mentoring Program: Final Report*, Institute of Education Sciences, U.S. Department of Education, March 2009, pp. xxii, 90-91, at <http://ies.ed.gov/ncee/pubs/20094047/>.

¹²⁴ Students not receiving mentoring services may have become aware that peers were receiving mentoring under the study, potentially leading non-served students and their families to seek mentoring elsewhere that they might not have sought otherwise. According to ED's What Works Clearinghouse (WWC, the department's "central and trusted source of scientific evidence for what works in education") in response to a query from CRS, if this contamination occurred, the study's impact estimates "could be biased toward zero"; however, WWC "does not have standards for evaluating this type of contamination" (e-mail communication from WWC to CRS, January 20, 2010). For discussion of this threat of contamination to a study's validity, see Thomas D. Cook and Donald T. Campbell, *Quasi-experimentation: Design & Analysis Issues for Field Settings* (Chicago: R. McNally, 1979), pp. 54-55.

¹²⁵ Jen Russell, "Evaluation Spotlight: School-Based Mentoring Needs a Friend," *Youth Today*, June 2009.

Scrutinizing How Agencies or OMB Define “Success” for a Program

When considering the performance of an agency, program, or policy in any of these legislative contexts, Congress also might look more broadly at how an agency or OMB is defining “success.” The definition of success that an agency or OMB uses in a particular circumstance, such as a budget proposal for Congress’s consideration, may dictate whether currently existing performance information portrays a program in a positive or negative light. Consequently, Congress might in specific circumstances consider whether it agrees with these representations about how to define success.

These situations frequently arise in the context of appropriations, substantive lawmaking, and oversight, because the definition of success for an existing program often is politically contested. That is, participants and stakeholders in the policy process may have differing views about the proper means and ends of an existing program, policy, or agency. A related issue may arise when a program, policy, or agency has multiple goals that trade off against each other. For example, the mission statement of the Internal Revenue Service (IRS) arguably encompasses three general goals: tax compliance, customer service, and fairness.¹²⁶ For IRS, there is a trade-off between resources allocated to tax compliance and customer service. Judgments about policy success or failure in the presence of goal trade-offs may not receive widespread acceptance, because the process of making trade-offs involves value judgments that may differ among stakeholders.

Past experience in the federal budget process suggests that a President may make representations about performance from the perspective of one definition of success, while omitting any mention of other perspectives. For example, federally supported vocational education could have been rated either effective or ineffective, depending on whether “success” was defined as increased earnings for education recipients, on one hand (effective), or increased incidence of seeking higher education, on the other (ineffective).¹²⁷ Consequently, when the President or his or her Administration makes representations to Congress about performance for a particular policy or program, Congress may consider whether the definition of success that is being used reflects congressional intent for the underlying program and major perspectives that the broader community of stakeholders may have, or reflects a more limited perspective.

In the context of presidential appropriations proposals, for example, an appropriations committee might examine whether a proposal for a budget increase or decrease is justified by program evaluations or performance measures. If OMB makes such a justification, a committee might examine whether claims of how to define good or bad performance conform with a program’s authorizing statute and legislative history. The committee also might examine whether available performance information addresses stakeholders’ conceptions of how to define success. Nongovernmental entities, reputable evaluators, and congressional support agencies like CRS and GAO might assist the committee with such analysis. Congress might undertake similar activities when considering changes to an authorizing statute on the basis of evaluations or measurements. In an oversight context, a Member or committee might examine how an agency is defining success when it uses discretion in how it identifies HPPGs (see **Box 4**, p. 17) or awards grant funding. If the agency is using a definition of success other than what Congress intended, or a definition that appears to reflect only part of what Congress intended, Congress might consider additional oversight activities or lawmaking.¹²⁸

¹²⁶ See IRS, “The Agency, its Mission and Statutory Authority,” at <http://www.irs.gov/irs/article/0,,id=98141,00.html>.

¹²⁷ See discussion of contrasting definitions of success for federally supported vocational education in CRS Report RL33301, *Congress and Program Evaluation: An Overview of Randomized Controlled Trials (RCTs) and Related Issues*, by Clinton T. Brass, Erin D. Williams, and Blas Nuñez-Neto.

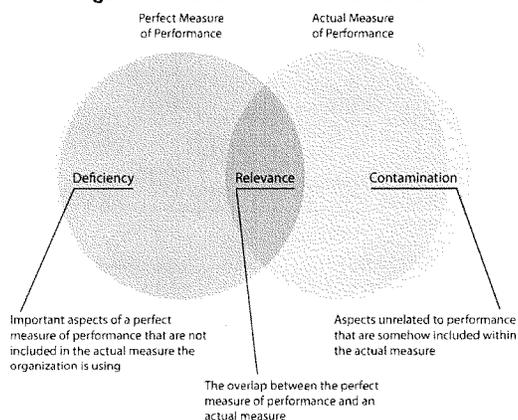
¹²⁸ In some cases, Congress’s or a committee’s specific intent may not be clear from the statutory text or legislative history.

Identifying Possibilities of Perverse Incentives

When agencies identify and pursue goals or other definitions of success, measurements can be a strong motivator to action. In some situations, measurements may create incentives that, from the perspective of congressional intent, may not be viewed as desirable. In its regular legislative work, and particularly when agencies and the President are identifying what they consider to be priority goals and potentially relegating other potential goals to a relatively lower priority, Congress might encounter such issues and consider whether remedies are advisable.

The problem of perverse incentives has long been recognized. Industrial psychologist Mason Haire is frequently quoted: “What gets measured gets done. If you are looking for quick ways to change how an organization behaves, change the measurement system.”¹²⁹ At the same time, even if consensus were possible on how to define an agency’s or program’s major purposes, it may be difficult to find a “vital few” outcome measures that fully and accurately cover an agency’s or program’s mission. In addition, many outcomes may be influenced by factors that are not under a federal program’s control. In combination, these tendencies may create the potential for perverse incentives in any system of goal-setting and performance measurement. **Figure 4** helps illustrate these possibilities.

Figure 4. Potential for Perverse Incentives



Source: Adapted from Cynthia D. Fisher, Lyle F. Schoenfeldt, and James B. Shaw, *Human Resource Management*, 6th ed. (New York: Houghton Mifflin, 2006), p. 431.

If the outcome measures that are used for a program (right-hand circle) do not fully cover its mission (left-hand circle), they are considered “deficient.” Significantly, if the deficient outcome measures are emphasized over other considerations that are not measured or that may not be easily measurable, the omitted aspects of the mission might be neglected. Another problem may arise if one or more outcome measures are influenced by factors external to the program. In that case, the outcome measures are

¹²⁹ Quoted in Richard L. Lynch and Kelvin F. Cross, *Measure Up! Yardsticks for Continuous Improvement* (Cambridge, MA: Blackwell, 1991), p. 144.

“contaminated” (portion of right-hand circle). An organization’s personnel tend to dislike being held accountable for factors outside their control, and they may sacrifice performance of the mission in order to avoid sanctions or blame for missing targets that may suffer from deficiency or contamination. In either case, measures may create perverse incentives, if program evaluations or a system of performance measurement focus on outcome measures that are deficient or contaminated. The IRS cited this problem in the late 1990s, for example, in the wake of high-profile hearings of the Senate Finance Committee.¹³⁰ More recently, some observers alleged that the New York City Police Department’s “CompStat” approach to performance measurement created pressure that caused personnel to manipulate crime statistics and establish quotas for issuing tickets.¹³¹

Any of these issues might arise when the Administration and agencies undertake performance measurement, such as with the HPPG effort, or impact evaluation. If the possibility of perverse incentives and behaviors were of concern, Congress might consider pursuing strategies to become aware of them and potentially acting to reduce the risks of unintended consequences. From an oversight perspective, for example, Congress might examine the HPPGs that agencies and the Administration have chosen and ascertain whether key dimensions of an agency’s mission have been omitted. If some dimensions of an agency’s mission are not receiving attention, the problem of deficiency may drive behaviors within the agency in ways that are not consistent with congressional intent. Alternatively, if achievement of some HPPGs were judged to be substantially outside the control of an agency, the challenge of contamination may be evident. Inquiries with agencies or oversight hearings might provide venues for these kinds of discussions. Alternatively, during the appropriations process, appropriations committees might examine the HPPGs and accompanying performance metrics that are submitted by agencies along with agencies’ GPRA-required annual performance plans. If agency goal-setting seemed to be at risk of deficiency or contamination, a committee might investigate further to assess whether there is a risk of perverse incentives. Ultimately, if appropriations or authorizing committees became more broadly concerned with the potential for perverse incentives, they might consider pursuing remedies through lawmaking. For example, many organizations have attempted to formally address the problem of perverse incentives by focusing on multiple aspects of the mission and multiple stakeholder perspectives.¹³²

Making a Connection Between Evidence and Policy Making

Another recurring issue for Congress, and particularly for appropriations and authorizing committees, concerns how “evidence” may be defined and used in policy making. A related issue might be to raise the question when and whether evidence should be formally defined, as a matter of policy. In recent years, agencies, OMB, and advocacy groups have made occasional efforts to formally define evidence and how it should be used to allocate resources during the budget process and in allocating grant awards. In addition, the Obama Administration has offered views on what it considers to constitute evidence for policy making, especially with respect to impact evaluations. These views have been reflected in Administration proposals to Congress. Consequently, many of these efforts were viewed as high stakes in

¹³⁰ IRS Customer Service Task Force, *Reinventing Service at the IRS* (Washington: GPO, 1998), pp. 75-81.

¹³¹ John A. Eterno and Eli B. Silverman, “The NYPD’s Compstat: Compare Statistics or Compose Statistics?”, *International Journal of Police Science & Management*, vol. 12, no. 3, September 2010, pp. 426-449. For related media coverage, see William K. Rashbaum, “Retired Officers Raise Questions on Crime Data,” *New York Times*, February 7, 2010, p. A1; and Al Baker and Ray Rivera, “Secret Tape Has Police Pressing Ticket Quotas,” *New York Times* (New York edition), September 10, 2011, p. A1.

¹³² In response to similar concerns, some organizations have attempted to create a “balanced scorecard.” See Robert S. Kaplan and David P. Norton, “The Balanced Scorecard—Measures that Drive Performance,” *Harvard Business Review*, January-February 1992, pp. 71-79. For more on perverse incentives, see Steve Kerr, “On the Folly of Rewarding A, While Hoping for B,” *Academy of Management Journal*, vol. 18, no. 4, 1975, pp. 769-783.

nature. At the same time, efforts to define and use evidence have generated some controversy in specific policy areas and among evaluation methodologists.

Some efforts to formally define and use evidence during the policy making process appear to have been motivated by frustrations with past experience. Reflecting on past performance-related initiatives, some observers have expressed concerns that policy makers and agency personnel were not “using” performance information to make budget and management decisions.¹³³ However, there does not appear to be consensus about the nature of underlying problems in fostering the use of evaluation and measurement information by agencies, legislative bodies, and the public. Some commentators have attributed a perceived lack of use to, among other things, politics and ideology.¹³⁴ Another explanation for lack of use relates to credibility, when legislative bodies or other stakeholders may not trust that agencies or the President are presenting performance and evaluation information without bias.¹³⁵ Another possible explanation is that performance information may not be used, because key audiences may not find the kind of information that is presented to also be useful.¹³⁶

In addition to the explanations summarized above, it also is possible that some frustrations may be the result of unrealistic expectations. The perceived usefulness of performance measures and impact evaluations, unaccompanied by other kinds of program evaluation, may be limited. For example, if an impact evaluation or a performance measurement shows that a program is not meeting an outcome objective, it could be argued that the implication for budget and management decisions would be ambiguous. A decision to cut, maintain, or increase spending might depend on assessments of whether the program could be modified or more effectively implemented. Conversely, for a program that is perceived as performing well, it is conceivable the program’s budget could be cut without adverse performance consequences. Possibilities such as these suggest that a definition of evidence that focuses primarily on impact evaluations or performance measures could be considered to be narrow if it did not have support from other evaluations, logic modeling, and analysis that are focused on questions of “how” and “why” a program is performing as it is. Issues like these may become controversial in the context of legislative proposals and lawmaking. For example, several scholars criticized the Administration’s FY2010 proposal

¹³³ For example, see discussion in Shawn Zeller, “Performance Anxiety for ‘New’ Federal Standards,” *CQ Weekly*, March 30, 2009, pp. 708-709. Separately, GAO has done several surveys of federal managers and their use of performance measures. For a 2007 survey, see GAO, *Government Performance: Lessons Learned for the Next Administration on Using Performance Information to Improve Results*, GAO-08-1026T, July 24, 2008.

¹³⁴ For example, see Jerry Ellig, “Ten Years of Results From the Results Act,” working paper no. 10-21, Mercatus Center at George Mason University, May 2010, pp. 23-25, at <http://mercatus.org/publication/ten-years-results-results-act>. For discussion of such sentiments, see Shawn Zeller, “Performance Anxiety for ‘New’ Federal Standards,” *CQ Weekly*, March 30, 2009, p. 708.

¹³⁵ For discussion, see Carolyn Bourdeaux, “Legislative Influences on Performance-Based Budgeting Reform,” FRC Report No. 128, (Atlanta, GA: Andrew Young School of Policy Studies, Georgia State University, May 2006), pp. 27-30, at <http://aysps.gsu.edu/frc/files/report128.pdf>; and Clinton T. Brass, “Performance Management for Networked Government: A Transformation in Waiting?”, paper presented at the 2007 annual conference of the American Society for Public Administration, March 25, 2007, at <http://www.aspanet.org/source/Communities/documentArchive.cfm?section=Communities&CmtyId=178&ParID=309>. See also a classic 1990 study of congressional oversight, which found that Congress much more frequently used program evaluations done by its support agencies than it did evaluations done by executive agencies. Joel D. Aberbach, *Keeping a Watchful Eye: The Politics of Congressional Oversight* (Washington: Brookings, 1990), pp. 130-132. The study occurred before widespread proliferation of Inspectors General (IGs).

¹³⁶ Historically, many previous efforts in the executive branch to produce performance and evaluation information have been driven by the perceived needs of OMB and agency senior leaders. (For example, see GAO, *Performance Budgeting: Observations on the Use of OMB’s Program Assessment Rating Tool for the Fiscal Year 2004 Budget*, GAO-04-174, January 2004, p. 27.) However, it is not clear that past efforts at collecting performance information were preceded by attempts to ascertain the kinds of information that may be useful to other key audiences such as Congress, agency program managers, and nonfederal stakeholders who might assist Congress with its oversight function.

to Congress to scale-up a nurse-home visitation program on the basis of impact evaluation findings through randomized controlled trials. In a high-profile letter to the President, the scholars said that “we know of no evaluation scholar who would conclude that randomized trials provide sufficient insight for making program replication decisions,” because they argued that “the core features of a well-done randomized trial—a highly specified intervention, consistent implementation, and a specific target population—limit the ability to generalize its findings to diverse populations and diverse contexts.”¹³⁷

In that light, the kinds of “evidence” that may inform decisions about budgets, management, and policy arguably extend beyond estimating a program’s impact in a particular time and setting, or assessing whether performance goals are met. From a broader program evaluation perspective, other kinds of evidence that likely would be important considerations in policy making include evaluation of whether a program or policy could be replicated or scaled up; conditions under which a government intervention would likely result in a similar impact or outcome in other settings or times, or with other subjects; whether measured outcomes are “valid,” such as whether a test score actually measures student achievement or something else; whether a policy has been implemented as designed and intended; and whether a policy’s impacts occurred through the expected causal mechanism.¹³⁸ Even more broadly, from the perspective of multi-disciplinary policy analysis, there are many other conceptions of what could be considered as evidence for policy making. These include basic and applied research; forecasting and scenario planning; risk assessment; professional judgment from individual and group experience; theory; logic; intuition; and finally, an amalgam of values, priorities, and ethics.¹³⁹

Because conceptions of what constitutes evidence for policy making may vary depending on circumstances and values, several issues related to the role of evidence in policy making may be salient for Congress and its committees. If OMB or an agency appears to have adopted a formal definition for what constitutes evidence, a committee might scrutinize the definition in light of relevant legislative history. In the context of appropriations, this approach might involve examining the justification for funding changes and examining whether other conceptions of evidence also should be considered. From an oversight perspective, committees might examine how agencies are applying the concept of evidence when allocating grant and other awards. If agency practices were found to be problematic, committees might use oversight tools to influence agency behaviors or pursue remedies through lawmaking.

¹³⁷ Letter from Deborah Daro, Ph.D., et al. to President Barack Obama, April 21, 2009, p. 2, at <http://www.preventchildabuseny.org/pdf/CommentsOnHomeVisitingProposal.pdf>. For background on this policy area, see CRS Report R40705, *Home Visitation for Families with Young Children*, by Emilie Stoltzfus and Karen E. Lynch. If the topic of evidence and policy making were of interest to Congress, Congress might look to the field of health care. Some conceptions of evidence in health care appear to be trending toward the critics’ contextual view, where decisions about “external validity,” such as judgments when specific interventions would work well in other contexts, would be made in a decentralized way by clinical decision makers, based on interpretations of evidence as applied to particular circumstances. Compare Deborah Daro, Ph.D., et al., p. 3, with Institute of Medicine, *Knowing What Works in Health Care: A Roadmap for the Nation* (Washington: National Academies Press, 2008), p. 21. Nevertheless, the issue in health care of how to define and use evidence from broad studies in the context of individual patients remains an area of active debate. For similar discussion about “comparative effectiveness research” and PPACA’s authorization to establish the Patient-Centered Outcomes Research Institute (PCORI; P.L. 111-148; 124 Stat. 727), see Rebecca Adams, “Health Policy by Comparison,” *CQ Weekly*, August 16, 2010, pp. 1968-1981.

¹³⁸ Using the terminology of program evaluation, these questions address matters of external validity and construct validity.

¹³⁹ See CRS Report RL33301, *Congress and Program Evaluation: An Overview of Randomized Controlled Trials (RCTs) and Related Issues*, by Clinton T. Brass, Erin D. Williams, and Blas Nuñez-Neto. Intuition often assumes importance in decision making when information is incomplete, consensus interpretations are lacking, the future is uncertain, or synthesis is necessary.

Potential Issues When Congress Focuses on Performance-Related Policy

Opportunities for Congressional Oversight: Lessons Learned from Past Efforts?

The Obama Administration's performance agenda arrives as the most recent in a line of presidential initiatives that have focused on government performance and related issues of management and budgeting. Past government-wide efforts include the Lyndon B. Johnson Administration's Planning-Programming-Budgeting System (PPBS, 1965); the Nixon/Ford Administrations' Management by Objectives (MBO, 1973); and the Jimmy Carter Administration's Zero-Base Budgeting (ZBB, 1977). More recently, the Clinton Administration undertook a National Performance Review (NPR, 1993) and the George W. Bush Administration pursued the President's Management Agenda (PMA, 2001) and PART. All were generally abandoned due to changes in Administration, a widespread perception of unrealistic ambitions, or lack of congressional support. With regard to congressional support, two former officials who were involved in the NPR and PMA efforts observed that recent Presidents were largely unsuccessful at garnering support from Congress for their management initiatives. In the authors' view, "the lack of congressional support has been a chronic limitation to gaining full acceptance by the agencies or to maintaining continuity beyond a particular administration."¹⁴⁰

Some observers have characterized a lack of congressional support as "political" in nature, in contrast with more "rational" presidential approaches that, in their view, would better serve the national interest.¹⁴¹ Others have focused on underlying policy disagreements to help explain conflicts. Still others have noted that, if adopted, many of the proposals associated with presidential initiatives would have reduced the congressional role in federal government management and thereby redistributed power from Congress to the President or agencies, prompting congressional resistance.¹⁴² Conflict between Congress and the President need not be one-way, of course. Congress has established the statutory framework for how the federal government is managed and how it performs, sometimes in ways resisted by Presidents. In the past, Congress has acted independently of, in reaction to, and in cooperation with Presidents on management and performance issues.¹⁴³

If Congress wants to examine the federal government's current policies that relate to government performance, both in law and as pursued by the Obama Administration, a starting point might be to identify "lessons learned" from past efforts in the United States and even overseas.¹⁴⁴ For example, as noted in this memorandum's section entitled "High-Priority Performance Goals (HPPGs)," efforts such as the Nixon and Ford Administrations' MBO and the UK Blair Government's PMDU may be relevant to the

¹⁴⁰ Jonathan D. Breul and John M. Kamensky, "Federal Government Reform: Lessons from Clinton's 'Reinventing Government' and Bush's 'Management Agenda' Initiatives," *Public Administration Review*, vol. 68 (November/December 2008), p. 1023.

¹⁴¹ See Jerry Ellig, "Ten Years of Results From the Results Act," working paper no. 10-21, Mercatus Center, May 2010, pp. 23-25; and Shawn Zeller, "Performance Anxiety for 'New' Federal Standards," *CQ Weekly*, March 30, 2009, pp. 708-709.

¹⁴² See Donald F. Kettl, "Beyond the Rhetoric of Reinvention: Driving Themes of the Clinton Administration's Management Reforms," *Governance*, vol. 7 (July 1994), p. 309; and CRS Report 31409, *The President's Management Agenda*, by Henry B. Hogue and Ronald C. Moe (archived and available on request from the first author).

¹⁴³ CRS Report RL30795, *General Management Laws: A Compendium*, by Clinton T. Brass et al.

¹⁴⁴ The literature on this subject is large and offers diverse and oftentimes conflicting perspectives. For a sampling of analyses, see Donald P. Moynihan, *The Dynamics of Performance Management: Constructing Information and Reform* (Washington: Georgetown University Press, 2008); Clinton T. Brass, "Performance Management for Networked Government: A Transformation in Waiting?", paper presented at the 2007 annual conference of the American Society for Public Administration, March 25, 2007; Beryl A. Radin, *Challenging the Performance Movement: Accountability, Complexity, and Democratic Values* (Washington: Georgetown University Press, 2006); and GAO, *Results-Oriented Government: GPRA Has Established a Solid Foundation for Achieving Greater Results*, GAO-04-38, March 2004.

Administration's HPPG agenda, with their emphases on performance measurement and accountability to the President or Prime Minister. Other topics of congressional study might involve exploring reasons why past presidential efforts did not generate congressional support and whether any of these lessons might apply to the Obama Administration's agenda for government performance. If common themes were identified, Congress might work through non-lawmaking means to improve its working relationship with the President, OMB, and agencies, or, alternatively, to clarify points of contention. Committees that focus on government-wide performance issues also might conduct oversight in areas of the Administration's agenda where they perceive risks of the Obama Administration not applying lessons from the past. If some topics were of substantial concern, Congress might conduct more in-depth oversight or consider changes to performance-related statutes, as discussed in the next two sections.

Oversight of the Administration's Performance Agenda: Coverage and Potential Gaps

When addressing the federal government's performance challenges, Mr. Zients has emphasized prioritization. These choices may not be obvious. On one hand, federal agencies, programs, and personnel must focus on accomplishing their current missions, subject to the resources and capabilities they already have. They work in myriad policy areas, including housing, transportation, and national defense. At the same time, improvement of the government's capabilities and practices is desired. For example, evaluations may be conducted and IT systems may be improved. However, the budgetary and staff resources that are available for capacity-building are limited. Finding a balance between "getting the work done," on one hand, and capacity-building, on the other, may be difficult. Given this tension, another issue that Congress might consider is the question whether the Obama Administration's agenda is covering the capacity-building areas that Congress views as most important, or, conversely, if there are gaps. For example, if committees that focus on government-wide performance perceive gaps, they might address the gaps by engaging with the Administration through communications, oversight, or lawmaking.

Generic Framework for Assessing Influences on Government Performance

Figure 5 (see p. 39) provides a generic framework that might be used at any given time as a lens through which to assess where OMB and agencies are focusing their activities and capacity-building priorities, with respect to goal-setting, program evaluation, and performance measurement. Consequently, the figure also might be used to help identify the presence of gaps. The figure builds on the logic model framework shown in **Box 3** and **Figure 2** (pp. 12-13), which may be used to integrate evaluation and measurement. In this case, however, **Figure 5** looks beyond a single program or agency. Instead, it illustrates how multiple agencies, policies, and nonfederal actors may work together to achieve desired policy outcomes or, conversely, work at cross-purposes.

In the figure, federal agencies "A" and "B" each implement several programs or policies through a causal chain of inputs, activities, and outputs. These causal chains may affect intermediate and end outcomes. The agencies and their activities are supported by a variety of mission-support functions like human resources and IT. Separately, some federal laws and policies that operate on their own, without substantial implementation by federal agencies, also may contribute to influencing outcomes. Tax expenditures, for example, are special tax breaks that may be used instead of direct expenditures to influence the behaviors of nonfederal entities in a way that will contribute to the achievement of policy goals.¹⁴⁵ The federal government also relies more directly on nonfederal actors to help accomplish policy goals. Many external factors that are not directly influenced by an agency or program also may influence outcomes. These

¹⁴⁵ For related discussion, see CRS Report RL33641, *Tax Expenditures: Trends and Critiques*, by Thomas L. Hungerford.

external factors may include, for example, broad economic conditions, natural disasters, or lack of cooperation from nonfederal stakeholders.

On the left side of the figure, a variety of performance-related processes and activities may be conducted by Congress, the President, and agencies. These processes may include, among other things, goal-setting, planning, and coordinating across organizational boundaries. Using procedural and other tools, Congress, the President, and agencies may thereby interact and influence how policies are implemented.

Example of Using the Framework: Federal Housing Policies

The framework might be applied in a specific policy context to help visualize these goal-setting, performance measurement, and evaluation activities, assess how they fit together, and identify whether they have gaps or raise further questions. For example, federal support for housing is a policy area that cuts across organizational and programmatic boundaries. The federal government also uses numerous policy tools to pursue housing policy objectives, including spending programs, tax expenditures, and regulations.¹⁴⁶ Using **Figure 5**, one might consider the efforts of two departments—the Departments of Housing and Urban Development (HUD) and Veterans Affairs (VA)—to reduce homelessness among veterans. The Obama Administration designated this combined effort as an HPPG for FY2011 and set a specific goal of reducing the number of homeless veterans to 59,000 over two years.¹⁴⁷

In **Figure 5**, HUD's and VA's activities might be viewed as programs "A" and "B," respectively. The departments said they would work toward this goal by assisting 16,000 homeless veterans each fiscal year to move into permanent housing: 6,000 through HUD's Continuum of Care grant programs, and 10,000 through their joint HUD-Veterans Affairs Supportive Housing (HUD-VASH) voucher program.¹⁴⁸ Therefore, from the perspective of the logic models in **Figure 5**, the departments identified *output* measures they would use: 6,000 and 10,000 veterans assisted per year, respectively. HUD and VA also estimated a combined, projected impact for an *end outcome*: a reduction of 135,000 homeless veterans over two years, compared to what would happen without the departments' intervention.¹⁴⁹

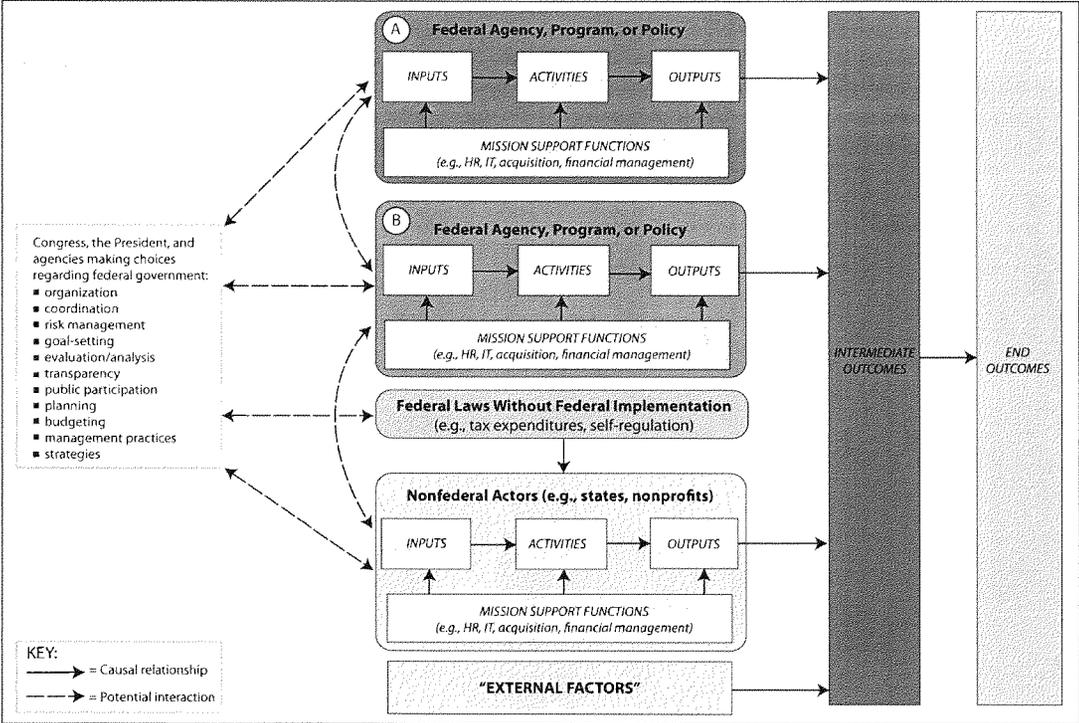
¹⁴⁶ All of these activities may contribute to accomplishing policy outcomes like supporting homeownership, making rental housing affordable for low-income families, and pursuing other, more intermediate outcomes. However, consensus may not always be apparent regarding which outcome goals are most important and how, or whether, the federal government should be involved in their pursuit. For background discussion, see CRS Report RL34591, *Overview of Federal Housing Assistance Programs and Policy*, by Maggie McCarty et al.; CRS Report R40210, *Preserving Homeownership: Foreclosure Prevention Initiatives*, by Katie Jones; U.S. Congressional Budget Office, *An Overview of Federal Support for Housing*, November 3, 2009; and OMB, *Analytical Perspectives, Budget of the U.S. Government, FY2011* (Washington: GPO, 2010), pp. 81-85, 91-92.

¹⁴⁷ HUD and VA said they would work together to reduce the number of homeless veterans from the then-current estimate of 131,000 to their goal of 59,000 by June 2012, in contrast with their estimate of 194,000 homeless veterans in June 2012 in the absence of the departments' "intervention." Thus, the departments estimated the projected impact of their efforts as 135,000: 194,000 without their intervention, minus 59,000 with their intervention. See OMB, *Analytical Perspectives, Budget of the U.S. Government, FY2011* (Washington: GPO, 2010), pp. 82, 85; and VA, *FY 2011 Funding and FY 2012 Advance Appropriations Request*, vol. II, pp. 1A-2 and 1-J12 - 1J-14, at http://www.va.gov/budget/docs/summary/Fy2011_Volume_2-Medical_Programs_and_Information_Technology.pdf.

¹⁴⁸ *Ibid.*, and see also supporting information in the HUD FY2011 budget summary (<http://hud.gov/budgetsummary2011/full-budget-2011.pdf>, p. 32) and VA FY2011 budget summary (http://www.va.gov/budget/docs/summary/Fy2011_Volume_1-Summary_Volume.pdf, p. 1A-3). For background information on the Continuum of Care and HUD-VASH programs, see <http://www.hud.gov/offices/cpd/homeless/programs/coc/>, and <http://www.hud.gov/offices/pih/programs/hcv/vash/>, respectively.

¹⁴⁹ Most of the Administration's other HPPGs that concern housing are focused on activities and outputs, as opposed to outcomes. See OMB, *Analytical Perspectives, Budget of the U.S. Government, FY2011* (Washington: GPO, 2010), pp. 81-82.

Figure 5. Potential Framework for Assessing Influences on Government Performance



Source: CRS.

However, it is not clear how serving a total of 32,000 veterans over two years would reduce veteran homelessness by this overall number, unless other activities, agencies, and external factors were also instrumental in the effort. VA's FY2011 budget submission detailed other proposed activities that would contribute to addressing veteran homelessness,¹⁵⁰ suggesting that the HPPG output measures and outcome goal may provide only a partial picture of how HUD and VA planned to accomplish the Administration's stated outcome goal. Other considerations that remain unclear from HUD's and VA's descriptions include what role external factors might play in decreasing the number of homeless veterans over time, separate from federal activities, and how the departments would validly or credibly estimate the impact of their efforts, separate from the influence of other factors. Other kinds of evaluations and performance measures also might provide information about service quality and the appropriateness of the departments' models of service delivery for the needs of clients. In combination, questions such as these suggest that it may be difficult to assess whether accomplishment of the Administration's HPPG output goals, such as assisting veterans in the specified ways, is significantly contributing to accomplishment of the Administration's outcome goal, reducing veteran homelessness. Consequently, questions like these may present challenges for Congress when deliberating about agency budgets, programs' authorizing statutes, and oversight priorities, and also present similar challenges for agencies, OMB, and the President during policy development and implementation.

Assessing Administration Initiatives for Coverage and Potential Gaps

The figure's framework also may be used more generally, when Congress is overseeing or attempting to influence the performance-related policies that are being implemented by an Administration across the entire executive branch. Several observations might be made specifically about the Obama Administration's executive-branch-wide performance policies. For example, the Administration appears to be pursuing substantial capacity-building in the realm of performance measurement through its development of HPPGs and mission-support-related dashboards. At the same time, most of the HPPGs are focused on individual agencies, rather than across organizational boundaries. The Administration also proposed a number of impact evaluations that would focus on intermediate and end outcomes. However, other kinds of program evaluation, which focus on understanding how and why programs are working, generally have not received explicit emphasis from the Administration. For example, the Administration's HPPG and impact evaluation efforts do not formally appear to be integrated through the use of logic models. Logic models might be used to improve understanding of how achieving activity- and output-focused HPPGs, such as the number of clients served, may assist in achieving intermediate and end outcomes, like reducing the homelessness rate.¹⁵¹ The Administration's online performance portal eventually may provide such evaluations and analyses, but it remains to be seen how the Administration will use the planned website.

The Administration also appears to be emphasizing some performance-related processes, such as goal-setting. However, it is less clear whether the Administration is focusing prominently on other processes. For example, the Administration said it would involve Congress and the public in goal-setting for HPPGs. However, the HPPG effort appears to have operated substantially within the Administration's "deliberative process," outside of public view. If public and congressional participation in goal-setting

¹⁵⁰ See VA's more detailed budget proposal, at http://www.va.gov/budget/docs/summary/Fy2011_Volume_2-Medical_Programs_and_Information_Technology.pdf, pp. 1A-2, 1A-12 - 1A-13.

¹⁵¹ For background, see Kathryn E. Newcomer and Mary Ann Scheirer, *Using Evaluation to Support Performance Measurement: A Guide for Federal Executives* (Washington: IBM Center for the Business of Government, January 2001), at http://www.businessofgovernment.org/publications/grant_reports/details/index.asp?GID=25.

were of interest to certain congressional committees, they might inquire how, or if, the public and Congress were engaged when agencies developed HPPGs. In addition, it is not clear if the Administration is planning significant efforts to evaluate or analyze whether tax expenditures assist in the achievement of desired outcomes. In areas like these, Congress might conduct oversight to gain a more specific understanding of the Administration's plans and priorities. Several related processes also could be subjects of oversight or lawmaking, if they were perceived as gaps or needing to be addressed. These topics might include whether agencies have capacity to effectively undertake and use evaluations and measurement; how to have agencies produce evaluations and measurements that may be perceived by Congress as credible and not "politicized"; whether the needs of key audiences are being served; how to structure the production of evaluation information to serve the needs of key audiences; whether the potential exists in some cases for perverse incentives; and whether the Administration's efforts might be complementary or duplicative with "key national indicators" that, if funded, may be developed.¹⁵²

Examining GPRA and E.O. 13450

Much of the foregoing discussion may have relevance, if Congress wants to use the Administration's agenda as an opportunity to evaluate the design and implementation of GPRA and E.O. 13450. Specifically, Congress might evaluate how the law and executive order have been used in practice, how they could be used by the legislative and executive branches in the face of current and future challenges, and any implications for lawmaking, oversight, or study. In addition, GPRA was substantially amended in the 111th Congress (H.R. 2142, P.L. 111-352), and Congress may exercise oversight over the law's design and implementation.

Enacted in 1993, GPRA typically has been regarded as the first general framework for goal-setting and performance measurement to be enacted into law, as opposed to implemented by presidential directive.¹⁵³ Congress had multiple objectives in enacting GPRA, as noted in the Senate committee report that accompanied the legislation. These included addressing the needs especially of Congress and program managers, because "congressional policymaking, spending decisions, and oversight are all seriously handicapped by the lack both of sufficiently precise program goals and of adequate performance information," and "[f]ederal managers, too, are greatly disadvantaged in their own efforts to improve program efficiency and effectiveness by that same lack of clear goals and information on results."¹⁵⁴ The committee commented on these needs, saying "[t]he Committee realizes that, as valuable as the goal-setting and performance reporting under [GPRA] will be to Congress in its [policymaking] and oversight roles, its greatest value will likely be to the program managers themselves."¹⁵⁵ Furthermore, "performance measurement under this Act should focus on those measures and that information useful to and used by program managers," an "emphasis [that] very much relies on a bottom-up approach, rather than a top-down imposition."¹⁵⁶ In the face of top-down imposition that could occur with a new President, the committee said "[e]ven when a change in Administration brings about a shift in political philosophy, the program's missions and long-term general goals remain largely intact. The priorities and means of

¹⁵² Section 5605 of the Patient Protection and Affordable Care Act (P.L. 111-148) established a Commission on Key National Indicators and authorized \$70 million to be appropriated for a "Key National Indicator System." Congressional leaders appointed eight members of the commission; see "Congress Appoints Key National Indicators Commission," December 16, 2010, at <http://www.stateoftheusa.org/content/commission-on-key-national-ind.php>.

¹⁵³ As noted earlier, the law tended to emphasize performance measurement more than program evaluation.

¹⁵⁴ U.S. Congress, Senate Committee on Governmental Affairs, *Government Performance and Results Act of 1993*, report to accompany S. 20, 103rd Cong., 1st sess., June 16, 1993, S.Rept. 103-58 (Washington: GPO, 1993), p. 3.

¹⁵⁵ *Ibid.*, p. 9.

¹⁵⁶ *Ibid.*, p. 27.

achieving those goals, and the approach to problem solving, may vary significantly, but the long-term goals usually remain the same.¹⁵⁷

Experience from the last three presidencies suggests that GPRA's framework gave Presidents and OMB substantial influence over the law's de facto emphases. Some might argue, for example, that aspects of the law primarily served the interests of the institutional presidency. For example, the law requires that annual performance plans, with corresponding goals and metrics, accompany presidential budget proposals to Congress. However, the law has not required revision of these annual plans to reflect annual congressional budget decisions, which might establish a baseline to which agencies and the President could be held accountable. Until GPRA was amended in the 111th Congress, the law was silent about using and reporting these goals, metrics, and evaluations during policy implementation. GPRA also required agencies to "consult" with Congress and solicit views from stakeholders about strategic plans, which were required to be revised at least every three years.¹⁵⁸ Notably, these consultations may have been infrequent and were not subject to transparency requirements, such as requirements to identify how, or from whom, views were solicited. Furthermore, the law did not require transparency or public participation in the selection of goals and metrics for inclusion in annual performance plans. The process of notice and comment rulemaking may be a point of contrast, under which agencies publish draft rules, receive comments from the public, and then address significant issues raised in the comments. Hence, these topics were left to the discretion of the President, OMB, and political appointees in agencies, with less opportunity for "fire alarm" oversight to assist Congress in identifying agency or Administration behaviors that may deviate from congressional expectations or intent.¹⁵⁹ Other topics, such as GPRA's primary emphasis on performance measurement (as opposed to program evaluation) and goal-setting (as opposed to operational planning, risk management, and "institutionalizing imagination") also might be considered,¹⁶⁰ in addition to topics discussed in the previous section on coverage and potential gaps in the Administration's agenda.

E.O. 13450 appears to codify certain aspects of the PART and explicitly authorizes centralized decision making in OMB and the White House about many aspects of agencies' GPRA-related efforts. In contrast with Senate-confirmed agency "chief officers" (e.g., chief financial officers), the PIC and its PIOs have little to no independent authority under the E.O. They are tasked with providing advice to agency heads, the Director of OMB, and the President in many aspects of OMB's and presidential decision making. Given the challenges of congressional oversight of the White House's deliberative process, congressional oversight of E.O. 13450 and the activities of PIOs and the PIC may present challenges. Some parts of the

¹⁵⁷ *Ibid.*, p. 15.

¹⁵⁸ GAO has suggested that strategic plans be updated every four years instead of every three years, to coincide with presidential administrations and reduce agency workload. (See GAO, *Results-Oriented Government: GPRA Has Established a Solid Foundation for Achieving Greater Results*, GAO-04-38, March 2004, pp. 10, 110, and 129.) On the other hand, congressional intent for GPRA appeared to contemplate some agency independence from the President when producing strategic plans, raising the possibility that four-year updates might "politicize" GPRA to reflect the President's policy views instead of agencies' relatively stable statutory missions. GAO's recommendation, if implemented, might have had the effect of decreasing the frequency of agency consultations with Congress about strategic plans from once every three years to once every four years.

¹⁵⁹ As formulated in a classic article, "fire-alarm" oversight refers to "rules, procedures, and informal practices that enable individual citizens and organized interest groups to examine administrative decisions (sometimes in prospect), to charge executive agencies with violating congressional goals, and to seek remedies from agencies, courts and Congress itself." See Mathew D. McCubbins and Thomas Schwartz, "Congressional Oversight Overlooked: Police Patrols versus Fire Alarms," *American Journal of Political Science*, vol. 28, February 1984, p. 186.

¹⁶⁰ The reference to "institutionalizing imagination" comes from the 9/11 Commission's report and recommendations, which advocated routinizing risk identification, assessment, and management within and across organizations. (U.S. National Commission on Terrorist Attacks Upon the United States, *The 9-11 Commission Report* (Washington: GPO, 2004), p. 344.) If the topic were of interest to Congress, approaches that borrow from "enterprise risk management" (ERM) might be explored.

executive order, including those establishing PIOs and the PIC, were enacted into law with the most recent amendment to GPRA.

In the 111th Congress, some hearings focused on the Administration's agenda, as noted earlier. Separately, the Senate Committee on the Budget established a five-Senator Task Force on Government Performance. The task force held hearings and focused on several management and performance issues, including performance measurement, mission-support functions, and cross-agency coordination.¹⁶¹ In the House, the introduced version of H.R. 2142 would have enacted into law many aspects of the PART and E.O. 13450. The bill was referred to a subcommittee of the House Committee on Oversight and Government Reform. It passed the House on June 16, 2010, after significant changes in subcommittee and full committee markups.¹⁶² The House-passed version would have made significant modifications to GPRA by enacting into law aspects of E.O. 13450 and the Obama Administration's approach to government performance. On September 28, 2010, several Senators introduced S. 3853, which also would have made significant modifications to GPRA and adopted portions of E.O. 13450 and the Obama Administration's approach. The Senate Committee on Homeland Security and Governmental Affairs marked up H.R. 2142 on September 29, 2010, substituting the text of S. 3853 for the contents of the House-passed version, and ordered the measure reported out of committee. The committee reported the measure on December 7, 2010, and the Senate passed the reported measure by unanimous consent on December 16, 2010.¹⁶³ On December 17, 2010, the House voted on the Senate amendment under suspension of the rules, but the bill did not receive the two-thirds vote necessary for passage. Four days later, on December 21, 2010, the House voted on the Senate amendment under a rule and passed the measure with a vote of 216-139. President Obama signed the legislation, the GPRA Modernization Act of 2010, on January 4, 2011 (P.L. 111-352).

¹⁶¹ For more information, see <http://budget.senate.gov/democratic/TaskForce.html>.

¹⁶² For an analysis of the subcommittee-reported version of H.R. 2142, see CRS Congressional Distribution Memorandum, "Analysis of Subcommittee-Reported H.R. 2142 (111th Congress) and Related Issues," May 19, 2010, by Clinton T. Brass. The memorandum is available upon request from the author.

¹⁶³ The committee filed a written report on December 16, 2010. U.S. Congress, Senate Committee on Homeland Security and Governmental Affairs, *GPRA Modernization Act of 2010*, report to accompany H.R. 2142, 111th Cong., 2nd sess., December 16, 2010, S.Rept. 111-372 (Washington: GPO, 2010).

Mr. STEARNS. Mr. Brass, thank you. I would like to lead off with my questions, but before I do, I would like to play the following video clip if I could.

[Video playback.]

Mr. STEARNS. Well, I think it is clear from that video, contrary to what Mr. Waxman indicated, the President indicated he is going page by page, line by line, item by item, program by program, so it is unfortunate that Mr. Waxman is not here to show that he meant, the President, that is, meant literally to go that way.

Ms. DEGETTE. Will the chairman yield?

Mr. STEARNS. Well—

Ms. DEGETTE. Do you know the President didn't go through the budget line by line?

Mr. STEARNS. Well, it appears Mr. Waxman was trying to indicate the President did not have to go line by line.

Ms. DEGETTE. Well, do you know if he did or didn't?

Mr. STEARNS. Well, you should ask Mr. Waxman.

Ms. DEGETTE. Why?

Mr. STEARNS. Well, Mr. Waxman is making the charge.

Mr. Brass, let me ask you the question just to put it on the record. Did the President issue an Executive Order after he took office directing the Executive Branch to undertake a line-by-line analysis of the Federal budget?

Mr. BRASS. No, Mr. Chairman.

Mr. STEARNS. He did not?

Mr. BRASS. He did not issue an Executive Order. That is correct.

Mr. STEARNS. Did OMB issue a specific directive to this effect?

Mr. BRASS. That is unknown. Not in public form. There may be internal guidance that may have gone out to agencies or OMB examiners but from what is publicly available, I have seen no such document.

Mr. STEARNS. So I think the basic fact is, the President we saw from the video has talked about line by line, item by item, program by program, page by page, yet you're telling us this morning the President did not issue an Executive Order to the office to undertake a line-by-line analysis, so that is a little disconcerting.

Other than the video clip that you saw moments ago, is there anything that you have come across in your research and analysis that defines or better explains what a line-by-line review of the budget entails?

Mr. BRASS. I have only seen general representations of what is involved in a line-by-line review. When I initially saw it, I wasn't sure what it meant to review something line by line in budget jargon, and had several meetings. My interpretation generally from the statements that have come out was that the President was signaling internally in the government and externally that he wanted to bring focus and scrutiny to all government programs.

Mr. STEARNS. Well, let me just back up a bit. How does that characterization compare with how the Obama administration has conducted its line-by-line analysis? I mean, how does it compare in real life?

Mr. BRASS. That is a good question, and unfortunately, I was not at OMB at the time to be able to observe that because in some ways the formulation of the President's budget occurs within a

black box where it is not subject to public view and so it is hard to say exactly what occurred.

Mr. STEARNS. Well, let us go back to other administrations. How would you compare how prior administrations conducted an annual budget analysis? Can you give briefly what your observations have been?

Mr. BRASS. Well, in the past what is known is that the President's budget is formulated through a rather elaborate process of agencies submitting requests to OMB, OMB passing back initial determinations—

Mr. STEARNS. Did prior administrations use a line-by-line analysis in your opinion?

Mr. BRASS. Not in those words, no.

Mr. STEARNS. In your review of the Obama administration's line-by-line review, did you find any example of decision-making taking place that was based on evidence-based analyses?

Mr. BRASS. I saw references to evidence-based analyses in citations to program evaluations and that sort of thing, and so there have been some instances, yes, where the administration has said proposals were based on evidence.

Mr. STEARNS. Did they result in actual cuts being made, in your opinion?

Mr. BRASS. I have not examined empirically item by item whether they were ultimately adopted.

Mr. STEARNS. Forget the word "empirically." Were there any cuts made that you can see?

Mr. BRASS. I have not examined that, so what I have focused—that gets at the transparency issue to some extent.

Mr. STEARNS. So you are saying if there were, you can't tell them, and if they are not, you still can't tell them?

Mr. BRASS. I should preface that by saying I could tell if I could a lot of time looking at it but it is difficult to find time to go through a document like that.

Mr. STEARNS. Do you think the average person, if they took the time, could find the cuts?

Mr. BRASS. I don't know if I am the average person or not but I could not easily find whether cuts were made.

Mr. STEARNS. Is it possible there were no cuts?

Mr. BRASS. I doubt that but—

Mr. STEARNS. Is it a possibility? Let me ask you this. Are there different ways to conduct an exhaustive line-by-line review beyond what occurs in the annual budget process, and what are they?

Mr. BRASS. Certainly. You can have special processes that go on parallel to the budget process. In past administrations, you had what was called, for example, under the Jimmy Carter administration, zero-based budgeting, which was an effort to assume that nothing would continue where agencies would have to justify everything in their budget all over again. So yes, many techniques and approaches are possible.

Mr. STEARNS. I thank the gentleman and recognize the ranking member, Ms. DeGette.

Ms. DEGETTE. Thank you very much, Mr. Chairman. Let me just say at the outset what I said in my opening statement. I join you in wishing that we had someone from OMB here because Mr.

Brass, you work for the Congressional Research Services, which is an arm of Congress, correct?

Mr. BRASS. That is correct.

Ms. DEGETTE. You don't work for the Executive Branch, correct?

Mr. BRASS. That is correct.

Ms. DEGETTE. Now, I am going to assume you have not talked to the President about whether he in fact went through the budget line by line as that extremely cute video showed, correct?

Mr. BRASS. That is correct.

Ms. DEGETTE. And you haven't talked to anybody over at OMB to see if they went through it line by line over at OMB, have you?

Mr. BRASS. Not in a way that I could attribute, no.

Ms. DEGETTE. OK. And have you talked to the people over at OMB about whether they did a thorough analysis and investigation of the budget to see where cuts and adjustments could be made?

Mr. BRASS. Informally, and—

Ms. DEGETTE. And what were you told by OMB?

Mr. BRASS. Well, full disclosure, I used to work at OMB before I came to CRS, and so—

Ms. DEGETTE. OK. But when did you leave OMB?

Mr. BRASS. In 2003.

Ms. DEGETTE. OK. So you haven't been at OMB for like seven-plus years, right?

Mr. BRASS. That is correct.

Ms. DEGETTE. And you left when a different administration was there too, right?

Mr. BRASS. That is correct.

Ms. DEGETTE. So to ask the question again, did you talk to your former colleagues at OMB about whether they did a thorough investigation and analysis of this budget?

Mr. BRASS. Informally, yes.

Ms. DEGETTE. And what did they say?

Mr. BRASS. They said that they went through the President's budget formulation process which is rather elaborate and extensive.

Ms. DEGETTE. OK. Now, in response to one of the chairman's questions, you said that your view of line-by-line analysis means a focus and a scrutiny given to all government programs, right? I wrote that down when you said that.

Mr. BRASS. That is one possible, yes, interpretation.

Ms. DEGETTE. OK. And do you have any sense whether the administration gave a focus and scrutiny to all government programs when they proposed their budget to Congress?

Mr. BRASS. That is—I don't think it is possible for CRS to authoritatively say whether or not—

Ms. DEGETTE. OK. You don't know?

Mr. BRASS. That is correct.

Ms. DEGETTE. Right. Now, as I mentioned in my opening statement, the administration sends a budget to Congress but Congress plays a role in developing the Federal budget as well. Isn't that correct?

Mr. BRASS. That is correct.

Ms. DEGETTE. And in fact, the Constitution places the primary responsibility for the Federal budget at Congress's feet, not the President, right?

Mr. BRASS. That is correct.

Ms. DEGETTE. So, I mean, the President could send us a budget, we could throw it in the trash, which we often do, and make our own budget, right?

Mr. BRASS. Yes, ma'am.

Ms. DEGETTE. OK. Now, Congress is expected to pass a budget resolution and 12 separate appropriations bills for fiscal year 2012, is it not?

Mr. BRASS. Yes, ma'am.

Ms. DEGETTE. And so I was a little confused when the chairman was asking you were cut made in the President's budget because in fact the only body that can actually make cuts is Congress when it passes those 12 appropriations bills, right?

Mr. BRASS. Cuts are made figuratively from previous spending amounts.

Ms. DEGETTE. Right. So there is a spending amount from last year and then Congress passes an appropriations bill which either increases the appropriation or cuts the appropriation, right?

Mr. BRASS. Congress and the President jointly.

Ms. DEGETTE. Right. The President can't unilaterally make cuts, he can propose cuts, right?

Mr. BRASS. That is correct.

Ms. DEGETTE. The only way you actually make cuts is if Congress passes legislation which the President then signs, correct?

Mr. BRASS. That is correct.

Ms. DEGETTE. Now, do you know whether the President has proposed cuts to any programs in his budget to Congress?

Mr. BRASS. Yes, he has.

Ms. DEGETTE. And do you know offhand how many cuts those are?

Mr. BRASS. I have not racked up the figures, no.

Ms. DEGETTE. OK. So just to summarize, you don't know whether the President or any over at OMB or in his administration actually went through the budget line by line. Is that right?

Mr. BRASS. That is correct. I do not personally know that.

Ms. DEGETTE. OK. And you do know—well, you know from talking to your buddies over at OMB that there was some rigorous analysis done of the budget over at the White House, correct?

Mr. BRASS. That is how examiners at OMB would characterize that, yes.

Ms. DEGETTE. OK. And you know that the administration gave us a proposed budget which did include proposals for cuts to some programs, correct?

Mr. BRASS. That is correct.

Ms. DEGETTE. Now, have you yourself read the President's proposed budget line by line?

Mr. BRASS. No, ma'am.

Ms. DEGETTE. Do you know anybody who has?

Mr. BRASS. I do not.

Ms. DEGETTE. Because generally like when you used to work at OMB and now you work at CRS, people mean an overall review when they say—it is a figure of speech, generally speaking, right?

Mr. BRASS. That is one interpretation of the use of the term here.

Ms. DEGETTE. OK. Thank you very much.

Mr. STEARNS. I thank the gentlelady. I think your questioning pointed out the reason why we need OMB here, and secondly, we got documents from OMB Friday night, and it turns out all those documents are already in the public record, so in addition to not being here, they sort of foolishly and subversively submitted documents that were already in the public record. So I think it is a double sort of affront that they are not here and it is unfortunate when your questions are asked—

Ms. DEGETTE. Mr. Chairman, did you ask OMB for those records?

Mr. STEARNS. We sure did.

Ms. DEGETTE. So if they didn't give you the records, you would be mad at them, so now you are mad at them because they did give you records?

Mr. STEARNS. No, they gave us records that were already in public record. It is like getting a book that you already have in your library.

Ms. DEGETTE. Are there records that you asked for that they didn't give you?

Mr. STEARNS. Yes.

Ms. DEGETTE. Well, let us work on that.

Mr. STEARNS. OK. Let us work on that.

With that, I recognize Mr. Murphy, the gentleman from Pennsylvania. He is not here? Mr. Griffith is recognized for 5 minutes.

Mr. GRIFFITH. Thank you, Mr. Chairman.

You say the President has proposed some cuts to the budget but overall the budget is going up so they had more increases in their proposals than they had decreases. Is that not correct?

Mr. BRASS. I don't know. I don't cover that, the budgetary aggregates at CRS, but I would be happy to get folks in touch with you or your office on that question. I do more kind of budget process, program evaluation, the role of agencies and OMB and the President in the budget process, focusing less on what empirically occurs at your tier.

Mr. GRIFFITH. You would agree in the clips that we saw, the President made it clear that he was going to do a careful analysis of what was going on in the budget and your areas of the budget process. Have you seen any signs that the President has made any recommendations to Congress in ways that we could make the budget process more transparent for the American public?

Mr. BRASS. Yes, they have put out this TRS volume, this termination, reduction and savings volume. It is not required by law. The George W. Bush administration also did that to highlight budget cut proposals, and so there are some examples like that where some transparency is occurring beyond what is required by law.

Mr. GRIFFITH. But the same thing was done by the Bush administration so there is not any new innovation by the Obama administration. Would that be correct to say?

Mr. BRASS. Not necessarily in that respect with the caveat that it is difficult to know what is going on in the background.

Mr. GRIFFITH. That is why we like transparency, because it is difficult to know what is going on in the background. Isn't that correct?

Mr. BRASS. Many people like transparency for that reason, yes, sir.

Mr. GRIFFITH. All right. And as a part of that in the budget process, has the White House made any recommendations that you are aware of to Congress that would make the process smoother, easier, et cetera, such as maybe moving to a biannual budget?

Mr. BRASS. That is another area I don't cover closely at CRS. I am sorry. But there is a chapter usually in the budget appendix—excuse me, not the appendix but the analytical perspectives volume of the President's budget that focuses on Congressional budget process, but there have been some allusions to, for example, enhanced rescission authority, that kind of thing, but that is not a subject that I follow closely.

Mr. GRIFFITH. So you don't have a recommendation or you don't know of any recommendations from the White House or the administrative branch of government that might make the process in the budget a little smoother?

Mr. BRASS. Not right offhand. I could get back to you on that. [The information follows:]

**MEMORANDUM**

October 17, 2011

To: Honorable H. Morgan Griffith
Member, House Committee on Energy and Commerce, Subcommittee on Oversight and Investigations

From: Clinton T. Brass, Analyst in Government Organization and Management, 7-4536

Subject: **Post-Hearing Response to Question About Obama Administration Proposals to Change the Federal Budget Process**

This memorandum responds to one of your questions from an October 5, 2011, hearing that was held by the Subcommittee on Oversight and Investigations of the House Committee on Energy and Commerce. The hearing was titled "Administration Efforts on Line-by-Line Budget Review." At the hearing, you requested that CRS get back to you with information about recommendations from the Barack Obama Administration to make the federal budget process more transparent for the public, or "smoother or easier," where you said that moving to a biennial budget would be an example of the latter kind of proposal.

In recent years, many presidential proposals to change the budget process have been included in the *Analytical Perspectives* volume of the President's annual budget proposal. This memorandum briefly identifies some of the Obama Administration's proposals that have been included in this annually submitted volume. Next, the memorandum discusses testimony from the Obama Administration about biennial budgeting. Finally, the memorandum describes some transparency-related provisions of the American Recovery and Reinvestment Act of 2009, which the Administration supported and may have helped to formulate. To place these topics and proposals in context, the memorandum begins by describing three major phases of the federal budget process.

Background

Changes to the federal budget process, including changes that may result in increased transparency, might occur in any of the process's major phases. Three phases may be highlighted, insofar as the budget process pertains to executive branch agencies. First, in the "executive branch budget formulation process," most agencies, the Office of Management and Budget (OMB), and the President work to formulate the President's budget proposals. By law, the President annually submits these proposals to Congress.¹ In the second phase, Congress may consider these proposals during action on appropriations or

¹ With enactment of the Budget and Accounting Act of 1921 (42 Stat. 20), now codified in part at 31 U.S.C. § 1105, Congress required the President to annually submit a consolidated budget proposal to Congress. OMB closely manages and monitors the budget formulation process on behalf of the President to, among other things, prevent so-called "pre-decisional" information from leaving the executive branch.

authorizing legislation, or may disregard the proposals.² Statutes and rules of the House of Representatives and Senate provide a framework for this “congressional budget process.” In the third phase, “budget execution” occurs. During each federal fiscal year, agencies implement federal laws, obligating and expending funds along the way as directed by relevant statutes.

These three phases sometimes may overlap with one another. In addition, Congress may be involved in any of these three phases through lawmaking or oversight. For example, Congress may statutorily change the processes of budget formulation or budget execution for one or more agencies.

Budget Process Reform Proposals in *Analytical Perspectives* Volume of President’s Budgets for FY2010, FY2011, and FY2012

In recent years, Presidents have included proposals for changes to the federal budget process in the *Analytical Perspectives* volume of the President’s budget. As of the time of this writing, the Obama Administration has submitted annual budget proposals to Congress for FY2010, FY2011, and FY2012. Many of the Obama Administration’s budget process proposals have focused on changing the congressional budget process or the President’s role in the congressional budget process, as opposed to formulation of the President’s budget. The following items provide an illustration of proposals and plans that were included in the FY2010, FY2011, and FY2012 *Analytical Perspectives* volumes.³

- Statutory Pay-As-You-Go (PAYGO): a statutory budget enforcement mechanism generally requiring that direct spending and revenue legislation enacted into law not increase the budget deficit.⁴ A version of this sort of mechanism was enacted in 2010.⁵
- Expedited procedures for presidential rescission proposals: a statutory mechanism that attempts to generally require Congress to consider and vote on presidential proposals for rescissions.⁶ These kinds of expedited procedures have not been enacted into law.⁷
- OMB controls on agency entitlement programs: a non-statutory mechanism requiring agencies to seek OMB approval before they take actions allowed by law that would result in mandatory spending higher than what OMB assumed in its most recent projection of spending.⁸ These procedures have been implemented by OMB since 2005.⁹

² For discussion, see CRS Report 98-721, *Introduction to the Federal Budget Process*, coordinated by Bill Heniff Jr.

³ U.S. Executive Office of the President, Office of Management and Budget (hereafter OMB), *Budget of the U.S. Government, FY2010, Analytical Perspectives* (Washington: GPO, 2009) (hereafter *FY2010 Analytical Perspectives*); OMB, *Budget of the U.S. Government, FY2011, Analytical Perspectives* (Washington: GPO, 2010) (hereafter *FY2011 Analytical Perspectives*); and OMB, *Budget of the U.S. Government, FY2012, Analytical Perspectives* (Washington: GPO, 2011) (hereafter *FY2012 Analytical Perspectives*).

⁴ *FY2010 Analytical Perspectives*, p. 215. See also *FY2011 Analytical Perspectives*, p. 143, and *FY2012 Analytical Perspectives*, p. 145.

⁵ For additional discussion, see CRS Report R41157, *The Statutory Pay-As-You-Go Act of 2010: Summary and Legislative History*, by Bill Heniff Jr.

⁶ *FY2010 Analytical Perspectives*, p. 215. See also *FY2011 Analytical Perspectives*, p. 150, and *FY2012 Analytical Perspectives*, p. 156.

⁷ If enacted, a rescission constitutes the permanent cancellation of designated budget authority that was previously appropriated. For additional discussion, see CRS Report R41373, *Expedited Rescission Bills in the 111th and 112th Congresses: Comparisons and Issues*, by Virginia A. McMurtry.

⁸ *FY2010 Analytical Perspectives*, p. 215. See also *FY2011 Analytical Perspectives*, p. 144, and *FY2012 Analytical Perspectives*, p. 149.

The first two items, above, do not address transparency in the budget formulation process, but might be viewed as providing additional salience to the budget deficit and presidential budget proposals, respectively. The third item has operated with little transparency to Congress and the public. With regard to the question of whether proposals and plans like these would result in the budget process working more smoothly or easily, that judgment may be in the eye of the beholder. As noted in the CRS reports that are included in the footnotes for these items, Members of Congress sometimes have differed on the advisability of the proposals and plans.

Biennial Budgeting Proposals

Biennial budgeting is a concept that may involve several variations, including two-year budget resolutions, two-year appropriations, as well as other changes in the timing of legislation related to revenue or spending.¹⁰ As noted in another CRS report,¹¹ proponents of biennial budgeting have generally advanced three arguments—that a two-year budget cycle would (1) reduce congressional workload by eliminating the need for annual review of routine matters; (2) reserve the second session of each Congress for improved congressional oversight and program review; and (3) allow better long-term planning by the agencies that spend federal funds at the federal, state, or local level. Critics of biennial budgeting have countered by asserting that the projected benefits would prove to be illusory. Projecting revenues and expenditures for a two-year cycle requires forecasting as much as 30 months in advance, which might result in less accurate forecasts and could require Congress to choose between allowing the President greater latitude to make budgetary adjustments in the off-years, or engaging in mid-cycle corrections to a degree that might undercut workload reduction or intended improvements in planning. Opponents also have argued that less frequent review of appropriations may diminish congressional influence over agencies, and may correspondingly increase the President's influence.

The Obama Administration has not expressed a formal position on biennial budgeting. In September 2010, at a Senate confirmation hearing for OMB Director-designate Jacob J. “Jack” Lew, Mr. Lew was asked whether he thought biennial budgeting was a good idea. He answered that the “annual budget process gives us precious little time to focus on program implementation, both in the executive branch and in the legislative branch,” but also that “there are many challenges to biennial budgeting.”¹² In his oral testimony, he further elaborated on these issues.

American Recovery and Reinvestment Act of 2009

The American Recovery and Reinvestment Act of 2009 (ARRA; P.L. 111-5) may provide an example of changes proposed by the Obama Administration for the budget execution process that resulted in greater transparency. In the wake of a rapidly deteriorating economic picture and year-long recession that the

(...continued)

⁹ For additional discussion, see CRS Report R41375, *OMB Controls on Agency Mandatory Spending Programs: “Administrative PAYGO” and Related Issues for Congress*, by Clinton T. Brass and Jim Monke.

¹⁰ This section draws on CRS Report R41764, *Biennial Budgeting: Options, Issues, and Previous Congressional Action*, by Jessica Tollestrup.

¹¹ *Ibid.*

¹² U.S. Congress, Senate Committee on the Budget, *Nomination of the Honorable Jacob J. Lew, of New York, to be Director of the Office of Management and Budget*, hearing and executive business meeting, 111th Cong., 2nd sess., September 16, 2010, S.Hrg. 111-737 (Washington: GPO, 2010), pp. 24-25.

Congressional Budget Office called the most severe since World War II,¹³ Congress passed ARRA in early 2009. An early version of the legislation reportedly was drafted by then President-elect Barack Obama's transition team working with Members of the House Committee on Appropriations.¹⁴ ARRA was enacted in two divisions. Division A, titled "Appropriations Provisions," included many discretionary appropriations provisions in 16 titles. Division A also included substantive legislative provisions in some titles. These included provisions to, among other things, create a variety of mechanisms and entities focused on oversight of ARRA funds (Title XV). For example, Title XV required recipients of funds to provide information to agencies for posting on a public website. In addition, the public website was required to include a plan from each federal agency receiving funds from Division A on how it would use the funds. A title containing general provisions for Division A also focused on oversight (Title XVI).

I trust that this memorandum is responsive to your request. Please feel free to contact me if you have questions or would like to discuss any of these topics further. In areas outside my subjects of expertise, I also would be happy to put CRS analysts or attorneys in touch with you or your office.

¹³ U.S. Congressional Budget Office, *A Preliminary Analysis of the President's Budget and an Update of CBO's Budget and Economic Outlook*, March 2009, pp. 19, 33.

¹⁴ For further discussion, see CRS Report R40572, *General Oversight Provisions in the American Recovery and Reinvestment Act of 2009 (ARRA): Requirements and Related Issues*, by Clinton T. Brass.

Mr. GRIFFITH. Yes, if you could get back to me on that. Do you think that a biannual budget would be a smoother process and smooth out some of the bumps in the road that we have experienced in this my first term?

Mr. BRASS. That is a question that comes up frequently. A biannual budget would allow Congress to look at 2 years of expenditures, at a time and advocates have focused on using that second year for additional oversight, and another argument that they use to plug that proposal is that it would allow Congress to focus more in-depth time during that consideration. That said, there might be some disadvantages too. The budget process in a way is an annual way of holding agencies accountable, and if they are only held accountable every 2 years with a budgetary hammer, it might weaken Congressional controls.

Mr. GRIFFITH. But you haven't seen any indications that the White House has been working on ways to smooth out the process or make recommendations that might smooth out the process for the various administrative agencies that the White House is responsible for overseeing and making sure that they work smooth? You haven't seen anything like that?

Mr. BRASS. Unfortunately again, when it comes to proposals like that, many of them relate to the Congressional budget process. I focus more on what is going on within the Executive Branch. Within the Executive Branch, I have not seen big initiatives to open the lid, for example, on formulation of the President's budget.

Mr. GRIFFITH. So that is not something—so we are not sure whether they have done line by line, whether figurative or otherwise, and we have not seen anything where—you have not seen anything where it looks like they are opening the lid to look at making the process smoother, whether it be the biannual budget or any other proposal that they are just not looking in that direction. Would that be a fair characterization of what you just said? Isn't that true?

Mr. BRASS. I will have to get back to you on that, Mr. Griffith. I will need to—

Mr. GRIFFITH. But it is fairly reasonable based on what you just said that you have not seen anything along those lines. Is that correct?

Mr. BRASS. I would characterize it just that it has been a busy couple of years and I have been focused on other topics, and so things aren't coming readily to mind. That doesn't mean they are not out there, though.

Mr. GRIFFITH. Certainly nothing front burner? Might be some back-burner stuff. Is that what you are saying?

And I yield back my time, Mr. Chairman.

Mr. STEARNS. The gentleman yields back his time and we recognize the gentlelady from the Virgin Islands, Dr. Christensen, for 5 minutes.

Mrs. CHRISTENSEN. Thank you, Mr. Chairman.

I have to say that as I read the memo and some of the testimony, this seems like a hearing looking for a reason to exist, and I have to agree also with Ranking Member Waxman that seasoned members who admittedly rarely read budget bills can't be taking that line-by-line statement literally. I might agree to looking at devel-

oping clearer guidelines, goals and principles but I think we have to recognize that we are not the Executive Branch and be careful not to usurp their authority and to use the authority that we do have to address some of these issues.

My questions—let me preface my questions by saying some of my Republican colleagues on the subcommittee appear to be calling into question whether the Obama administration has done a thoughtful review of budget issues. In their September 15, 2011, letters to OMB and other agencies, Chairman Stearns and Chairman Upton cited a statement by the White House press secretary that the President had not gone line by line through omnibus spending legislation as a concession that raises questions about fiscal discipline in the administration. In order to best understand the attention the administration has paid to budget issues, I think it would be helpful to walk through the process involved in preparing the President's budget.

So Mr. Brass, it is my understanding that government agencies, one of my favorites, the National Institutes of Health, begin the development of their budgets far before the beginning of the fiscal year. Is that correct?

Mr. BRASS. That is correct.

Mrs. CHRISTENSEN. And I also understand that agencies like NIH prepare a first draft and then submit them for review to the department of which they are part, in this case, HHS. Is that correct?

Mr. BRASS. That is correct.

Mrs. CHRISTENSEN. And do all agency proposals make it through the departmental review, to the best of your knowledge?

Mr. BRASS. No, they do not.

Mrs. CHRISTENSEN. And then departments prepare their budgets for review by the Office of Management and Budget. Is that part of the process?

Mr. BRASS. That is correct.

Mrs. CHRISTENSEN. Do all departmental proposals make it through the OMB process?

Mr. BRASS. They do not.

Mrs. CHRISTENSEN. In fact, OMB tells departments what proposals it will support and which ones it will discard in a document that is usually known as the OMB passbook. Is that correct?

Mr. BRASS. Passback, correct.

Mrs. CHRISTENSEN. Passback. As a matter of fact, I remember going to the White House when we were doing the health care reform bill and we had several issues that we wanted the President to consider—this is an aside—and the President actually said to me, well, I am not going to support anything that doesn't work. So I have seen some of this process in action.

But let me go on with my questions. I also understand that Cabinet members get one last chance to propose an item for the budget in a process that is an appeal to the President and the OMB director in a process that is called appeals. Is that a part of the process as well?

Mr. BRASS. Yes, it is.

Mrs. CHRISTENSEN. So do all Cabinet members' appeals get granted?

Mr. BRASS. No, they do not.

Mrs. CHRISTENSEN. Is this procedure, meaning the agency proposes to the department, the department proposes to OMB, the OMB passes back a decision, the Secretary appeals to the President, and final decisions are made. Has this procedure been used by both Democratic and Republican administrations?

Mr. BRASS. Yes, it is. It is a longstanding practice.

Mrs. CHRISTENSEN. To the best of your knowledge, when this procedure is being followed, does anyone review the entire Federal budget line by line?

Mr. BRASS. Again, that is a figure of speech that is subject to interpretation, but if it is meant actually reading every line and not figurative, no, I do not know of anyone who read the entirety of it.

Mrs. CHRISTENSEN. Well, in your opinion, does not reading it line by line and going through it line by line but really doing a careful review, doesn't that kind of equate to each other?

Mr. BRASS. So in colloquial speech to do a line-by-line examination of something frequently means a careful, exhaustive, scrutinizing review of a document, so yes.

Mrs. CHRISTENSEN. And yet both Republican and Democratic administrations do produce budget proposals despite going that process and not having done a line-by-line review but we end up with a budget regardless of what administration is in office?

Mr. BRASS. Presumably, yes, just again, not having observed it personally, but yes, reports are.

Mrs. CHRISTENSEN. Well, I just want to thank you for your responses. As we evaluate whether there are ways to improve the budget process, it is helpful to understand the existing process which is lengthy and involves detailed analysis from experts at agencies across the administration. I also would just like to say that I think that an honest and objective look at what President Obama and his team have done in his tenure would clearly show that the President has done much to eliminate duplication, waste, fraud and abuse and cut spending, and as a matter of fact, in going along with what the tea party Republicans have called for and cuts while we are still in a deep depression, I think the President has gone too far, and I yield back the balance of my time, Mr. Chairman.

Mr. STEARNS. The gentleman from Nebraska is recognized for 5 minutes.

Mr. TERRY. Well, I appreciate what my tax-and-spend uber-liberal Democrat friends state in their statements here. Let me just go through and try to get this clear in my mind. We can play that game too, Donna.

Now, Mr. Brass—pardon me?

Mrs. CHRISTENSEN. They have hurt middle-class and poor Americans and they have gone too far.

Mr. TERRY. By trying to restrain spending.

Let us look at that. Now, who decides the head of agencies?

Mr. BRASS. Who appoints them?

Mr. TERRY. Yes. Well, who makes the determination of who will be the Secretary or Director of an agency?

Mr. BRASS. It is joint between the President making an appointment and the Senate—

Mr. TERRY. The Senate confirming.

Mr. BRASS [continuing]. Confirming.

Mr. TERRY. And the management, day-to-day management is the Executive Branch, right?

Mr. BRASS. That is correct.

Mr. TERRY. And they answer to the President, correct?

Mr. BRASS. That is correct.

Mr. TERRY. And I think the gentlelady from the Virgin Islands made the good point that the process in budgeting is that the respective agencies, since they answer to the Executive Branch, start their budgeting process really right now and then submit those to OMB, which is an Executive Office branch, right, or an Executive Office agency?

Mr. BRASS. It is an Executive Branch entity, yes, and the process starts in the spring and summer preceding February submission of the President's budget.

Mr. TERRY. Right. They don't submit those to Congress, they submit those to the President?

Mr. BRASS. In general, yes. There are agencies where Congress has seen fit to carve them out from the law requiring that a budget be submitted to OMB first.

Mr. TERRY. Right, and those are the exceptions, but generally all the agencies submit their proposed budgets to OMB. The President and OMB make reviews of those budgets before they put them in the President's budget, correct?

Mr. BRASS. That is correct.

Mr. TERRY. OK. And then when the President decides whether there should be—whether they have found duplicative agencies or subagencies, does the President have to come to Congress to eliminate a subagency?

Mr. BRASS. If the subagency is established by law, yes. If a subagency is created through administrative action, the appropriations committees may get involved where in report language they require some communication to occur.

Mr. TERRY. Are you aware of any instance where the Executive Branch has eliminated a duplicative subagency? We know that no agency has been eliminated so it has to be the subagencies within an agency, so are you aware of whether by Executive Order or by request for legislation one has been eliminated?

Mr. BRASS. I have not studied that question in detail so I would have to—

Mr. TERRY. Who would we ask?

Mr. BRASS. At CRS?

Mr. TERRY. Well, just generally. Can CRS answer that question for us if we request it?

Mr. BRASS. Sure, of course.

Mr. TERRY. Or would we have to have OMB here?

Mr. BRASS. You could—to get a complete answer, you might ask both. CRS oftentimes is constrained to readily publicly available resources. Something like that, also you might ask GAO for more in-depth examination.

Mr. TERRY. All right. Then if we want to know what recommendations OMB has made after their review of the budgets, we would have to ask them?

Mr. BRASS. Well, the recommendations, you could ask them, but their recommendations are generally speaking in publicly available documents. The challenge oftentimes is going through them in detail and discerning what is a budget cut to a program where the program still exists or an entity still exists versus what is a zeroing out of an entity.

Mr. TERRY. I appreciate that. Then in that regard, exercising our constitutional rights, we do a budget. The Republican House did pass a budget. So the issue isn't whether we are exercising our discretion or constitution rights, it is whether they agree with our cuts or changes. Are you aware of whether the Senate has passed a budget?

Mr. BRASS. A budget resolution?

Mr. TERRY. Budget resolution.

Mr. BRASS. I believe they have not.

Mr. TERRY. I yield back.

Mr. STEARNS. The gentleman yields back, and the gentleman from California, Mr. Bilbray, is recognized for 5 minutes.

Mr. BILBRAY. Let me say first of all, Mr. Chairman, I commend you for having this hearing. In fact, if I have a complaint, we should have had it before. Any member that thinks that this is a hearing without a problem needs to take a look at 43 percent deficit running up. We are 43 percent underwater. There is not a city, a county or a State in this country that would think that 43 percent underwater is viable. Mr. Brass, can you name off just what city, maybe Philadelphia—can we find somebody that is 43 percent annually underwater?

Mr. BRASS. I don't cover that area. I am sure it—

Mr. BILBRAY. OK. Let me assure you in California, which has one of the worst economic downturns in the entire country—I mean, we have unemployment over 12 percent—we don't have that, and so, you know, I just think we ought to recognize, there is a reason to have this hearing. It should have been held before, and I don't think that it is just a problem that we can point to the White House. Even though the leader of the Senate happens to be a family friend with the Bilbrays, to take a look at the fact that it appears the Senate has not done their due diligence of the budget, basically have delayed it almost three times longer than what they are supposed to be doing. I think there is a lot of concern we should have with everybody in this process.

I have just got to say personally, Mr. Chairman, it kind of reminds me of when Proposition 13 passed in 1978. I was a young, 27-year-old mayor and we had to make 40 percent cuts to be able—because that is what we lost in revenue in 1978. And so if I sound like it is déjà vu all over again, there is a reason to it. Sadly, I have to tell you, that we ended up having to disband our police department because of the fiscal issues. You ought to try to make fun cuts like that and then hope to ever get the endorsement of the police department again.

Zero-based budgeting seems like a no-brainer when you are sitting at the 43. When we were challenged with this, and I am saying across the State of California, everybody went to zero-based; every item had to be justified. What would be the justification for not doing zero-based?

Mr. BRASS. Zero-based budgeting can be implemented in different ways, and in fact, people may interpret it differently. I can reflect back on the experience in the Jimmy Carter administration where GAO did a study 2 years after it was implemented that found that it was quite burdensome to go through. The notion of zero-based, that is, not just doing incremental budgeting but actually looking at everything, many budget analysts would agree it is a correct thing to do but some of the art and science of budgeting is how to do things like that. So one of the troubles there is just identifying what is meant by zero-based budgeting.

Mr. BILBRAY. OK. Let us go to the biannual budget system. Some members may forget but under a Democratic Congress, Democratic White House, we passed bipartisan support for a biannual budget for the veterans. Have we run into any major problems with the Veterans Department being on a biannual budget?

Mr. BRASS. I don't know. I don't follow that area closely.

Mr. BILBRAY. OK, Mr. Brass, let me just tell, one advantage was, when we get through this crisis, the veterans were addressed during the C.R. because we were on that, and I challenge both sides that we found bipartisan support for a biannual budget for the veterans. Maybe we ought to be considering maybe this is one place that Republicans and Democrats can cooperate and start expanding this effort.

I have heard of lockbox. Black box is sort of an interesting new term as somebody who has been around the block a couple of times, and I am just wondering about this concept of budgeting and not really allowing anybody to know what is going in on that, and I am wondering how far does this go? The Executive Branch will keep it in the dark all the time ever and only until they release their budget no one has the right to be able to know what is being said or what is being proposed.

Mr. BRASS. People have argued that they have the right. Committees with subpoena power can certainly go after certain information that is considered pre-decisional in the Executive Branch but this goes back to 1921 with a law called the Budget and Accounting Act where Congress told agency personnel, do not submit budgets directly to Congress, you have to go through the filter of the institutional presidency before that is submitted. And so Presidents have used that law to shield some of what goes on inside the Executive Branch. That said, Congress has occasionally for specific agencies removed that lid to—

Mr. BILBRAY. Well, I think as much as possible—Mr. Chairman, I appreciate it. I just want to point out one thing. A lot of people talk about budget cuts and hitting the poor and the needy, but let me remind you, when the economy goes south, when the system crashes, it is not the rich and the powerful that get hurt. When there is an irresponsible budget handling, it is the poor and the needy always end up being hit. It is not the rich guys along the line. And if anybody believes that the President has been responsible on every expenditure on the budget and agrees with this, I have looked at everything, maybe they ought to look at so-called green fuel technology subsidies or certain money that has gone into certain renewable strategies that no science in the world would support but the administration has, and I yield back.

Mr. STEARNS. I thank the gentleman, and the gentleman from Texas, Mr. Green, is recognized for 5 minutes.

Mr. GREEN. Thank you, Mr. Chairman.

Mr. Brass, an underlying concern of my Republican colleagues at today's hearing appears to be the President of the United States did not conduct a line-by-line review of the budget proposal he submitted to Congress. For example, in requesting information from the agencies on line-by-line budget review, the letters from the subcommittee and the full committee chairs underscore that the President's Secretary conceded that the President did not conduct a line-by-line review of the omnibus spending bill in 2009.

Let me start with a few questions, just simple yes and no. Mr. Brass, with your information, can you tell us for certain whether the President read every word of his 2012 budget proposals?

Mr. BRASS. I cannot.

Mr. GREEN. Mr. Brass, have you ever read the entire budget submission by the President, and do you have any sense of how long that would take?

Mr. BRASS. I have not. It would take a long time.

Mr. GREEN. And would you expect the President to read every word of his budget proposals?

Mr. BRASS. I would be surprised if the President were able to do that.

Mr. GREEN. Now, there is no question there are differences between the Obama administration and my colleagues across the aisle regarding priorities, especially Federal spending. I am concerned, however, that the series of hearings the subcommittee is launching today is serving more as a forum for airing grievances about the Obama administration's policy priorities rather than meaningful attempt to improve the budget review process, and I think all of us want to improve the process.

Mr. Brass, do you believe that a line-by-line reading of the Federal budget is likely to lead to dramatic changes to Federal programs like turning Medicare into a voucher program or are those sorts of discussions more likely to be made in the context of high-level policy decisions?

Mr. BRASS. I would say that hinges on how one defines a line-by-line review. If line-by-line review is interpreted as an exhaustive examination of the budget and fiscal policy more generally, then major policy changes could be proposed coming out of that.

Mr. GREEN. But still, line by line is only the basic part you have to do. You have to understand the budget before you then come back and say OK, these are some of the policy decisions we may need, and those policy differences are obviously party differences, regional differences and lots of different differences that could get there.

Mr. Brass, I think it is appropriate for Congress to examine whether the cuts and priorities reflected in the President's budget proposal are fair and wise. I am not convinced, however, that reiterating demands for the President to conduct a line-by-line budget review is the most productive means on carrying out this goal. Maybe in Congress we ought to require line-by-line review of the budget from our side, one of the branches of government.

And I will close by, Mr. Chairman, I served in the legislature a number of years and I had a State house member who had served many, many years before me, and he said when he was first elected his first term, he read every bill that was introduced into the State legislature. His second term, he realized that was impossible because he was reading bills that would never see the light of day. He tried to read all the ones in his committee. And by the time his third term came around, he tried to read the ones he introduced.

So sometimes reading it, it is more the comprehensive than it is just reading a line. It is actually comprehending what it is. And I appreciate the time, Mr. Chairman.

Mr. STEARNS. I thank the gentleman, and since you have a minute and 40 seconds left, I might have a colloquy with you.

Mr. GREEN. I would love to.

Mr. STEARNS. You weren't here when we showed the video of the President in which he said he was going to go not only line by line, he said he was going to go page by page, item by item, program by program. So then we thought, well, let us go back and see what the OMB Director, Jack Lew, said in his testimony before the House Budget Committee on February 15, 2011. This is an exact quote from him: "Each year since entering office, President Obama has asked his administration to go line by line through the budget to identify programs that are outdated, ineffective and duplicative." So I just submit to the gentleman, this doesn't sound like he thinks it was just a figure of speech, and I think in all deference to you and your side, you are trying to interpret this that the President didn't mean to go line by line but it appears from what he said and from what his OMB Director said that he actually wanted to go, and that was his intent.

Mr. GREEN. If I could reclaim my time?

Mr. STEARNS. Sure.

Mr. GREEN. Since you are the chair and you can have all the time you want, and I agree, but the President has an Office of Management and Budget who has staff that can do that, and I would hope that the President—

Mr. STEARNS. Which is Jack Lew.

Mr. GREEN. Well, Jack Lew, that they would have staff who could do that and look at it, but I think the big issue is that we need to look at the policy decisions, whether it be the President makes, whether it is this President makes or the previous or the next President. That is our issue, and instead of focusing on whether the President read every line or maybe he had one of those literally dozens if not hundreds of people who work for the Office of Management and Budget or in any of the agencies to say OK, I want you to do this. I think that can happen. But let us talk about the policies and the priorities instead of just, you know, getting into whether somebody read a line or not, because I don't think—

Mr. STEARNS. Well, I agree with that program, we should look at the big picture, but I am just saying that we are trying to be fair to the President. But the other point is, we can't find out—

Mr. GREEN. I would be shocked.

Mr. STEARNS. And we also can't even find out what in view of his line-by-line, item-by-item, program-by-program, page-by-page

review, we can't find any of these cuts. So we are going to move off Mr. Brass to our second panel and ask them to come forward.

Let me—while they are setting up here, panel two is Thomas Schatz, President of Citizens against Government Waste; Mr. Patrick Knudsen, Grover M. Hermann Senior Fellow in Federal Budgetary Affairs, The Heritage Foundation; Veronique de Rugy, Senior Research Fellow, the Mercatus Center of George Mason University; Tad DeHaven, Budget Analyst, Cato Institute; Andrew Moylan, Vice President of Government Affairs, National Taxpayers Union; and Gary Kalman, Director, Federal Legislative Office, U.S. PIRG.

So with that, I think we got everybody. Did we introduce everybody? Oh, we have a few more. We have Stan Collender, Qorvis Communications, and Scott Lilly, Center for American Progress. All right, gentlemen, it looks like we have got you all lined up here. All of you are aware that the committee is holding an investigative hearing, and when doing so, has the practice of taking testimony under oath. Do you have any objection to taking testimony under oath? The chair then advises you that under the rules of the House and the rules of the committee, you are entitled to be advised by counsel. Do any of you wish to be advised by counsel? In that case, if you would please rise and raise your right hand?

[Witnesses sworn.]

Mr. STEARNS. You are now under oath and subject to the penalties set forth in Title XVIII, section 1001 of the United States Code. You may now each give an opening statement of 5 minutes, and we will recognize Mr. Schatz.

STATEMENTS OF THOMAS A. SCHATZ, PRESIDENT, CITIZENS AGAINST GOVERNMENT WASTE; TAD DEHAVEN, BUDGET ANALYST, CATO INSTITUTE; PATRICK L. KNUDSEN, GROVER M. HERMANN SENIOR FELLOW IN FEDERAL BUDGETARY AFFAIRS, THE HERITAGE FOUNDATION; VERONIQUE DE RUGY, SENIOR RESEARCH FELLOW, MERCATUS CENTER, GEORGE MASON UNIVERSITY; ANDREW MOYLAN, VICE PRESIDENT, GOVERNMENT AFFAIRS, NATIONAL TAXPAYERS UNION; GARY KALMAN, DIRECTOR, FEDERAL LEGISLATIVE OFFICE, U.S. PUBLIC INTEREST RESEARCH GROUP; STANLEY COLLENDER, PARTNER, QORVIS COMMUNICATIONS; AND SCOTT LILLY, SENIOR FELLOW, CENTER FOR AMERICAN PROGRESS

STATEMENT OF THOMAS A. SCHATZ

Mr. SCHATZ. Thank you, Mr. Chairman and members of the subcommittee. I appreciate being here today. My name is Thomas Schatz. I am President of Citizens Against Government Waste, a nonprofit organization dedicated to eliminating waste, fraud and abuse in government, and we have more than 1 million supporters and members nationwide.

On November 25, 2008, President-elect Barack Obama vowed to conduct a page-by-page, line-by-line review of the budget to eliminate unneeded programs and increase the efficiency of the rest of the government. On May 7, 2009, OMB Director Peter Orszag said that there was a significant installment in this effort when they released the fiscal year 2012 terminations, reductions and savings

document which identified 100 recommendations that would reduce Federal spending by \$17 billion over 1 year. While the identification of these savings was laudable, it was not unique, and as the prior witness has stated, a list of terminations, reductions and savings has been submitted to Congress each year since 2006. A list of similar proposals entitled Major Policy Initiatives was submitted by President Reagan throughout his two terms in office.

Now, the line-by-line review of the budget is one of six initiatives that President Obama has launched in an effort to streamline the Federal government and cut costs. Most recently, on June 13, 2011, he issued an Executive Order to deliver an efficient, effective and accountable government, and while the words "line by line" do not appear, he both identified previous proposals and created new initiatives. He talked about prior achievements and good progress but there was no list of accomplishments including how much money had been saved by taxpayers or what had been implemented from any prior list.

Now, the subcommittee's request for information on the implementation of the review is therefore appropriate but the administration should already be answering these questions and there should be one place in the budget where this information is available. We have found over the years that the most effective method of promoting an initiative to increase efficiency has been to announce a single major idea and provide information about progress and results. President Reagan created the President's Private Sector Survey on Cost Control, better known as the Grace Commission. President Clinton had the National Performance Review and President George W. Bush initiated the Program Assessment Rating Tool. To achieve any level of success, such initiatives require a clear methodology, an appropriate time frame, transparent reporting and concrete steps to ensure that the recommendations are adopted.

When the Grace Commission completed its report in January 1984, Commission Chairman J. Peter Grace joined with syndicated columnist Jack Anderson to create CAGW to follow up on the recommendations. President Reagan immediately submitted recommendations of the Grace Commission in his annual budgets as part of the volume called Management of the United States Government. In fiscal year 1986, appendix B described how the President had accepted 80 percent of the Grace Commission's unduplicated recommendations and that 326 recommendations would be included in the following year's budget. The management report in 1987 noted the adoption of those 326 recommendations would save \$7.4 billion in one year and \$68.8 billion over 5 years, and that \$30.6 billion was included in the budget baseline for the prior fiscal year. Similar reports were included in the fiscal year 1988 management report and 1989 management report, and that last report showed that \$40.5 billion had been included in the 1989 budget baseline. And despite the clarity and efficacy of these management reports, they disappeared after the Reagan administration, and nothing of similar substance and value has taken their place.

In March 1993, President Clinton asked Vice President Gore to spearhead the National Performance Review, a 6-month project

that ended up detailing 1,250 specific actions intended to save \$108 billion. Eventually one-quarter of those recommendations requiring legislation were adopted. And in July 2002, the Bush administration launched the Program Assessment Rating Tool. This technique was used in the President's 2004 budget. It was specifically identified. The Web site expectmore.gov was also created to track the evaluations.

In order for taxpayers to determine whether President Obama is achieving success in his line-by-line examination of Federal spending or his other initiatives, the results really should be provided clearly and concisely and on a regular basis. Really, new initiatives should not be announced without demonstrating substantial progress in the administration's current efforts to improve efficiency and effectiveness in government. The President, when he was in the Senate, did support and cosponsor the Federal Accountability and Transparency Act. There is USAspending.gov as a result, and a similar type of transparent reporting would be very helpful to taxpayers to determine whether the Obama administration is making progress on its efforts to eliminate wasteful spending.

That concludes my testimony, and I ask that my full statement be submitted for the record, and thank you, Mr. Chairman.

[The prepared statement of Mr. Schatz follows:]



**Testimony of Thomas A. Schatz, President
Citizens Against Government Waste
Before the House Energy and Commerce
Subcommittee on Oversight and Investigations
Wednesday October 5, 2011**

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I. Introduction

Mr. Chairman, members of the subcommittee, thank you for the opportunity to testify today. My name is Thomas A. Schatz. I am president of Citizens Against Government Waste (CAGW), a nonprofit organization made up of more than one million members and supporters, dedicated to eliminating waste, fraud and abuse in government. Citizens Against Government Waste has not, at any time, received any federal grant and we do not wish to receive any in the future.

II. President Obama's Promise: A Line-by-Line Review of the Federal Budget

On November 25, 2008, President-elect Barack Obama vowed to conduct a thorough review of the federal budget and eliminate wasteful and unnecessary government expenditures. He said, "We cannot sustain a system that bleeds billions of taxpayer dollars on programs that have outlived their usefulness, or exist solely because of the power of a politicians, lobbyists, or interest groups. We simply cannot afford it. This isn't about big government or small government. It's about building a smarter government that focuses on what works. That is why I will ask my new team to think anew and act anew to meet our new challenges.... We will go through our federal budget – page by page, line by line – eliminating those programs we don't need, and insisting that those we do operate in a sensible cost-effective way."

On May 7, 2009, Office of Management and Budget (OMB) Director Peter Orszag declared that the Obama administration had made a "significant installment" in its "commitment to review the federal budget line by line" by releasing its fiscal year (FY)

2012 “Terminations, Reductions, and Savings” document which identified 100 recommendations that would reduce federal spending by \$17 billion over one year.

While the identification of these savings is laudable, it is not unique; a recommended list of Terminations, Reductions, and Savings has been submitted to Congress each year since 2006. A list of similar proposals entitled “Major Policy Initiatives” was included as a separate document in President Reagan’s budget submission throughout his two terms in office. More often than not, these recommendations are ignored. For example, the fiscal year 1987 Major Policy Initiatives document suggested a 20 percent reduction in funding and re-targeting of Community Development Block Grants (CDBG), and President Obama’s fiscal year 2012 terminations submission included a less ambitious recommendation to scale back funding for CDBGs by 10 percent.

The traditional, standard submission of requested program cuts is therefore nothing new, and does not quite live up to the promise of a “page by page, line by line” review of the federal budget. However, the failure of Congress to adopt many long-standing recommendations is also nothing new, and the push for the elimination of even the most obvious wasteful spending has been a constant struggle for both Democratic and Republican administrations.

The line-by-line review of the federal budget is one of six major initiatives that President Obama has launched in an effort to streamline the federal government and cut costs. In January 2009, the President created a new position at OMB for a chief performance officer to increase the “efficiency, transparency and accountability” of federal agencies. In June 2010, the Obama administration suggested specific actions to

advance IT reform and cut waste. In September 2010, President Obama launched the Accountable Government Initiative, an effort to cut waste and make government more open and responsive to the American public.

On June 13, 2011, President Obama issued an Executive Order to “Deliver an Efficient, Effective and Accountable Government” which attempted to consolidate his previous initiatives. While he talked about prior achievements and “good progress,” there was no list of those accomplishments, including how much had money had been saved for taxpayers. He cited the prior Accountable Government Initiative and called for “periodic” meetings between Vice President Biden and Cabinet officials report on progress; for agencies to place quarterly reports on performance improvements on their websites; identification of program overlap by the OMB Director as guidance for fiscal year 2013 budget submissions by agencies; and established the Government Accountability and Transparency Board to provide “strategic direction” to increase transparency of federal spending.

These initiatives were announced as part of the President’s “Campaign to Cut Waste,” which also included a plan to close down or consolidate about 500 government websites and scrap plans to launch any new ones. The White House also set a goal of reducing spending on management support service contracts by 15 percent by the end of FY 2012, a reduction of \$6 billion. Vice President Joe Biden was put in charge of the entire Campaign to Cut Waste.

While the Campaign to Cut Waste appears to be a renewed effort to increase effectiveness and accountability, and taxpayers hope that it will be successful, there is no single methodology governing the various projects, and there is no single place online or

in the budget to monitor and track the results. The Accountable Government Initiative has been in place for a year, yet for the first time it appears that there will be periodic meetings and reports. The President's Management Council or a similar entity, as well as the Federal CFO Council, have been in existence for many years, and at best this is a reiteration of what should already be done by these entities.

In regard to the Executive Order, it is not clear which of the initiatives is the most important, which of the existing programs has produced the best results, and how this latest announcement will increase the organization of the effort to improve government efficiency. Taxpayers hope that this latest campaign and its promised reporting and transparency will result in serious changes in the management of their hard-earned money.

In regard to the administration's prior attempt to increase efficiency, CAGW's research and policy staff spent several hours attempting to locate information about the various initiatives on the OMB and White House websites, and found one item devoted to the Campaign to Cut Waste. There was no information about progress, only the promise that such results would occur.

The request for information from this subcommittee to OMB for specific information on the implementation of the line-by-line review is therefore appropriate and timely. However, it should be unnecessary. The administration should already be providing a regular, easily located and searchable report on progress – either annually or quarterly – so that the answers to the subcommittee's questions would be obvious.

The most effective method of promoting an initiative to reduce wasteful spending or increase performance and efficiency has been to announce a single major idea and

provide easily accessible information about progress and results. President Reagan created the President's Private Sector on Cost Control, better known as the Grace Commission; President Clinton established the National Performance Review; and President George W. Bush initiated the Performance Assessment Rating Tool. Each of these is described in more detail below.

Today, the nation faces a massive, record-breaking \$14.8 trillion debt. A Joint Select Committee on Deficit Reduction has been formed to find \$1.2 trillion in savings so that the country can avoid default and continue to make good on its financial obligations. There has never been a more critical time for an extensive, thorough and serious evaluation of all federal budget expenditures, and I urge members of Congress to work with the administration to help execute this vital effort.

III. Methodology for Budget Review

While the need for a line-by-line budget review is obvious to every President, the question of how to go about such a task will vary from one administration to another. The President could launch a new commission that would use private sector experts to conduct in-depth reviews of the operations of federal agencies and evaluate improvements in agency operations; provide recommendations for increased efficiency and reduced costs that can be realized by executive action or legislation; offer additional information and data relating to government expenditures, indebtedness and personnel management; and seek opportunities for increased managerial accountability and improvements. For all of these efforts, however, a clear methodology will be needed to establish effective criteria for program evaluation; set an appropriate timeframe with

strict deadlines; create transparent reporting procedures; and lay out concrete steps to ensure that recommendations are adopted.

IV. A Lesson from History: The Grace Commission

On June 30, 1982, President Ronald Reagan issued Executive Order 12369, establishing the President's Private Sector Survey on Cost Control (Survey), and asked businessman J. Peter Grace to chair what became known as the Grace Commission. President Reagan directed the Grace Commission to "work like tireless bloodhounds to root out government inefficiency and waste of tax dollars."

One hundred and sixty-one business executives, assisted by 2,000 volunteers from the private sector, contributed more than \$75 million worth of their time and resources to examine all major federal programs and agencies. In January 1984, the Grace Commission's work culminated in a 47-volume report containing 2,478 recommendations to save taxpayers \$424.4 billion over three years. An additional 54 recommendations and 188 issue areas for further study also were identified by the Survey. Three-year savings and revenue potential associated with the 54 specific recommendations for further study totaled \$30.2 billion.

In establishing the Grace Commission, President Reagan drew not only upon his experience as governor of California, but also on a rich tradition of public-private partnerships, including the Taft Commission on Economy and Efficiency (1910-1912), the Brownlow Committee (1936-1937), Hoover I (1947-1949) and Hoover II (1953-1955), the Ash Council (1969-1971), and the Carter Reorganization Project (1977-1979).

V. The Survey: Who Participated

A private sector study on cost control and managerial efficiency in the federal government needed the help of private citizens who possessed the experience and the capacity to understand the processes of the federal government, analyze them intelligently, and recommend operational improvements in response to President Regan's mandate. Because of this understandable need to call upon people knowledgeable in the functions to be studied, the commission was highly sensitive to possible conflicts of interest and took every reasonable step to avoid them, including the establishment of internal rules and standards that went beyond the requirements of the law. The commission brought the best expertise of the private sector into the public analysis of government, while avoiding any compromise of the public trust.

All members of the Grace Commission Executive Committee were cleared for appointment by the White House Office of Legal Counsel. In addition, members of the Executive Committee who were asked to serve as co-chairs of individual task forces were cleared for those assignments by both the White House Office of Legal Counsel and the respective departments and agencies. Task force members, who were not subject to the same conflict of interest statutes as were appointees to the Executive Committee, were subjected to an internal review for purposes of identifying and, if necessary eliminating any potential or perceived conflicts of interest.

VI. The Survey: How It Was Conducted

The Grace Commission's mandate was to review the operations of the entire executive branch and to bring the experience and expertise of the private sector to bear on the management practices of the federal government. In other words, the President asked

the Executive Committee to look at the component parts of the Executive Branch of Government with the same degree of detail and consideration with which a private company would consider a new acquisition. The Grace Commission evaluation focused on “improved management practices, more efficient methods of operation, and better direction of spending on program targets.” Budget considerations were secondary.

As stated in the summary report of the Grace Commission, “The overriding theme of these Task Force reports is that the Federal Government has significant deficiencies from managerial and operational perspectives, resulting in hundreds of billions of dollars of needless expenditures that taxpayers have to bear each year. These reports make clear that these deficiencies are not the result of a lack for competence or enthusiasm on the part of Federal employees. Rather, responsibility rests squarely on the Executive Branch and Congress, which in the final analysis are the joint architects of the Federal Government’s management systems, policies and practices.”

The Grace Commission’s first task was to divide the challenge into manageable pieces. The commission established 36 task forces for purposes of reviewing 98 percent of the federal dollars and 100 percent of the federal work force. Of the 36 task forces, 22 focused on specific departments and agencies and 14 examined horizontal, cross-cutting issues. In some instances, more than one task force was assigned a department or agency and in other instances the task force looked at a collection of departments and agencies (for example, those specifically focusing on business and banking). The horizontal, cross-cutting task forces focused on those issues which cut across all of Government, such as personnel procurement, automated data processing, etc. In addition, the Survey Management Office issued a series of selected issues reports on topics not covered by the

task forces because of limited time and resources or, in some instances, on topics of sufficient import to warrant further study and a separate report.

Particular attention was devoted to coordinating the efforts of the task forces so that overlap and duplication would be minimized and consistency ensured. Each task force was co-chaired by two or more members of the Executive Committee and had a full-time, Washington-based project manager who oversaw day-to-day operations. Task forces ranged in size from 20 to 90 members and their review of departments and agencies was divided into four distinct phases: organization and start-up, diagnostic survey, in-depth survey, and report preparation.

Reporting to the Grace Commission chairman, the Survey Management Office consisted of a director, a deputy director (the sole federal employee designated as the government liaison by the White House), a chief operating officer, and a staff of about 50 office personnel. There were 12 desk officers, most of whom were senior Washington-based executives with broad experience in working with the federal government. Each desk officer was responsible for the orientation of three to four task forces, guiding their efforts toward the most productive areas of review; coordinating planning and communications, monitoring progress, and assuring the quality of final task force reports. The work of this group supplemented and expanded upon that of a government resources group, which included the inspectors general offices, OMB, the General Services Administration, and the assistant secretaries for management. These two groups acted as a bridge between members of the task forces and the departments and agencies they reviewed.

It was not the principal purpose of Grace Commission to examine basic public

policy. For example, the commission did not focus on whether the federal government should concentrate its resources on defense, education, highways, health and welfare, or nutrition, nor did it address the question of what priority should be accorded each of these endeavors. Instead, the commission concentrated on overall government operations as distinguished from policy, but included an examination of the execution of policy. Its primary concern was the degree of efficiency in the expenditure of tax resources and whether those expenditures achieved the desired public purpose at an acceptable cost through workable mechanisms and organizations equipped with the proper tools.

In carrying out its investigation, therefore, the Grace Commission concentrated first and foremost on operations. At times, however, it was extremely difficult to draw a precise line clearly separating operations and policy. Indeed there were numerous instances where a very, significant overlap existed between operations and policy, with task forces unable to look at one without the other. Many of the historical initiatives that preceded the Grace Commission, particularly Hoover I and Hoover II, also found it difficult to make this differentiation. Unlike past attempts to improve the management of the federal government, and in contrast to the numerous federal advisory committees and other private groups which at any given time are working to serve specific agency projects, the Grace Commission took a broad look at the executive branch.

VII. The Survey: Finished Product and Recommendations

The task forces produced a series of appendices and a comprehensive set of working papers to supplement data contained in the task force reports. Executive summaries for each of the commission's reports are contained in each volume. Work papers and supplemental data are on file with the Department of Commerce.

The work of the Grace Commission focused on both short-term and long-term opportunities. In fact, their savings projections were not tied to fiscal years; they were tied to full implementation of the recommendations, reiterating that they were looking at increased efficiency and improved management, not just cutting programs without justification or documentation. In many instances, unimplemented recommendations can still be easily and immediately adopted at the agency or department level. In other cases, implementation of some recommendations will require legislation and, therefore, will take a longer time. The point is that many of the Grace Commission recommendations are timeless and are still relevant today.

VIII. The Survey: What It Cost

Except for the one full-time government employee assigned to it, the Grace Commission cost the federal government nothing. A private, not-for-profit foundation was established for purposes of raising gifts in kind as well as financial contributions to support the work of the Survey Management Office (including space, equipment, and support staff) and the overall administration of the task forces. Approximately \$3.3 million was raised directly by the foundation. More specifically, members of the Executive Committee, the Survey Management Office and the task forces served without cost to the federal government. All of their salaries and expenses, including travel, hotel, and other out-of-pocket costs, were paid either personally or by their private sector employers. The total value of such resources dedicated to the Grace Commission effort was more than \$75 million. The extent to which the Grace Commission was a private sector, volunteer, no-cost-to-the-government effort makes it a unique undertaking. Virtually all of its historical precedents were financed by congressionally appropriated

funds.

IX. The Survey: Tracking the Savings

President Reagan told Peter Grace after the final Grace Commission report was issued on January 12, 1984, that he should not let the material “gather dust on a shelf.” That helped inspire Mr. Grace to join with syndicated columnist Jack Anderson and create Citizens Against Government Waste in February, 1984, in order to educate the American people, the media, and policymakers about the commission’s recommendations, seek their implementation, and track their progress.

President Reagan heeded his own advice and followed up on the commission’s work as well. He immediately submitted recommendations of the Grace Commission in his annual budgets. In the annual “Management of the United States Government” documents, which President Reagan first provided to Congress as a separate document following the submission of the FY 1986 budget, and subsequently at the same time as the rest of the budget, OMB provided a description of efforts to improve the management of federal agencies. There was a section in each of these management reports through fiscal year 1989, during President Reagan’s last year in office, which cited the Grace Commission recommendations submitted with each year’s budget, as well as those which had been adopted in the prior year.

The management reports also detailed plans and progress on improvements in productivity, return of responsibilities to state and local governments, streamlining of administrative processes, program delivery improvements, cost reductions, cash and credit management, delinquent debt collection, payment integrity efforts, upgrades made to information technology systems, and increased use of user fees and private sector

contracts. Despite the clarity and efficacy of these management reports, they disappeared after the Reagan administration and nothing of similar substance and value have taken their place. It would certainly be of great benefit to taxpayers, lawmakers and the media to restore this method of reporting.

X. New Tracking Systems

In March 1993, President Clinton asked Vice President Gore to spearhead a six-month review of the federal government. The National Partnership for Reinventing Government's (NPR) mission was to create a government that "works better, costs less, and gets results Americans care about." The initial task force included 250 career civil servants, and several state and local government employees and consultants. They were organized into two teams: one to review individual agencies and the other to focus on government-wide systems, including procurement, budget, and personnel.

The President also directed agencies to create their own internal "reinvention teams" to work with the administration to develop recommendations. Agency heads were also asked to create "reinvention laboratories" that would pilot innovations in service delivery and be granted waivers from internal agency rules.

President Clinton's initial six-month Performance Review detailed 1,250 specific actions intended to save \$108 billion, reduce the number of overhead positions, and improve government operations. The Clinton administration worked with Congress to enact a quarter of all recommendations requiring legislation. These recommendations included authority to reduce the size of the workforce by offering bonuses for employees leaving voluntarily and major reforms to the government's procurement system. Agencies identified \$28 billion a year in reduced regulatory burdens and proposed

eliminating 16,000 pages of regulations. The administration also developed the “Hammer Award” for federal employees who had reinvented their part of the government. Made simply of a \$6 hammer, the award parodied the Pentagon’s infamous bloated hardware costs, which were infamously publicized by the Grace Commission, CAGW and others, including how the Pentagon paid \$436 for a hammer.

For the record, that amount was calculated as follows: The Navy paid \$41 to order the hammer and figure out how to use it; \$93 to make sure the hammer worked; \$102 for “manufacturing overhead”; \$37 to make sure there were spare parts for the hammer; \$3 for packing the hammer for shipment; \$90 for the contractor’s “general administrative costs”; \$56 for the finder’s fee; and \$7 for the “capital cost of money.” The Grace Commission also provided other examples, including the \$640 toilet seat and 15 pages of specifications for making chocolate chip cookies for the military.

A September 1998 Brookings Institution report determined that the Clinton administration had achieved important accomplishments in procurement reform and customer service, but progress in reducing the size of government was more uneven. While administration did reach its target of reducing the number of civilian employees by about 300,000, progress in planning to match people who remained on the payroll with jobs needing to be done was weak. Although troubled agencies like the Federal Emergency Management Agency showed signs of improvement, the highly publicized problems with the Internal Revenue Service demonstrated NPR’s problems in identifying and preventing management disasters. Integration of the reinventing government campaign with performance measurement was inconsistent and faced difficulties earning the public’s confidence and rebuilding trust in government.

Regardless of the outcome, there was a systematic effort to publicize and track the results of the NPR. Vice President Gore was clearly identified as being in charge of the initiative, and spent a great deal of time promoting the effort and discussing the results.

In July 2002, the Bush administration launched the Program Assessment Rating Tool (PART) to assess the performance of federal programs and to drive improvements in program performance. PART covers four broad topics for all programs selected for review: program purpose and design; strategic planning; program management; and program results. Points are awarded to a program based on the answer to each question, and an overall rating of effectiveness is then assigned. There are five categories of possible ratings: Effective, Moderately Effective, Adequate, Ineffective, and Results Not Demonstrated.

The first year was spent on assessments and ratings of 234 programs covering approximately 20 percent of the federal budget, followed by publication of the results in the President's FY 2004 budget and subsequent budgets. The effort was expanded to an additional 20 percent of federal programs (or budget coverage) each year, along with selected re-evaluations of previously evaluated programs if there was a reason for a change in the rating.

The website ExpectMore.gov was created to track PART evaluations, and it produced a list of results. PART was also referenced in President Bush's budget submissions as a rationale for the list of program reductions, savings and terminations.

The Federal Funding Accountability and Transparency Act of 2006, which was co-sponsored by then-Senator Obama and Senator Tom Coburn (R-Okla.), required that OMB establish a single searchable website, accessible to the public at no cost to track

federal awards. As a result, USAspending.gov was launched in December 2007. The website provides details on more than \$1 trillion in contracts and financial assistance awarded annually by federal agencies.

While the website is a step in the right direction toward increasing transparency and accountability in the area of government spending, in March 2010, the GAO found that agencies did not always report awards on USAspending.gov and that numerous inconsistencies existed between USAspending.gov data and agency records. These errors were due to a reliance on voluntary agency compliance and a lack of specific guidance. While the effort can be improved, at least there is now a single source for information about grants and contracts being awarded by the federal government. It would be helpful to have a similar single location for proposals and progress related to the Obama administration's efforts to eliminate wasteful spending.

XI. Grace Commission Success in the States: South Carolina and Nevada

On June 10, 2003, South Carolina Governor Mark Sanford signed Executive Order 2003-15, establishing the Commission on Management, Accountability, and Performance (MAP). According to the official MAP website, the commission was "modeled after President Reagan's Grace Commission, [and] we seek to determine how government can be more productive, efficient and cost effective while providing quality service."

The state was struggling with the eighth highest state unemployment rate in the country (5.4 percent) and the thirteenth highest percentage of people living in poverty (14.1 percent). South Carolina was also suffering from shrinking revenues with out-of-control spending. From fiscal 2002 to fiscal 2003, approximately \$443 million had to be

cut from the state budget to prevent the state from operating in a deficit, which is unconstitutional according to South Carolina law.

The MAP Commission was formed as a bi-partisan entity with 12 private sector business and industry leaders and two constitutional officers, Lt. Governor Andre Bauer and Comptroller General Richard Eckston. The commission's aim was to make the South Carolina state government more productive, efficient and cost-effective while maintaining quality service.

Along with its own ideas, the commission actively sought out suggestions from state employees that were directly responsible for providing services to the public. CAGW was asked by Governor Sanford to provide guidance to the commission, and I was honored to testify at the first hearing. The commission held meetings from June 17, 2003 to September 30, 2003 and suggested 213 improvements for nine areas of the state government.

Gov. Sanford reported success in abolishing wasteful government spending through MAP. In June 2004, he signed the Fiscal Discipline Act which limited state spending from the General Fund over the next four years to ensure that borrowed funds from the General Reserve Fund were restored by fiscal 2008-2009. After this legislation was passed, Gov. Sanford was able to get the General Assembly to agree to pay off the remaining \$155 million deficit.

The Spending and Government Efficiency Commission (SAGE Commission) was created by Executive Order of Nevada Governor Jim Gibbons on May 7, 2008 and held its first meeting on June 26, 2008. The Commission was created to review state government operations that fall under the Executive Branch and to provide the Governor

with recommendations for streamlining operations, improving customer service and maximizing the use of taxpayer dollars.

The SAGE Commission was established as a privately funded, bi-partisan panel. The Chairman and 13 members were appointed by Governor Gibbons based on recommendations from Nevada's leadership in the Assembly and the Senate as well as the Governor's own election.

Governor Gibbons appointed Bruce R. James, the former Public Printer of the United States and a local business executive, as chairman of the commission. Mr. James and the other citizens appointed by Governor Gibbons are all recognized, established business leaders, either active or retired, who have the expertise and experience required to carry out the commission's mission. Members received no compensation for their service and paid their own expenses.

The commission released several reports that detailed billions of dollars in savings. By May 2010, Gov. Gibbons reported that eight of 44 recommendations from the panel of private business people he appointed in May 2008 had been fully implemented. Another 19 were already in progress or planned for implementation following the 2011 legislative session.

Even though there was a concerted effort in South Carolina and Nevada to emulate the Grace Commission, tracking and reporting was not as formalized as it was under President Reagan.

XII. The Grace Commission Lives On: CAGW's Prime Cuts

For the past 27 years, CAGW has been working tirelessly to carry out the Grace Commission's mission to eliminate government waste. Since 1984, the implementation

of Grace Commission and other waste-cutting recommendations supported by CAGW has helped save taxpayers \$1.2 trillion. These recommendations provided a blueprint for a more efficient, effective and smaller government.

CAGW maintains and annually updates a comprehensive list of spending cuts that has been a valuable tool for taxpayers, legislators and the media. CAGW's *Prime Cuts 2011* contains 691 recommendations that would save taxpayers \$391.9 billion in the first year and \$1.8 trillion over five years.

Prime Cuts relies on expert opinions, bipartisan reports, and analysis and recommendations provided by think tanks, independent organizations, GAO, OMB, the Congressional Budget Office, the White House, and many other resources. At a minimum, Congress and the administration should review these recommendations as they look for ways to save taxpayer dollars.

XIII. Conclusion

It is important to conduct a line-by-line review of the federal budget, but such an undertaking will not be successful unless taxpayers, legislators, and federal agencies understand the parameters and methodology of such an effort. There must be strict, comprehensive and transparent reporting and tracking procedures in place. It is essential that Congress, the administration and taxpayers are able to clearly identify how much money is being spent in a particular area, which programs are meeting their objectives, and which are in need of reform or elimination. Without such a methodology, efforts to conduct a line-by-line budget review will be futile.

As the national debt tops \$14.8 trillion, continuing to pour money into wasteful, unnecessary and duplicative programs without proper scrutiny or oversight is not only

inefficient, it is fiscally irresponsible and an affront to taxpayers and future generations who will ultimately bear the burden of our massive financial obligations. We again thank the subcommittee for holding this hearing, and encourage members to work on a bi-partisan basis to ensure that tax dollars are spent effectively.

When President Obama announced that he would make sure that there would be a line-by-line examination of federal spending, taxpayers had high hopes that the result would be an in-depth, comprehensive examination of government waste, fraud, abuse and mismanagement. The President has discussed many times how his administration will be accountable and transparent, including the latest effort in the Campaign to Cut Waste. Taxpayers are hoping that the results will both improve efficiency and that the information will be provided to them clearly and concisely, and on a regular basis.

This concludes my testimony. I will be glad to answer any questions.

Mr. BILBRAY [presiding]. It shall be accepted.
Mr. DeHaven.

STATEMENT OF TAD DEHAVEN

Mr. DEHAVEN. Members of the committee, thank you for inviting me to testify.

After the November 2008 election, President-elect Obama pledged that his Office of Management and Budget will go through the Federal budget page by page, line by line, eliminating those programs we don't need. When the President released his first budget proposal in May of 2009, it included a separate volume, terminations, reductions and savings, which identified \$17 billion in savings for fiscal year 2010. To put that figure in perspective, the President proposed to spend \$3.6 trillion that year, which means that he proposed savings equal to 0.47 percent of what he planned to spend. Assuming that OMB did conduct a line-by-line review of the Federal budget, the President's proposal implied that he believed that 99.53 percent of the Federal government was definitely needed at a time when we were running deficits in excess of \$1 trillion.

Did OMB really conduct a thorough, line-by-line search of the Federal budget for savings? The list of savings created in all their thoroughness because it targeted some obscure programs. For example, the proposed savings included terminating tiny programs like the Christopher Columbus Fellowship Foundation, \$1 million saved, the Javits Gifted and Talented Education program, \$7 million saved. In all, the administration identified and provided a detailed explanation for 121 targets for savings. The fact that the administration proposed a cut, what amounts to needles in the budgetary haystack, suggests that the President truly believes that almost everything the Federal Government does is needed. Indeed, subsequent terminations, reductions and savings released with the President's annual budget proposals in 2011 have offered similarly insignificant but detailed offering of spending cuts.

It would be interesting to know whether some cuts recommended by OMB staff were shot down by the White House. Was it communicated internally to OMB staff that they should only look for savings that would be the least likely to ruffle the feathers of special interests? If that is the case, then the President's suggested savings were nothing more than a political prop designed to fool the American people into believing that his administration was serious about reducing Federal spending. Or was OMB given the green light by the White House to truly go program by program, line by line? In that case, OMB itself could be responsible for producing the insignificant cuts.

I spent 2 years as a Deputy Director at the State of Indiana's Office of Management and Budget under Governor Mitch Daniels. If the circumstances at the Federal OMB are similar to that which I experienced as a State budget official, then it is quite possible that the White House chose to ignore OMB's suggestions for more substantive budget cuts. I was part of the dedicated team within Indiana's Office of Management and Budget called Government Efficiency and Financial Planning. The group was tasked with conducting a long-overdue inventory of the State's operations. We pro-

duced two reports with hundreds of recommendations for making State government more efficient and effective, and we also made recommendations to cut or eliminate programs and boards. Unfortunately, the Governor did not follow through and execute very many of the recommendations. I also suspect his political advisors also dissuaded him from ordering action. In fact, the advisors were so worried about the potential political fallout from aggrieved special interests over the recommendations contained in the second GEFPP report that it was intentionally released when the media wasn't paying attention. They needn't have worried because those interests who might have had cause for concern already saw that the first report was barely acted upon. The Governor's advisors typically sided with turf-protecting department heads and they did little to support GEFPP. The reason was simple: the perceived political cost of pursuing our recommendations usually exceeded the perceived political benefit.

I learned from my Indiana government experience under a Governor thought to be a fiscal hawk that political leaders are good at generating sound bites designed to make taxpayers believe that their interests come first. In reality, taxpayer interests usually end up taking a backseat to the interests of select individuals or groups. I also learned that a failure to back up sound bites with follow-through action only serves to embolden special interests.

Cato has publicly challenged the President on his pledge to go through our Federal budget page by page, line by line, eliminating those programs we don't need. Attached to my written testimony is a copy of a full-page ad that Cato ran in major newspapers. We suggested 10 areas to target for cutting that would result in substantial savings, and the suggestions were arrived at based on Cato's own page-by-page, line-by-line review. You can see the results of our review at www.downsizinggovernment.org. We posted essays laying out the case for terminating hundreds of agencies and programs, and it is worth noting that we have been able to cover all that budgetary terrain through the efforts of a very limited number of people.

Lastly, it is important to note that the administration's inability or unwillingness to recognize that more than just half a percent of the Federal budget is unneeded is not a partisan affliction. President Obama inherited a Federal budget that had massively expanded under the previous Republican administration of George W. Bush. The massive warfare welfare state built by Republicans and Democrats is morally bankrupt, and if the Federal government were a business, it would be financially bankrupt. That means that the Federal budget's meat has to be cut in addition to the fat. Therefore, if President Obama isn't serious about terminating unneeded Federal programs, then it is up to Congress to do the job for him. Thank you.

[The prepared statement of Mr. DeHaven follows:]

Cutting the Federal Budget Line by Line

Tad DeHaven, Budget Analyst, Cato Institute,

before the House Subcommittee on Oversight and Investigations
of the House Committee on Energy and Commerce

October 5, 2011

SUMMARY

- Assuming that OMB did conduct a line by line review of the federal budget, the president's first budget proposal implied that he believed that 99.53 percent of the federal government was definitely needed.
- The president's list of savings created an aura of thoroughness because it targeted some obscure programs.
- It would be interesting to know whether some cuts recommended by OMB staff were shot down by the White House.
- My experiences as an Indiana state budget official taught me that political leaders are good at generating sound bites designed to make taxpayers believe that their interests come first. In reality, taxpayer interests usually end up taking a back seat to the interests of select individuals or groups.
- Cato has conducted its own page by page, line by line review of the federal budget. The results are posted on Cato's website, www.DownsizingGovernment.org.
- Policymakers need to do more than simply pledge to "eliminate waste, fraud, and abuse" in government programs. It's time to cut "meat"— not just "fat."
- If President Obama isn't serious about terminating unneeded federal programs, then it's up to Congress to do the job for him.

Cutting the Federal Budget Line by Line

Tad DeHaven, Budget Analyst, Cato Institute,
before the House Subcommittee on Oversight and Investigations
of the House Committee on Energy and Commerce

October 5, 2011

Chairman Stearns and members of the committee, thank you for inviting me to testify today regarding the administration's purported effort to conduct a line by line review of the federal budget.

After the November 2008 election, president-elect Obama pledged that his Office of Management and Budget (OMB) "will go through our federal budget – page by page, line by line – eliminating those programs we don't need, and insisting that those we do operate in a sensible cost-effective way."¹

When the president released his first budget proposal in May 2009, it included a separate volume, *Terminations, Reductions, and Savings*, which identified \$17 billion in savings for fiscal 2010.² To put that figure in perspective, the president proposed to spend \$3.6 trillion that year, which means that he proposed savings equal to 0.47% of what he planned to spend. Assuming that OMB did conduct a line by line review of the federal budget, the president's proposal implied that he believed that 99.53 percent of the federal government was definitely needed at a time when we are running deficits of more than \$1 trillion.

Did the OMB really conduct a thorough line by line search of the federal budget for savings? The list of savings created an aura of thoroughness because it targeted some obscure programs. For example, the proposed savings included terminating tiny programs like the Christopher Columbus Fellowship Foundation (\$1 million) and the Javits Gifted and Talented Education Program (\$7 million). In all, the administration identified – and provided a detailed explanation for – 121 targets for savings.

The fact that the administration proposed to cut what amounts to needles in the budgetary haystack suggests that the president truly believes that almost everything the federal government does is needed. Indeed, subsequent *Terminations, Reductions, and Savings* released with the president's annual budget proposals in 2010 and 2011 have offered a similarly insignificant – but detailed – offering of spending cuts.

It would be interesting to know whether some cuts recommended by OMB staff were shot down by the White House. Was it communicated internally to OMB staff that they should only look for savings that would be the least likely to ruffle the feathers of special interests? If that's the case, then the president's suggested savings were nothing more than a political prop designed to fool the American people into believing that his administration was serious about reducing federal spending. Or, was OMB given the green light by the White House to truly go program by program, line by line? In that case, OMB itself could be responsible for producing the insignificant cuts.

I spent two years as a deputy director at the state of Indiana's Office of Management and Budget under Governor Mitch Daniels. If the circumstances at the federal OMB are similar to that which I experienced as a state budget official, then it's quite possible that the White House chose to ignore OMB's suggestions for more substantive budget cuts.

I was part of a dedicated team within Indiana's OMB called Government Efficiency and Financial Planning (GEFP). The group was tasked with conducting a "long-overdue inventory of the state's operations." We produced two reports with hundreds of recommendations for making state government more "efficient" and "effective." We also made recommendations to cut or eliminate various programs and boards.

Unfortunately, the governor did not follow through and execute very many of the recommendations. I suspect his political advisors also dissuaded him from ordering action. In fact, the advisors were so worried about the potential political fallout from aggrieved special interests over the recommendations contained in the second GEFP report that it was intentionally released when the media wouldn't notice. They needn't have worried because those interests who might have had cause for concern already saw that the first report was barely acted upon.

GEFP was respected internally, but it was not very effective. The governor's advisors typically sided with the turf-protecting department heads and they did little to support GEFP. The reason was simple: the perceived political cost of pursuing our recommendations usually exceeded the perceived political benefit.

I learned from my Indiana government experience – under a governor thought to be a fiscal hawk – that political leaders are good at generating sound bites designed to make taxpayers believe that their interests come first. In reality, taxpayer interests usually end up taking a back seat to the interests of select individuals or groups. I also learned that a failure to back up the sound bites with follow-through action only serves to embolden the special interests.

Downsizing the Federal Government

Cato has publicly challenged the president on his pledge to “go through our federal budget – page by page, line by line – eliminating those programs we don’t need.” Included below is a copy of a full-page ad that Cato ran in major newspapers with the headline, “With all due respect Mr. President, we’re still waiting.”³ We suggested 10 areas to target for cutting that would result in substantial savings. For example, eliminating energy subsidies would save about \$20 billion a year.⁴ The suggestions were arrived at based on Cato’s own page by page, line by line review of the federal budget.

The results of our review are posted on Cato’s website, www.DownsizingGovernment.org. We have posted essays laying out the case for terminating hundreds of agencies and programs. It’s worth noting that we’ve been able to cover all of that budgetary terrain through the efforts of a limited number of people.

Our research comes from publicly available data, including government resources such as reports from the Government Accountability Office and audits from various agency inspector general offices. However, a simple internet search for information on government programs will turn up countless examples of government failure. The information on widespread government failure is there for policymakers to see if only they would look. I suspect many OMB career analysts know how poorly many federal programs actually work, but their political masters keep it quiet.

It is important to note that the administration's inability or unwillingness to recognize that more than just 0.5 percent of the federal budget in unneeded is not a partisan affliction. President Obama inherited a federal budget that had massively expanded under the previous Republican administration of George W. Bush.

Republican policymakers have been doing a lot of talking lately about the need to cut spending, reduce deficits, and rein in our national debt. Unfortunately, there are only a few Republicans who have put the effort into creating detailed proposals for what agencies and programs they would terminate. Instead, far too many Republicans join their Democratic colleagues in taking the easy way out by pledging to simply "eliminate waste, fraud, and abuse" in government programs.

Policymakers always tell their constituents that they'll work to eliminate government waste. For example, previous House Speaker Nancy Pelosi instructed her committee chairs to uncover waste, fraud, and abuse as part of an effort to "ensure fiscal discipline for the

long term.” The House Republicans’ “Pledge to America” included a promise to “root out government waste.” What few in Washington want to acknowledge is that waste, fraud, and abuse always comes with government programs – the same way a Happy Meal always comes with a toy and a drink.

The massive warfare/welfare state built by Republicans and Democrats is morally bankrupt. And if the federal government were a business, it would be financially bankrupt. That means that the federal budget’s “meat” has to be cut in addition to the “fat.” Therefore, if President Obama isn’t serious about terminating unneeded federal programs, then it’s up to Congress to do the job for him.

Thank you.

Tad DeHaven
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¹ http://change.gov/newsroom/entry/president_elect_barack_obama_announces_office_of_management_and_budget_dir/

² *Budget of the U.S. Government, Fiscal Year 2010, Terminations, Reductions, and Savings* (Washington: Government Printing Office, 2009).

³ <http://www.cato.org/files/DownsizingAd.pdf>.

⁴ <http://www.downsizinggovernment.org/energy>.

“We will go through our federal budget—page by page, line by line—eliminating those programs we don’t need.”

— PRESIDENT-ELECT BARACK OBAMA, NOVEMBER 2008

With all due respect Mr. President, we’re still waiting.

It’s been two years since you made that pledge, Mr. President. Since then, you’ve signed into law an \$800 billion “stimulus” package and a massive new health care entitlement—adding trillions of dollars in unfunded liabilities to our grandchildren’s tab.

The American people made it clear on election day this month that they want a smaller, less expensive government. But because of the deficits your administration has piled up, our national debt will be larger than the entire U.S. economy by 2012. Isn’t it past time we started eliminating those programs we don’t need?

In fairness, both parties got us into this mess. Speaker-to-be John Boehner admitted that when Republicans controlled Congress: “We were spending too much, government was growing too much. Our team failed to live up to our own principles.” Indeed, federal spending under the Bush administration nearly doubled in eight years. To this day, GOP calls for less spending have been woefully short on specifics.

Our bipartisan flight from responsibility is a national disgrace—and it’s fast becoming a national disaster. Calls to eliminate “waste, fraud, and abuse” won’t cut it anymore. Both parties would seem to need help taking the first step in reducing the burden of government.

As a start, they can consult DownsizingGovernment.org, where the Cato Institute has begun posting the results of our page by page, line by line review of the federal budget. With the Constitution as our guide, we’ve identified scores of agencies to eliminate and programs to zero out, putting America on the path toward fiscal sanity.

Education Subsidies

Education is a state, local, and private matter—and that’s where the Constitution left it. Federal K-12 education programs have cost American taxpayers \$1.85 trillion since 1965 without noticeably improving outcomes. Eliminating them will save **\$40 billion annually**.

Farm Subsidies

Far from “saving the family farm,” federal agricultural subsidies are environmentally destructive corporate welfare, with more than 70 percent of aid going to the largest 10 percent of agribusinesses. Zeroing out farm welfare will save **\$25 billion annually**.

Military Overreach

The Constitution envisions a U.S. military that “provide[s] for the common defence” of the United States, not one that serves as the world’s policeman and nation-builder. By withdrawing our troops from Iraq and Afghanistan, we could save at least **\$125 billion next year**. Eliminating other unnecessary overseas missions would allow for a leaner force structure and defense budget, saving at least **\$100 billion a year** without undermining U.S. security.

Transportation Programs

The federal government has no business funding the state and local projects that make up the bulk of federal transportation spending. Federal involvement results in pork-barrel spending, excess bureaucracy, and costly one-size-fits-all regulations. Moving funding for activities such as highways to the states and air traffic control to the private sector would spur greater innovation while also saving **\$85 billion a year**.

Housing Subsidies

Federal interference in housing markets has done enormous damage to our cities and the economy at large. HUD subsidies have concentrated poverty and fed urban blight, while Fannie Mae and Freddie Mac stoked the financial crisis by putting millions of people into homes they couldn’t afford. Getting the government out of the housing business will save **\$45 billion annually**.

Federal Worker Pay

Federal workers enjoy far greater job security than their private-sector counterparts—and far better total compensation: an average of \$120,000 a year in wages and benefits. Cut federal compensation by 10 percent to save **\$20 billion annually**.

Energy Subsidies

The 30-year legacy of federal energy subsidies is replete with corporate cronyism and failed “investments.” Entrepreneurs with their own capital have incentives to develop viable alternative energy sources. Ending federal energy subsidies would save **\$20 billion a year**.

Government-run Health Care

Medicare and Medicaid are driving the explosion in federal debt. The 2010 health care law should never have been passed. The same level of Medicare cost savings could have been realized by moving to a consumer-driven health plan through vouchers, which would protect the elderly from government rationing. Medicaid should be converted to a fixed block grant to save money and encourage state innovation. Total savings would be more than **\$1 trillion** over the next decade.

Drug War

Since the start of the federal War on Drugs in 1970, we’ve spent hundreds of billions on a futile crusade that’s done little to curb drug use and much to impair our civil liberties. In fact, a Cato study showed that Portugal’s decriminalization of drugs actually lowered drug-related problems. Returning drug policy to the states—where it belongs—would save at least **\$15 billion annually**.

Social Security

As the Baby Boom generation retires, our largest entitlement program lurches toward crisis. Social Security should be phased out as a mandatory program and an alternative voluntary system of private accounts, providing for ownership and inheritability, should be offered. Current obligations can be reduced by tying annual benefit growth to price inflation rather than wage growth, saving **\$50 billion annually** by 2020.



Visit DownsizingGovernment.org for a free download of the Cato Institute’s acclaimed book *The Struggle to Limit Government*.

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Mr. BILBRAY. Thank you very much.

STATEMENT OF PATRICK L. KNUDSEN

Mr. KNUDSEN. Thank you, Mr. Chairman. My name is Patrick Louis Knudsen. I am the Grover M. Hermann Senior Fellow in Federal Budgetary Affairs at The Heritage Foundation. I should mention in the interests of full disclosure that until just recently, I was the Policy Director of the House Budget Committee here, a position I held for 20 years. My remarks should not be construed as expressing any official position of The Heritage Foundation.

That said, I would like to take a slightly different angle on this subject and attempt to put it in context, a context that all the committee members are aware of, because this discussion about terminations and reductions and so on comes in the midst of a budget that is really wildly out of control, as Chairman Stearns mentioned earlier. If I may recite a few facts that I am certain all of you are familiar with but they bear repeating.

Fiscal year 2011 was the third consecutive year with a budget deficit in excess of a trillion dollars. Debt held by the public is about three-fourths the size of the entire economy right now and growing. It can't be said often enough that three entitlement programs—Medicare, Medicaid and Social Security—are in the process of swallowing up the entire budget. All three are growing more rapidly than the economy, more rapidly than inflation, and those of you who wish to protect these programs need to be aware of that because they cannot be sustained at that level. They will collapse under their own weight. By 2005, those three programs alone will absorb all the tax revenue the government collects, if historical patterns hold. That means you will be borrowing every year for such other interesting activities as defending the country.

Now, in this vein, the administration's discretionary terminations and reductions amount to less than 2 percent of the cap in the Budget Control Act. They are barely more than 1 percent of the projected deficit for 2012, and they are only about one-half of 1 percent of projected total spending in 2012. All of that is just context setting, and I say that not to dismiss the discussion that is going on here today or the practice of submitting terminations and reductions and so on but simply to recognize that this is the bare minimum of what administrations and Congresses need to be looking at. You should be able to adopt these kinds of proposals on an annual basis just as a starting point to get this fiscal situation under control because the things I just described represent a crisis. I believe there is no exaggeration in saying that.

Now, that said, there are a number of tools that the President and Congress do already have and could use to get spending under control. The President does have a veto. President Bush was criticized for not using vetoes of spending bills often enough, and that criticism may have been fair. It could be leveled at President Obama as well. As far as I know, he has vetoed one appropriations bill and that was because it didn't spend enough.

Congress also can apply spending caps, and right now you are facing a cap in the Budget Control Act. I would urge you most strenuously to stick with it and if possible reduce spending even below that level, because remember, the savings you are talking

about under that cap are savings from a baseline that inflates every year, so they are really just savings from an illusion of projected spending.

Other items you could look at are unauthorized appropriations. Every year the Congressional Budget Office submits a report of appropriations that have lost their authorizations or whose authorizations are to expire by the end of that fiscal year. This year's report identified \$42 billion worth of non-defense programs whose authorizations were to run out on September 30. To my knowledge, all those programs have still been financed in the continuing resolution. You could easily make a rule that any program that loses authorization does not get funded anymore, and then you would have to justify restoring the program. That, it seems to me, is a more valuable approach than having to justify cutting a program. There are other recommendations in my written testimony that I would invite you to look at.

What I would conclude by saying is, from time to time in my years at the Budget Committee, I would hear members complain that they spent all their time on the budget. I have two responses. And if you did the things I am recommending, you would be spending even more time on the budget. But I have two responses to that complaint. The first is, if you believe as I do that budgeting truly is governing, then budgeting is an exercise of your fundamental responsibilities and I would think you would relish the opportunity.

Second, and far more important, considering the very real spending and debt crisis this country faces, I would hope every one of you and every one of your colleagues in the House and Senate would spend every minute of your time on the budget until you get it under control because the stakes are very real and the future of the country may very well be in your hands. Thank you.

[The prepared statement of Mr. Knudsen follows:]



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CONGRESSIONAL TESTIMONY

The Imperative of Spending Control

**Testimony before
The House Energy and Commerce Subcommittee on
Oversight and Investigations**

October 5, 2011

**Patrick Louis Knudsen
Grover M. Hermann Senior Fellow
in Federal Budgetary Affairs
The Heritage Foundation**

Overview

- This hearing is precisely the kind of activity that should be going on much more broadly and regularly in Congress: budget oversight. Year after year, Congresses create new programs and expand government activities, but rarely go back to review how those things are working. Consequently, programs that are ineffective, inefficient, bloated, obsolete, or just plain unnecessary gain immortality—while Congress looks the other way. This hearing is a refreshing departure from that pattern, and some of my recommendations today aim at making it a model for other committees—to make a routine of the process you are pursuing today, as one step toward breaking the culture of spending.
- First, however, it is necessary to put this discussion in context. While no serious efforts toward reining in government spending should ever be dismissed, the items under consideration today are—to be candid—the barest minimum of what Congress should be considering.
- Fiscal year 2011 was the third consecutive year with a deficit exceeding \$1 trillion. Debt held by the public is roughly three-fourths the size of the entire economy. It cannot be said often enough that three large entitlement programs—Medicare, Medicaid, and Social Security—are increasingly dominating both the budget and the economy. Social Security is projected to grow at an average annual rate of 5.8 percent starting in 2013; Medicare at 6.3 percent; and Medicaid at 9 percent. By 2050, these three programs will by themselves absorb nearly one-fifth of total economic output, and all the historical annual average revenue intake of the federal government (18.2 percent of gross domestic product). It is no exaggeration to call this a crisis, and it must be addressed soon.
- The current Administration’s proposed discretionary terminations and reductions would total less than 2 percent of the fiscal year 2012 spending limit under the Budget Control Act, barely more than 1 percent of the projected deficit for 2012, and about one-half of 1 percent of total projected spending in 2012.
- The process of scouring the budget, line by line, searching for programs that can be struck out or reduced should be standard operating procedure for every administration and every Congress—something like what former Budget Committee Chairman Jim Nussle called “weeding the garden.” But that is just a fraction of what needs to be done to restore the fiscal health of the federal government.
- Second, Congress and the President should not ignore tools already available to control and reduce spending. If a President truly wants to cut spending, he or she has a powerful instrument called a veto. It is a broadsword, to be sure, and it can disrupt government activities; but that is exactly why it can be effective. Meanwhile, Congress should apply strong, enforceable caps on all spending—not

just discretionary. There is nothing like a firm limit on spending to get rid of waste and force choices among priorities.

- Other things Congress can do include (but are not limited to): (1) prohibit funding for any unauthorized appropriations; (2) amend federal laws that provide permanent or indefinite authorizations for federal programs or agencies; (3) close the “emergency” loophole; and (4) require 75-year projections of new programs to make clear the long-term impact of the Congress’s decisions. Such proposals have been around for years, even decades; it is just a matter of Congress acting on them.
- With regard to the specific matter of terminations and reductions, one way to institutionalize the practice would be to require such proposals in every President’s annual budget submission. Congress also could require administrations to formally account for the results of these proposals.
- Further, Congress itself should be engaged in the process. If the Administration is required to propose terminations and reductions, Congress should also be required to follow up with hearings such as this one. That would help promote the habit of spending reduction. Committees also should be required to account for how they dispose of any savings assumptions in the budget resolution. This does not mean committees have to adopt every budget proposal; but they should be required to consider them and respond.
- From time to time, Members of Congress complain they spend nearly all their time on the budget—and if you were to follow my recommendations here, that would be even truer. But I would say two things about that. First, if you believe, as I do, that budgeting truly is governing, then budgeting is the most fundamental exercise of your responsibilities. Second, considering the very real spending and debt crisis this country faces, I would hope all of you are willing to spend every minute of your time on the budget, until you get it sustainably under control. The stakes are as high as they have ever been, and the outcome truly does lie in your hands.

TESTIMONY

Mr. Chairman, Madam Ranking Member, and subcommittee members, thank you for inviting me to testify here today. My name is Patrick Louis Knudsen. I am the Grover M. Hermann Senior Fellow in Federal Budgetary Affairs at The Heritage Foundation. Prior to joining Heritage, I served for a bit more than 20 years as policy director at the House Budget Committee—a position I held until just recently. The views I express in this testimony are my own, and should not be construed as representing any official position of The Heritage Foundation.

Introduction

Spending control has never been more important than it is today. All of you are well aware of the extraordinary deficit and debt crisis the government faces; and although you may differ on the causes of this problem, and how best to solve it, surely you all agree it must be addressed. My own view is that the root problem is spending. It is spending that creates the need for taxes and borrowing, and so curtailing the growth of spending is indispensable for shrinking deficits and debt. Therefore, if a President offers credible proposals to reduce spending, Congress should give them serious consideration.

In light of today's immense budget challenge, this hearing—which amounts to budget oversight—is precisely the kind of activity that should be going on much more broadly and regularly in Congress. Year after year, Congresses create new programs and expand government activities, but rarely go back to review how they are working. Consequently, programs that are ineffective, inefficient, bloated, obsolete, or just plain unnecessary gain immortality—while Congress looks the other way. This hearing is a refreshing departure from that pattern, and some of my recommendations today aim at making it a model for

other committees—to make a routine of the process you are pursuing today, as one step toward breaking the culture of spending.

Similarly, over the years various administrations have proposed terminations and reductions, and in some cases have done so repeatedly. But there tends to be inadequate follow up, unless the administration chooses to report the results. During the Bush Administration, only once, in 2005, did the Administration present a summary of what had happened with its recommendations. The Obama Administration has summarized the results of its proposals annually, but it may be difficult to confirm those accounts independently. In any case, all too often the recommendations end up just collecting dust on a shelf somewhere.

Moreover, the current Administration's proposals are deeply inadequate, considering the more than trillion-dollar deficits the government is running these days.

While your interest is mainly on the programs and agencies within your jurisdiction, mine is on the budget in general. Consequently, I view what you are doing as a potential model for other committees, and as a practice that should become a regular part of the budget process. My recommendations today, therefore, speak to that broader subject.

The Depth of the Budget Crisis

Before describing those recommendations, however, I feel obliged to put this discussion in context. One should not dismiss any earnest effort to cut government spending. But to be candid, the amounts under consideration here today pale in comparison to the huge spending and deficit crisis the government faces. Fiscal year 2011 was the third consecutive year with a deficit exceeding \$1 trillion. Debt held by the public is roughly three-fourths the size of the entire economy. It cannot be said often enough that three large entitlement programs—Medicare, Medicaid, and Social Security—are increasingly dominating both the budget and the economy. Social Security is projected to grow at an average annual rate of 5.8 percent starting in 2013; Medicare at 6.3 percent; and Medicaid at 9 percent. By 2050, these three programs will by themselves absorb nearly one-fifth of total economic output, and all the historical annual average revenue intake of the federal government (18.2 percent of gross domestic product). It is no exaggeration to call this a crisis, and it must be addressed soon.

The Administration's proposed discretionary terminations and reductions would total about \$18 billion.¹ That is not an insignificant figure. But it represents less than 2 percent of the fiscal year 2012 spending limit under the Budget Control Act, barely more than 1 percent of the projected deficit for 2012, and about one-half of 1 percent of total projected spending in 2012. The previous Administration in 2005 proposed \$15.8 billion in terminations and reductions—slightly more than one-half of 1 percent of total spending that year.

¹Office of Management and Budget, *Fiscal Year 2012 Terminations, Reductions, and Savings: Budget of the U.S. Government*, at <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf> (October 4, 2011).

Now, to offer another contrast. During a previous Congress, the House Budget Committee Chairman proposed a list of discretionary spending reductions totaling \$100 billion over 5 years, or about \$20 billion a year. The year was 1995, when total federal spending was about \$1.5 trillion—less than half of what it is today.

Again, this is not to dismiss any serious spending reduction efforts. It is simply a reminder that these are very small steps compared to the huge challenge Congress faces. Proposing terminations and reductions in government programs should be standard operating procedure, but far more needs to be done to restore the government's fiscal health.

Use the Tools Already Available

Second, while you are examining ways to make the process more transparent and credible, bear in mind that nothing can substitute for real action to reduce spending—and there are mechanisms already available, on both ends of Pennsylvania Avenue.

One is the President's veto. If a President really wants to terminate or reduce specific programs, he or she can prove it with a veto of any bill that fails to do so. During the current Administration, the President has vetoed only one appropriations bill—and that was because the bill did not spend enough. President Bush vetoed only two appropriations bills in eight years—and only once because a bill spent too much.² The veto may be a blunt instrument, and may threaten to disrupt government services. But if a President really wants spending reductions, the veto is a way to get them.

Another tool is spending caps. If you are trying to eliminate unnecessary spending, or force choices of priorities, placing a firm limit on how much you can spend—and sticking with it—is a fine way to do it. These caps must be enforceable, and should apply to all spending, not just discretionary.³

Here are some other steps:

- 1) **Unauthorized Appropriations.** Every year, the Congressional Budget Office publishes a report on appropriations for programs whose authorizations have expired. The most recent report, published in January this year, reflects \$42 billion worth of non-defense appropriations whose authorizations were to expire on September 30.⁴ These programs are being funded through the continuing resolution. The budget law

²See Kevin R. Kosar, *Regular Vetoes and Pocket Vetoes*, Congressional Research Service, October 18, 2010, at <http://www.fas.org/sgp/crs/misc/RS22188.pdf> (October 4, 2011).

³See Brian M. Riedl and Alison Fraser, *Four Principles of Budget Process Reform*, Heritage Foundation Backgrounder No. 1746, April 8, 2004, at http://s3.amazonaws.com/thf_media/2004/pdf/bg1746.pdf (October 4, 2011).

⁴Congressional Budget Office, *Unauthorizations Appropriations and Expiring Authorizations*, January 2011, at http://www.cbo.gov/ftpdocs/120xx/doc12044/01-14-UAEA_Approps.pdf (October 4, 2011).

should be amended to strictly prohibit appropriations for such programs. Then Congress would have to reconsider these authorizations and decide whether they should continue. That would force a regular review that could help weed out the obsolete, the unnecessary, and the ineffective.

- 2) **Permanent Authorizations.** A similar idea that Heritage has recommended in the past is to “amend existing laws that provide permanent or indefinite appropriations for federal agencies or programs (including entitlement programs).”⁵ Again, this would force a regular review of these programs, providing opportunities to eliminate or reduce those that deserve it.
- 3) **Emergencies.** Congress also should close the emergency loophole. Every year there are weather events or wildfires that require immediate funds for relief. The specific events obviously are not predictable—that is what makes them emergencies. But the fact that such events will occur is entirely predictable, and, for the most part, even a ballpark estimate of what they will cost. Various budget process reform bills and budget resolutions have proposed creating a kind of rainy-day fund for such events. Implementing this idea would prevent Congress from exploiting such must-pass bills as vehicles for other non-emergency spending. Clearly, an extraordinary event such as Hurricane Katrina might be an exception to this idea. But even in those cases, Congress could try to offset at least part of the cost. More recently, in the continuing resolution, there were Members who actually defended their refusal to offset less than \$1 billion for the Federal Emergency Management Agency (FEMA) disaster relief fund for fiscal year 2011. One Member even said such offsets would be a “radical departure” from past practice. But perhaps such a radical departure is exactly what is needed.
- 4) **Long-Term Projections.** As described in a Heritage Foundation backgrounder earlier this year: “To make the budget process more visible, understandable, and accountable to the American people, Congress should estimate and publish the projected cost over 75 years of any proposed policy or funding level for each significant federal program.”⁶

Breaking the Culture of Spending

Those things said, even small proposals to reduce spending deserve serious consideration. To that end, certain budget procedures, built on transparency and accountability, can reinforce efforts at spending control. Developing some deliberate and systematic method of tracking termination or reduction proposals would help change the culture of spending in Washington. The current Congress has taken valuable steps toward reversing the

⁵David S. Addington, “Don’t Raise the Debt Limit Without Getting Spending Under Control,” Heritage Foundation *Backgrounder* No. 2549, April 21, 2011, at <http://www.heritage.org/Research/Reports/2011/04/Dont-Raise-the-Debt-Limit-Without-Getting-Spending-Under-Control>.

⁶Addington, “Don’t Raise the Debt Limit Without Getting Spending Under Control.”

inertia that tends to make government programs immortal, and keeps spending rising. But that zeal comes and goes from Congress to Congress; it is necessary to find ways to make it permanent.

The ideas I am suggesting here may sound technical, and they fall in the arcane realm of budget process (which the House Budget Committee is currently exploring). But they boil down to a fairly simple premise: How to make a regular practice of the kind of oversight taking place here today? The principal aim is to make specific program terminations and spending reductions a regular part of the budget discussion—and to hold the administration, and yourselves, accountable for the outcomes.

Building on the Bush Administration Model

The subcommittee staff has pointed to a December 2005 publication by the Bush Administration titled, *Major Savings in the 2006 Budget: Results*.⁷ It describes what happened with 154 terminations or reductions in non-defense discretionary programs the President proposed in his fiscal year 2006 budget. To my knowledge, this is one of the few examples of a follow-up to such recommendations. It contains a good deal of useful information. It provides summaries of proposals that were accepted, in whole or in part, and the savings amounts involved. It gives a breakdown by agency. It also gives an item by item presentation. This is a fine model for the kind of accounting an administration could conduct regularly. One useful addition might be an assessment of recommendations that were *not* accepted.

To make this a regular and more meaningful practice, Congress should find some means of requiring it; and one good way to do that is to put it into law. As one example, Congress could modify Chapter 11 of Title 31—which identifies required contents of the President’s budget—to add (1) that the President’s budget should regularly include programs recommended for termination or reduction; and (2) that the budget also include an accounting of the disposition of proposals made in the prior year’s budget submission. That would make this procedure—having the administration recommend terminations and reductions, and accounting for the results—a regular, annual practice. Surely this would be reasonable even if the budget were in balance. After all, with the thousands of programs operating in the government, there must be plenty that can be reduced or terminated because they are unsuccessful or inefficient, or have served their purpose; it is a practice former Budget Committee Chairman Jim Nussle would compare to weeding the garden. Just as surely, the Office of Management and Budget has all the data it needs to identify and track these proposals.

An additional option would be to amend the Budget Act to require all committees of jurisdiction to account for how they disposed of the President’s termination recommendations. Committees already are required to report Views and Estimates; this would be an expansion of that concept. The requirement could be satisfied either through oversight hearings such as this one, or by reports submitted to the Budget Committee, and

⁷Executive Office of the President, *Major Savings in the 2006 Budget: Results*, December 22, 2005, at <http://hotlineblog.nationaljournal.com/save2.pdf> (October 4, 2011).

made available to the public. The main point is to induce the committees of Congress to follow through with these proposals in some respect—much as this subcommittee is doing today. Again, the point is to break the culture of spending, and replace it with a constant, regular practice of seeking out programs that can be terminated or reduced.

Applying Similar Practices to Congress

Another useful step would be for Congress to apply similar disciplines to itself, by requiring more deliberate responses to the budget resolution.

This year's House budget resolution assumed a broad range of significant policy reforms—including some for Medicare and Medicaid that would matter to this committee. But the budget contained no reconciliation instructions, and so no committee was compelled to address the proposals one way or another.

It has long been a frustration among budgeteers—and I am one of them—that when the Budget Act was adopted in 1974, it created a weak budget resolution. Stripped down to its essentials, the resolution really consists of nothing more than a few broad numbers backed by a handful of enforcement mechanisms that can be waived fairly readily. Any assumptions underlying the budget levels are nothing more than illustrative; they are merely the Budget Committee's recommendations. Even if reconciliation is applied, compelling committees to meet specified savings targets, the policies chosen are entirely up to the authorizing committees.

Of course, that arrangement came about deliberately: Authorizing committees did not want to cede their authority to this new entity of the Budget Committee. But the regrettable outcome is that proposals incorporated in the budget resolution can simply be ignored—and all too often are.

So my suggestion is this: Create a requirement that, before the start of the new fiscal year, committees of jurisdiction must report how they disposed of proposals in the budget resolution—or what alternative policies they applied to meet their allocations. Again, this should be a regular practice, and it could be achieved with a modest amendment to the Budget Act. The proposal does not force committees to accept specific policy recommendations in the budget. It requires only that they account for how they responded, so they cannot simply ignore the budget that has passed in the Chamber. I believe this would strengthen the meaning of the budget resolution itself, and would increase accountability on the part of committees.

Summary

From time to time, Members of Congress may complain they spend nearly all their time on the budget—and if you were to follow my recommendations here, that would be even more true. But I would say two things about that. First, if you believe, as I do, that budgeting truly is governing, then budgeting is the most fundamental exercise of your responsibilities. Second, considering the very real spending and debt crisis this country

faces, I would hope all of you are willing to spend every minute of your time on the budget until you get it sustainably under control. The stakes are as high as they have ever been, and the outcome truly does lie in your hands.

Mr. BILBRAY. Thank you.

STATEMENT OF VERONIQUE DE RUGY

Ms. DE RUGY. Chairman Stearns, Ranking Member DeGette and members of the subcommittee, thank you for the opportunity to testify today about the President's promise to review the Federal budget line by line and eliminate programs we don't need. My name is Veronique de Rugy. I am a Senior Research Fellow at the Mercatus Center at George Mason University, where I study tax and budget issues.

The goal to conduct an exhaustive review of the Federal budget and seek to eliminate wasteful spending is not only worthy of Presidential and Congressional attention, it should actually be your highest priority and taxpayers' too. It is hard to overestimate the harm caused by the current Congressional spending pattern and the economic damage caused by the misallocation of capital and the creation of perverse incentives. However, while the idea of putting an end to wasteful spending makes for great speeches and interesting headlines, waste as defined by the President is only a small portion of the overall wasted taxpayers' dollars. Depending on your point of view, concepts like waste or even inefficient spending means something different to each Member of Congress, each taxpayer and the President.

Today I would like to go over guiding principles that I recommend be used to produce an effective review of government spending. There are four.

First, Congress and the President should eliminate overt waste, the low-hanging fruit, so to speak, such as duplicative programs and overpayments. Taxpayers are currently paying for 47 job training programs, and according to the GAO, it spends \$125 billion in improper payments.

Second, Congress and the President should eliminate spending for programs that don't measure the performance of the program they manage. Take the Small Business Administration, for instance. It only measures its performance by measuring how much it spends to guarantee loans. Instead, it should measure whether these loans are actually growing the economy. If it did, it would realize that this program isn't as relevant as one thinks, and that it isn't even fulfilling its stated mission.

Third, Congress and the President should eliminate spending for programs that should be provided by the private sector. Having the government run businesses such as Amtrak and oversee infrastructure such as the air traffic control system is not just inefficient, it also hinders economic growth and costs taxpayers money while providing low-quality services to customers.

Fourth, Congress and the President should eliminate spending on functions in the purview of the States. President Reagan wrote that federalism is rooted in the knowledge that our political liberties are best assured by limiting the size and scope of the national government. Sadly, Congress has ignored this advice and is now spending \$500 billion in grants to the States for activity that it has no legal or practical reason to be involved in such as healthy marriage promotion and museum professional training grants. This is inefficient and it creates an unacceptable lack of accountability.

What is more, when lawmakers are busy running State and local and private affairs, they have less time to oversee Federal agencies and focus on critical national issues such as defense or security.

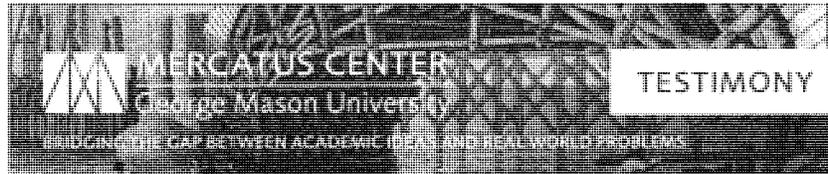
Outlining these principles is a necessary condition to conduct an effective line-by-line review of the Federal budget that would get rid of the wasteful spending that plagues our government and our economy. Make no mistake, there is absolutely no excuse for government and the President to allow such large amounts of wasteful spending to continue year after year.

This is exceptionally shocking considering numerous programs have already been identified as wasteful, inefficient, or duplicative by Congress, OMB, and the GAO, as well as scholars, think tanks and universities. Their work should help facilitate Congressional oversight of the effectiveness of government programs and operations yet they are being ignored. So obviously there are a lot of questions still unanswered about how to enforce this principle and how to actually achieve real budget cuts. I mean, I don't know what this budget process is if in the end programs that have been identified as wasteful are still getting money and are being funded. Understanding that there are certain things that only the Federal government can do and that there are things that the government shouldn't do will guide the review process and help make hard decisions about where to cut spending.

I have one final thing to add. It is key that all spending be on the table. Congress needs to make sure that no areas of the budget are untouchable, not entitlements, not defense. All parts of the budget must be on the table for review and potential cuts. With this guiding principle in mind, Congress and the President will be able to start making the difficult spending priorities that they need to make and the American people will start having confidence in their future and confidence in the way that the Federal government spends its money.

Thank you for the opportunity to testify before you today, and I am looking forward to your questions.

[The prepared statement of Ms. de Ruyg follows:]



**ADMINISTRATION EFFORTS ON LINE-BY-LINE BUDGET REVIEW
OCTOBER 5, 2011**

Veronique de Rugy, PhD
Senior Research Fellow, Mercatus Center at George Mason University¹

United States House of Representatives, Energy and Commerce Committee
Subcommittee on Oversight and Investigations

The United States' deep and structural financial imbalances are the result of decades of overpromising and overspending. With a near-stagnant economy, an already heavy debt burden, and the looming explosive growth of programs such as Medicare, Social Security, and Medicaid, Washington must take immediate, significant steps to get spending under control. If it does not, Americans will face very real and very painful economic and fiscal consequences.

During the 2008 presidential campaign, then candidate Obama promised to streamline Washington so that it would work in tough economic times. To achieve this, he would "conduct an exhaustive line-by-line review of the federal budget and seek to eliminate government programs that are not performing and demand that new initiatives be selected on the basis of their merits, not through a political process that rewards lobbyists and campaign donors."²

After his election, President-elect Obama underscored this pledge, declaring:

In these challenging times, when we are facing both rising deficits and a sinking economy, budget reform is not an option. It is an imperative. We cannot sustain a system that bleeds billions of taxpayer dollars on programs that have outlived their usefulness, or exist solely because of the power of a politicians, lobbyists, or interest groups. We simply cannot afford it. This isn't about big government or small government. It's about building a smarter government that focuses on what works. That is why I will ask my new team to think anew and act anew to meet our new challenges...We will go through our federal budget—page by page, line by line—eliminating those programs we don't need, and insisting that those we do operate in a sensible cost-effective way.³

President Obama solidified this mission in his first budget proposal, stating:

The President believes that we should be investing taxpayer dollars in efforts and programs with proven records of success and reallocating or cutting programs that do not

¹ The ideas presented and opinions expressed in this document are the author's and do not represent official positions of the Mercatus Center or George Mason University.

² Barack Obama, *Blueprint for Change: Obama and Biden's Plan for America* (Chicago: II: Obama '08, 2008), 20, http://www.wobook.com/WB_Y0WV4Gf7W-20.

³ Barack Obama, news conference, November 25, 2008, <http://www.clipsandcomment.com/2008/11/25/transcript-barack-obama-news-conference-the-economy-november-25-2008>.

work or whose benefits are not worth their cost. To this end, the Administration has begun an exhaustive line-by-line review of the Federal Budget, the first stage of which will be partially reflected in the spring release of the full FY 2010 Budget and will continue in subsequent years.⁴

The president was right. Unfortunately, little evidence suggests that the president's promise has been realized. However, if Congress and the Administration replaced the institutional incentives that sanction—perhaps even promote—waste and inefficiency with institutional incentives that encourage the prudent stewardship of taxpayer dollars, the promise could become a reality. To this end, this testimony highlights guiding principles and goals for a line-by-line review with which the agencies can assess which programs must be eliminated.

GUIDING PRINCIPLES FOR A LINE-BY-LINE REVIEW

Eliminate the low-hanging fruit of wasteful spending

Some wasteful spending is so obvious that it is hard to understand how it continues year after year. The federal government wastes money when it funds programs that duplicate another program or function, such as the 47 job training and 56 financial literacy programs that exist throughout the federal government.⁵ The federal government also loses a considerable amount of money to overpayments or improper payments, such as those made by the Department of Health and Human Services, which estimates it made \$48 billion in Medicare improper payments in fiscal year 2010.⁶ Congress and the Administration must take immediate steps to eliminate this obviously wasteful spending.

Eliminate programs that do not demonstrate or even measure their own impact

There is a troubling tendency among agencies to poorly, if ever, measure the performance of the programs they manage. Agencies often fail to identify the goal a program is supposed to achieve or the need the program is supposed to address, and they infrequently conduct rigorous cost benefit analyses that assess whether there are any legitimate reasons to continue spending taxpayers' dollars.

Take the Small Business Administration for instance. It has been often noted that the agency does not collect any outcome-based information on its loan guaranteed programs, such as the 7a loan, and "none of the measures link directly to the SBA's long-term objectives."⁷ In other words, the SBA touts the benefits of its 7a loan program by reporting how much money the agency spends on it, a true measurement of the performance of SBA loans should include the loans' effects on economic growth. It is possible, for instance, that even though a large share of SBA borrowers default on their loans, thus costing taxpayers money, the economic growth triggered by the other borrowers compensates for the losses. In other words, taxpayers are left in the dark about the performance and economic impact of SBA loans.

If a program cannot be bothered to measure its impact or if cannot demonstrate it is having an impact, it should not exist. Agencies should eliminate any such programs.

Eliminate spending on goods and services that the private sector should provide

⁴ Barack Obama, *A New Era of Responsibility: Renewing America's Promise* (Washington, DC: U.S. Government Printing Office, 2009), 34, <http://www.washingtonpost.com/wp-srv/politics/budget2010/fy10-newera.pdf?hpid=topnews>.

⁵ Senator Tom Coburn, Table: "Duplication in Federal Programs" in "Back in Black" (deficit reduction plan, Senator Tom Coburn), 29, http://coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=bc1e2d45-ff24-4ff3-8a11-64e3dfbe94e1.

⁶ Government Accountability Office Auditor's Report, "Improper Payments: Reported Medicare Estimates and Key Remediation Strategies," GAO-11-842T July 28, 2011 <http://www.gao.gov/new.items/d11842t.pdf>

⁷ Government Accountability Office, *Small Business Administration: 7(a) Loan Program Needs Additional Performance Measures*, GAO-08-226T, November 1, 2007, <http://www.gao.gov/new.items/d08226t.pdf>.

Economic theory suggests that just as governments provide public goods more efficiently than the private sector would, private markets provide non-public goods—especially commercial ones—more efficiently than the government does. Unfortunately, according to OMB, about half of all federal employees perform tasks that are not “inherently governmental.”⁸ Having the government run businesses—such as Amtrak—and oversee infrastructure—such as the air traffic control system—is not just inefficient, it hinders economic growth, wastes taxpayers’ money, and results in lower-quality services to customers.⁹ The government should eliminate spending on goods and services that the private sector should provide.

Eliminate spending on programs and activities best provided by state and local governments

Just as the federal government is not the best-suited entity to deliver services that the private sector should deliver, it also is not the best entity to provide public goods better delivered at state or local levels.

Take the protection of the United States. In theory, the protection of the country against international enemies is a public good. Yet the federal government should not provide all of the protections. The federal government should invest in areas that have national scope, such as espionage, intelligence, and immigration control. But the protection of public infrastructure—such as bridges and water treatment plants—that benefit the residents of a particular state or locality should fall to the state or local government.¹⁰

Unfortunately, in recent history, the federal government has expanded its reach and taken over many state functions.¹¹ This confusion over federal versus state authority extends to spending on programs in areas such as education, transportation, and homeland security. As I have documented in detail during my testimony before the House Committee on Oversight and Government Reform, federal spending on programs that should be the responsibility of the state and local governments spurs wasteful spending and should be eliminated.¹²

CONCLUSION

The federal government wastes a lot of money. Thus the president’s promise to go through the budget line-by-line to identify and eliminate such spending is welcome.

Unfortunately, government agencies have little incentive to engage in such an effort. That is why Congress and the Administration must outline some clear goals and principles that agencies could follow to identify obsolete, mismanaged, or otherwise dysfunctional programs for elimination. Such principles are a necessity for the effective implementation of the president’s promise: the line-by-line budget review will not be able to take place without them.

⁸ Chris Edwards, “Privatization” at Downsizing the Federal Government, February 2009, <http://www.downsizinggovernment.org/privatization>.

⁹ Dong Fu, Lori L. Taylor, and Mine K. Yücel, “Fiscal Policy and Growth” (Federal Reserve Bank of Dallas Working Paper 0301, January 2003), 10.

¹⁰ Even if there might be adverse effects throughout the economy if a specific bridge were to be destroyed, the principal economic impact of such an unfortunate event would be felt primarily locally.

¹¹ See Executive Order 12612, 3 CFR 252 (1988) <http://www.archives.gov/federal-register/codification/executive-order/12612.html>.

¹² Veronique de Rugy, “Wasteful Spending Does Not Stop at Earmarks and Overpayments.” Testimony before the House Committee on Oversight and Government Reform, February 17, 2011, <http://mercatus.org/publication/wasteful-spending-does-not-stop-earmarks-and-overpayments>.

Mr. BILBRAY. Thank you.
Mr. Moylan.

STATEMENT OF ANDREW MOYLAN

Mr. MOYLAN. Acting Chairman Bilbray and Ranking Member DeGette, members of the subcommittee, thank you for the opportunity to testify on behalf of the American taxpayer regarding the important issue of reviewing the Federal budget to identify waste. My name is Andrew Moylan and I am Vice President of Government Affairs for the National Taxpayers Union, a nonpartisan citizen group founded in 1969 to work for lower taxes and smaller government at all levels. NTU is America's oldest nonprofit grassroots taxpayer organization. We have over 362,000 members nationwide in every single State and most of the territories, as well, including several dozen in the Virgin Islands.

I would like to sort of lighten the mood and start with an old joke that our budget tells us what we can't afford but it sure doesn't keep us from buying it. Unfortunately, that has been true of Washington for far too long. Our current budget situation is bleak, and I want to point to two nuggets that I think are instructive. First, in the President's recent budget outline, the lowest single-year deficit in the coming decade is \$607 billion, a number higher in absolute terms than every annual deficit in our Nation's first 220 years and roughly equal, in inflation-adjusted terms, to our overspending in war-mobilized 1944. Additionally, while many in Congress have attributed the recent explosion in spending and resulting trillion-dollar deficits to crisis response due to a financial meltdown and a recession, the Federal government has actually seen deficits during 45 of the last 50 years, and we believe that this ought to give pause even to diehard Keynesians who believe that surpluses should be the norm in most economic growth cycles.

President Obama has repeatedly pledged to scour the budget line by line to eliminate waste, inefficiency and duplication. He and Senator McCain both made such a claim in a 2008 Presidential debate after which we joined with our friends at Citizens Against Government Waste to send a letter to the candidates offering our existing research and our ongoing assistance in completing that task.

Unfortunately, the tidal wave of red ink in our future suggests that a tremendous amount of work still remains. I want to give credit where it is due, however, and refer to a few areas in which the President has truly been a leader. First, the issue of billions of dollars in improper payments made by Federal agencies. From a 2009 Executive Order to the 2010 signing of the Improper Payments Elimination and Recovery Act, a bill that NTU strongly supported, the President has been a consistent and effective advocate. In addition, his administration's recent efforts to reinvigorate whistleblower protections will help to protect Federal employees that identify waste and fraud from professional retribution. We hope Congress will follow that lead by moving swiftly to pass the bipartisan Whistleblower Protection Enhancement Act.

While these efforts are laudable, there are still tremendous gaps that call into question the President's pledge. For example, the administration's most recent terminations, reductions and savings re-

port, which has been mentioned several times, laid out \$33 billion in suggestions to trim our deficit and was its most ambitious such effort to date, but still it represents just 2 cents out of every dollar that we currently borrow and less than 1 cent of every dollar that we spend. Surely, a comprehensive line-by-line review of the Federal budget did not determine that it operates at 99 percent efficiency.

A more specific complaint is that the President has not yet crafted a comprehensive replacement for the Bush administration's Program Assessment Rating Tool. While it was imperfect with complaints that its structure did not yield objective results, PART was actually a good start at evaluating program performance and deserved to be improved and expanded upon, not ended.

In order to further the debate on wasteful spending, we joined with the U.S. Public Interest Research Group to author a report called "Toward Common Ground: Bridging the Political Divide with Deficit Reduction Recommendations for the Super Committee." In it, we identified over 50 specific recommendations totaling more than \$1 trillion over the next decade for spending reductions. While we disagree with PIRG on a great many issues, we are united in the belief that we spend far too much money on programs that do not deliver results for taxpayers. For example, we are spending billions of dollars on things like export promotions for profitable corporations, excess spare parts orders for defense equipment and maintenance costs for thousands of unused or underutilized Federal buildings. Many of these items have been on budget watchdog lists for years and the opposition to these recommendations tends not to be primarily political or ideological in nature but rather parochial.

Some highlights of the joint findings with U.S. PIRG include \$215 billion in savings from eliminating wasteful subsidies, \$445 billion from ending low-priority or unnecessary military programs, \$222 billion in savings from improving program execution and government operations, and \$132 billion from commonsense reforms to entitlement programs.

We believe that the NTU/PIRG report demonstrates that reducing wasteful spending is not a question of right or left, it is a question of right or wrong, and we stand ready to assist this committee, the Congress as a whole and the President in the quest for a sustainable budget future, and I look forward to your questions.

[The prepared statement of Mr. Moylan follows:]



Statement of
Andrew Moylan
Vice President of Government Affairs
National Taxpayers Union

Prepared for
The Subcommittee on Oversight and Investigations
Committee on Energy and Commerce
United States House of Representatives

Regarding the Subcommittee's Hearing on
Administration Efforts on Line-by-Line Budget Review

Submitted October 5, 2011

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Introduction

Chairman Stearns, Ranking Member DeGette, and distinguished Members of the Subcommittee, thank you for the opportunity to testify on behalf of the American Taxpayer regarding the important issue of “line-by-line” review of the federal budget. My name is Andrew Moylan and I am Vice President of Government Affairs for the National Taxpayers Union (NTU), a non-partisan citizen group founded in 1969 to work for lower taxes and smaller government at all levels. NTU is America’s oldest non-profit grassroots taxpayer organization, with 362,000 members nationwide.

Few citizen groups in Washington can match NTU’s 42-year history of principled advocacy, which is why I hope you will find these comments on efforts to identify wasteful spending in the federal budget of value to the Subcommittee’s vital work. You can also find further research into these topics on our website at www.ntu.org.

The Spending Problem

In the past decade, under the direction of Presidents and Congressional leadership from both parties, our federal budget has expanded dramatically no matter what measure one consults. At the dawn of the new millennium in 2001, federal outlays were about \$1.8 trillion, a level below post-World War II averages at 18.2 percent of our economy. Through the middle of the decade, we saw an explosion in spending driven by such factors as the creation of a new cabinet-level Department of Homeland Security as well as increased expenditures on defense and education. By 2003, the modest spending discipline of the late 1990s had given way to federal outlays that now seem permanently fixed at or above the post-war average of 19.6 percent of GDP. Add in the more recent surge in so-called “crisis response” spending, such as the \$700 billion Troubled Asset Relief Program (TARP) of 2008 or the \$862 billion “economic stimulus” bill of 2009, and the picture grows even bleaker.

In 2011, President Obama submitted a budget request more than twice as large as in 2001, about \$3.8 trillion. As a percentage of our economy, this would set outlays at a level unseen since the era of full-scale war mobilization in the 1940s at roughly 25 percent. Perhaps most disturbing, our projected overspending problem of roughly \$1.4 trillion this year is about equal, in inflation-adjusted terms, to the *entirety* of federal receipts in 1985. Put another way, the part of the budget we actually have the money to pay for is, in real terms, roughly equal to the 2003 federal budget while the part that we have to go into debt to borrow is about as big as the 1985 federal budget.

The federal government has seen deficits during 45 of the last 50 years. This fact ought to give pause even to die-hard Keynesians, who believe surpluses should be the norm in most economic growth cycles. While NTU’s dedication to limited government would on its own lead us to conclude that this spending spree is unacceptable, sheer mathematics tell us that it is unsustainable. As of today, we are perilously close to the point where our country’s debt exceeds its economic output. This sad statistic places us in rare company – just slightly below countries already staggered by debt crisis (like Ireland) and just above countries thought to be under grave threat of one (like Portugal).

If corrective action isn’t taken soon, the United States could face its own debt calamity that would likely precipitate not only dramatic spending cuts but also massive tax hikes in very short order. If we are to have a sustainable fiscal future, this Congress and the President must

begin the hard work of reviewing the budget with an eye toward reducing spending and putting us back on a path toward balance.

President Obama's Record

It seems that every candidate for and holder of the Presidency in recent years has pledged to comb through the budget "line-by-line" to identify waste, inefficiency, and duplication. President Obama is no exception, having repeated the claim innumerable times both before and after his election. While his Administration deserves a modicum of praise for the efforts it has instituted to tackle bloated budgets, there is a tremendous amount of work still to be done before it can be said that the President has fully lived up to his commitment.

The Obama Administration has several achievements in the realm of budget review that are worth noting. The President has been a leader in addressing improper payments made by the federal government. From issuing an executive order in November 2009 to the signing of the Improper Payments Elimination and Recovery Act (IPERA) in July 2010, he has consistently made reducing improper payments a priority. IPERA, which NTU strongly supported, will likely save taxpayers billions of dollars in the coming years by preventing mistaken or fraudulent federal disbursements.

Another cause for at least some encouragement is the Administration's recent initiative to reinvigorate the whistleblower protection operation at the Office of Special Counsel, a policy which seeks to protect those who identify waste or fraud in federal agencies from retribution. The new effort includes plans for public outreach, better allocation of existing legal resources, and more aggressive leadership. Congress also has a role in the whistleblower process, one that can best be fulfilled by passage this year of the bipartisan Whistleblower Protection Enhancement Act (S. 743). We are hopeful that Congressman Issa of the Committee on Oversight and Government Reform will soon introduce companion legislation in this chamber.

In addition, the Office of Management and Budget compiled for publication a report identifying ways to streamline federal spending entitled "Terminations, Reductions, and Savings." The most recent version of the "TRS" study, which is far and away this Administration's most ambitious to date, totaled about \$33 billion in 2012. While it also unfortunately included thinly-disguised tax increases on disfavored industries as a method of "savings", the report represents perhaps the Administration's most comprehensive attempt at fulfilling its "line-by-line" pledge. That said, it should be noted that the TRS report has become a fixture in the budget process, one that predates President Obama's tenure, and the sum total of its recommendations still represent little more than two cents out of every dollar that makes up our staggering \$1.4 trillion deficit.

Despite the existence of some successes, there are also tremendous gaps in the Obama Administration's attempts to systematically review the budget. Perhaps the most obvious signal that the President has not completed a line-by-line review is the sheer size of his budget requests. The last official budget submission called for \$3.7 trillion in spending next year, with more than \$1.1 trillion of it borrowed, and expenditures as a percentage of our economy near post-war records. It strains credulity to claim that a comprehensive waste assessment could have been completed hand-in-hand with such a stunningly profligate budget outline.

The President has, through his subsequent actions, essentially admitted as much. He followed his February budget submission with an April speech where he laid out a new

“framework” that purportedly further trimmed spending by \$4 trillion over twelve years (though details of this new structure were never submitted for official review and scoring). During the subsequent debates over raising America’s debt ceiling, the President repeatedly cited the need to trim additional wasteful spending from future budgets and ended up signing a bill that would reduce the deficit by about \$2.4 trillion. These are not the actions of someone satisfied that his official budget submission had trimmed all excess fat from the federal books.

Further evidence of that mentality has come to light in the recent scandal over more than \$500 million in loan guarantees given to a now-bankrupt solar panel maker Solyndra. It appears that political pressure helped to push financially-questionable loans through the process and even helped to restructure Solyndra’s original terms when it became clear the company was on a path to disaster. NTU has worked for years with allies on the left and the right in opposition to various loan guarantee programs due precisely to the fears that politics, and not economics or market dynamics, can drive government investment decisions and leave taxpayers footing huge bills for failures.

A more specific complaint, however, is that the Obama Administration has not yet moved to replace the “Program Assessment Rating Tool” (PART), an effort to evaluate program performance undertaken by the Office of Management and Budget under President George W. Bush. Setting aside its shaky record on fiscal discipline, PART was one of the Bush Administration’s most laudable projects for its attempt at systematic review of the “bang for the buck” of myriad programs.

PART was somewhat controversial because it was created and operated almost entirely within the Executive Branch rather than in Congress, which of course still holds the purse strings necessary to fund or de-fund programs. There were also complaints that its structure did not yield objective results, but it was a good start that deserved to be revamped and improved, not ended. The Obama Administration has yet to announce any comprehensive replacement for this program. To be fair, the President’s campaign to cut waste along with the Administration’s commitment to implementing quarterly data-driven reviews mandated by the Government Performance and Results Act of 2010 are hopeful signs that worthy successors to PART may evolve. Yet, it is too soon to tell how quickly and fully these evaluative processes will become embedded in the bureaucracy’s institutional culture.

While NTU believes there is room for the President to do much more in terms of regular and thorough review of waste in the budget, the good news is that there is no shortage of outside groups willing and able to fill in the gaps.

A Cross-Ideological “Line-by-Line” Effort

Congress should begin with a thorough review of existing outlays to identify the “low-hanging fruit” of federal spending: the waste, inefficiency, and duplication that plague so many federal programs. The newly-created Congressional Joint Select Committee on Deficit Reduction, or Super Committee, will attempt to do some of this work by recommending at least \$1.2 trillion in deficit reduction over the next ten years. Toward that end, NTU has joined with the U.S. Public Interest Research Group (U.S. PIRG) to submit to the committee a report entitled “Toward Common Ground: Bridging the Political Divide with Deficit Reduction Recommendations for the Super Committee”. It contains more than 50 specific recommendations backed by credible sources which, if enacted in their entirety, would reduce spending by more

than \$1 trillion in the coming decade by eliminating wasteful and inefficient programs. I have included a copy of the report with my testimony.

While our two organizations have widely divergent views on the proper size and scope of our federal government, we are steadfast in the belief that Washington squanders billions of dollars every year on programs that do not serve the interests of the American people. We authored this joint report in an attempt to identify spending reductions that could be undertaken without fundamentally harming the core operations of the federal government, as either conservatives or liberals understand them.

The report lays out savings of up to \$214.9 billion by eliminating wasteful subsidies. These focus largely on agriculture supports, subsidies for energy production, and “corporate welfare” programs. For example, the Market Access Program has been on the lists of watchdog groups for years. It consumes taxpayer dollars to fund advertising and promotion in foreign countries for products of American companies, including McDonald’s, Nabisco, and Fruit of the Loom. American businesses should compete abroad by making excellent products, not by drawing upon taxpayer subsidies.

In addition, we identify up to \$444.8 billion in savings from recommendations to address outdated, inefficient, unnecessary, or developmentally troubled military programs. For example, the V-22 Osprey airplane has suffered from numerous schedule, management, cost, and production issues. Canceling it and replacing its functionality with a mix of other aircraft could save taxpayers \$15 billion.

Furthermore, we offer several suggestions to improve program execution and government operations for a potential savings of \$221.6 billion. These items include small programs like elimination of the “Abandoned Mine Restoration Program,” a \$1.23 billion funding stream which is unrestricted and often spent on unrelated projects. They also include high-dollar recommendations, such as reforming federal information technology management. This policy option, involving steps such as closing as many as 800 federal data centers and embracing innovative “cloud computing” approaches, could yield savings of \$160 billion. Of particular interest to this Committee are suggestions pertaining to energy policies, among them reductions in research best handled in the private sector and more aggressive reforms to rate-setting among Power Marketing Administrations.

Finally, we compile common-sense tweaks to our entitlement programs that could save a total of \$132.1 billion. While these recommendations do not delve into the extraordinarily important and necessary work of fundamental entitlement reform, there are suggestions for long-overdue changes like reducing excess Medicare payments that exist in “high cost” areas. When combined with other “no-brainer” changes, like empowering the Social Security Administration to recoup overpayments in disability programs, these suggestions can make a significant dent in our overspending problem before even getting to the more politically difficult questions on benefits and taxation.

Other Resources

While the joint report with U.S. PIRG is our most recent endeavor in federal budget restraint, it is by no means the only project from NTU seeking to identify wasteful spending. Our research affiliate, the National Taxpayers Union Foundation (NTUF), released a study last year, “Cleaning Up After the Stimulus: A Sweeping New A to Z Spending Cuts Plan”, which

designated a spending reduction candidate for each letter of the alphabet. In addition, NTUF analysts attempt to determine the spending impact of every piece of legislation introduced in Congress through its exhaustive BillTally program. In the process, they have compiled a long list of bills that would reduce spending if only Congress would take them up and act on them.

Though we are of course proud of our work, NTU is far from the only organization undertaking investigations of federal expenditures. Our friends at Citizens Against Government Waste have for years maintained a database of potential spending reductions that they call "Prime Cuts." In fact, our two organizations joined together during the Presidential debates in 2008 to offer then-candidates Barack Obama and John McCain of our resources and assistance in helping them complete a line-by-line review of the federal budget. That offer still stands today.

Conclusion

The arithmetic of our budget problems is elementary; it is the political calculus that has proven difficult. Though the results have been decidedly mixed thus far, the President and many Members of Congress have pledged to attack waste wherever it exists in the federal budget. NTU urges this Subcommittee, the Congress as a whole, and the President to begin a systematic review of our obligations with sharp eyes toward thrift and effectiveness. NTU and its members are ready to join you in these tasks – tasks whose completion will be vital to our very future as a nation. Thank you for the opportunity to submit this testimony.

Mr. STEARNS. Thank you.

Mr. Kalman, you are recognized for 5 minutes.

STATEMENT OF GARY KALMAN

Mr. KALMAN. Thank you, Mr. Chairman.

Chairman Stearns, Ranking Member DeGette and members of the subcommittee, I thank you for inviting me to testify today on behalf of the U.S. Public Interest Research Group, U.S. PIRG. U.S. PIRG, the federation of state PIRGs, is a nonprofit, nonpartisan organization that advocates and educates on matters to encourage a fair, sustainable economy, promote the public health and foster responsive democratic government.

As the Congressional Super Committee begins its search for \$1.2 trillion in deficit reductions, my organization was proud to partner with NTU, as Andrew had mentioned, to offer a set of recommendations to this committee and the bipartisan panel of more than \$1 trillion over 10 years of spending cuts and government reform with appeal from across the political spectrum.

How government collects and spends money is critically important. Tax and budgeting decisions are the most concrete way that government declares its public priorities and balances between competing values.

Unfortunately, budget-making rules and public laws about taxes and spending sometimes fail the public interest. U.S. PIRG advocates for improvements in fiscal policy to stop special interest giveaways, increase budget transparency and accountability, eliminate waste and ensure that subsidies and tax breaks serve the public. Public money should be spent for the most effective pursuit of clear public benefits or to encourage beneficial behaviors undervalued by the market. Budgeting should be open, accountable and follow long-term planning.

Our September 2011 report with National Taxpayers Union, "Toward Common Ground", details the specific spending cuts, and a copy of the report has been included in our written testimony submitted for the record.

NTU and PIRG, as Andrew had mentioned, do not often agree on policy approaches to solving our Nation's problems. In recent high-profile debates around health care reform and oversight of the financial markets, the two groups proposed and advocated very different solutions. Even on a number of tax and budget issues, we often disagree. Here, we successfully identified programs that both Republican and Democratic lawmakers should recognize as wasteful and inefficient uses of taxpayer dollars.

In calling for this hearing, the committee asked about "identification of characteristics of Federal programs suggestive of waste, fraud and abuse." U.S. PIRG's approach to the spending cuts is guided by four principles. We cite these principles as an appropriate lens through which deficit reductions can be judged.

One: Oppose subsidies that provide incentives to companies that do harm to the public interest or do more harm than good. An example here is funding for biomass research and development. Large-scale agricultural production of corn and other crops used for biomass can accelerate problems caused by deforestation and compete with food production, raising prices globally.

Two: Oppose subsidies to mature, profitable industries that don't need the incentive. These companies would engage in activity regardless of taxpayer support. We would include in this category subsidies for dairy management, which among other things pays pizza chains to make and market extra-cheesy pizza. Companies like Domino's have both the incentive and the resources to develop their own products to meet consumer tastes without taxpayer handouts.

Three: We would support reforms to make government more efficient, and here examples include requiring the Department of Defense and the Veterans Administration to jointly purchase prescription drugs, saving more than \$6 billion over 10 years.

And finally, four, oppose subsidies where there is authoritative consensus to do so. By this, we mean strong independent agreement across the political spectrum that a program is wasteful where the agency or department itself receiving the funding has argued against it. Within Secretary Gates's recommended cuts, he included the expeditionary fighting vehicle. The Secretary of the Navy and the Commandant of the Marine Corps both agreed with the Defense Secretary's proposal.

These recommendations are specific, targeted, and name individual programs for reductions and elimination. We are long past the time for general references and rhetorical calls for attacking nameless and faceless programs that contain waste, fraud and abuse. This is the precise reason that U.S. PIRG does not support a—

Mr. STEARNS. Mr. Kalman, I need you to summarize, if you could.

Mr. KALMAN. I am sorry. We are just going to say that the precise reason we don't support across-the-board cuts is just that they don't differentiate between genuine waste and inefficiencies in the system. We believe that there are good programs. They need to be separated out from the waste that we identified in the report.

[The prepared statement of Mr. Kalman follows:]

Testimony of the
U.S. Public Interest Research Group

By
Gary Kalman

October 5, 2011

Line-by-Line Budget Review

Before the
United States House
Committee on Energy and Commerce
Subcommittee on Oversight and Investigations

The Honorable Cliff Stearns, Chair

Testimony of Gary Kalman, U.S. PIRG Federal Legislative Office Director
On
Federal Deficit Reduction Recommendations

October 5, 2011

Chairman Stearns, Ranking Member DeGette, and members of the committee I thank you for inviting me to testify today on behalf of the U.S. Public Interest Research Group -- U.S. PIRG.

U.S. PIRG, the federation of state PIRGs, is a nonprofit, nonpartisan organization that advocates and educates on matters to encourage a fair, sustainable economy, protect the public health, and foster responsive, democratic government.

As the Congressional "Super Committee" begins its search for \$1.2 trillion in deficit reduction, my organization, the U.S. Public Interest Research Group (U.S. PIRG), and the National Taxpayers Union (NTU) offer a set of recommendations to this committee and the bipartisan panel of more than \$1 trillion of spending cuts and government reforms with appeal from across the political spectrum.

How government collects and spends money is critically important. Tax and budgeting decisions are the most concrete way that government declares its public priorities and balances between competing values.

Unfortunately, budget-making rules and public laws about taxes and spending often fail the public interest in a number of ways. For instance:

- **Special-Interest Giveaways** – Subsidies and tax breaks are often granted on the basis of private influence or connections instead of their public merits.
- **Lack of Transparency and Accountability** – It is not possible to ensure that government decisions are fair and efficient unless information is accessible and officials can be held to task for their actions.
- **Wasteful and Counter-Productive Expenditures** – Resources too often get wasted or programs create incentives that are unwarranted or undesirable
- **Unfair Taxes** – Ordinary households bear an increasing burden while large corporations increasingly avoid paying their share.
- **Short-Sighted Decisions** – Laws and regulations often fail to address long-term consequences, instead deferring difficult decisions or opting for short-term "fixes" that can make

problems worse.

U.S. PIRG advocates improvements in fiscal policy to stop special-interest giveaways, increase budget transparency and accountability, eliminate waste, ensure that subsidies or tax breaks serve the public, and make taxes fairer.

Public money should be spent for the most effective pursuit of clear public benefits or to encourage beneficial behaviors undervalued by the market. U.S. PIRG believes that taxes should be fair, reliable, transparent, and guided by policy goals rather than political deal making. Budgeting should similarly be open, accountable, and follow long-term planning.

Our September 2011 report with the National Taxpayers Union, Toward Common Ground: Bridging the Political Divide with Deficit Recommendations for the Super Committee details more than \$1 trillion in specific spending cuts over ten years and a copy of the report has been included in our written testimony submitted for the record.

NTU and U.S. PIRG do not often agree on policy approaches to solving our nation's problems. On recent high profile debates around health care reform, oversight of the financial markets and energy policy, the two groups proposed and advocated very different solutions. Even on a number of tax and budget issues, we often differ.

Here, we successfully identified federal programs that both Republican and Democratic lawmakers should recognize as wasteful and inefficient uses of taxpayer dollars.

The U.S. PIRG and NTU study identifies 54 specific cuts in federal spending, including:

- \$214.9 billion in savings from eliminating wasteful subsidies to agribusiness and other corporations.
- \$ 444.8 billion in savings from ending low-priority or unnecessary military programs
- \$ 221.6 billion in savings from improvements to program execution and government operations.
- \$132.1 in savings from reforms to major entitlement programs

In calling for this hearing, the committee asked about the "Identification of characteristics of federal programs suggestive of waste, fraud, and abuse." U.S. PIRG's approach to spending cuts is guided by four basic principles. We cite these principles as an appropriate lens through which deficit reduction measures can be judged.

1. Oppose subsidies that provide incentives to companies that do harm to the public interest or do more harm than good. An example here is funding for biomass research and development. Large-scale agricultural production of corn or other crops used for biomass often involves massive amounts of fertilizer, large quantities of water and vast swaths of land that can drastically change the landscape of our country, accelerate problems caused by deforestation and compete with food production, raising food prices globally

2. Oppose subsidies to mature, profitable industries that don't need the incentive. These companies would engage in the activity regardless of the taxpayer support. We would include in this category subsidies for dairy management which, among other things, pays pizza chains to make and market "extra cheesy" pizza. Companies like Dominoes have both the incentive and resources to develop their own products to meet consumer tastes without taxpayer handouts.
3. Support reforms to make government more efficient. Examples here include reducing the inventory of unused or underused government buildings. While there is some question around how much can be made by selling the unused buildings, taxpayers would save \$1.7 billion per year in reduced maintenance costs. We should also require the Department of Defense and the VA to jointly purchase prescription drugs saving more than \$6 billion over ten years.
4. Oppose funding where there is authoritative consensus to do so. This means: (1) strong, independent agreement across the political spectrum that a program is wasteful, or (2) the agency or department receiving the funding has argued against it. Within Secretary Gates' recommended cuts, he included the Expeditionary Fighting Vehicle. The Secretary of the Navy and Commandant of the Marine Corps agreed with the Defense Secretary's proposal.

These recommendations are specific, targeted and name individual programs for reductions or elimination. We are long past the time for general references and rhetorical calls for attacking nameless, faceless programs that contain waste fraud and abuse.

This is the precise reason that U.S. PIRG does not support "across the board" cuts -- such policies fail to differentiate between true public priorities and where there is genuine waste or inefficiencies in the system. Our organization has argued in favor of programs to aid access to higher education and measures to ensure the safety of the nation's food supply. "Across the board cuts" equate these programs with the wasteful spending we highlight in the report. Public opinion has been clear and consistent on this point supporting measures to cut wasteful, inefficient programs while preserving services that have value to the broader public.

While not in the report, we would also urge committee members to review special interest carve outs through tax expenditures and loopholes. These expenditures have the same bottom-line effect on our nation's deficit as direct line-item spending. Regardless of whether spending takes place through the tax code or the appropriations process, it should be part of the conversation and it should be transparent, accountable and serve the public.

Take for example loopholes that allow for the increasing use of off-shore tax havens. Many corporations operating in the United States funnel money through offshore tax havens in order to avoid paying billions in U.S. taxes. In fact, an independent study found that nearly two-thirds of corporations pay no income taxes at all. Goldman Sachs, which received a \$10 billion taxpayer bailout, managed to get their effective tax rate down to one percent a few years ago by utilizing maneuvers they describe as "changes in geographic earnings mix."

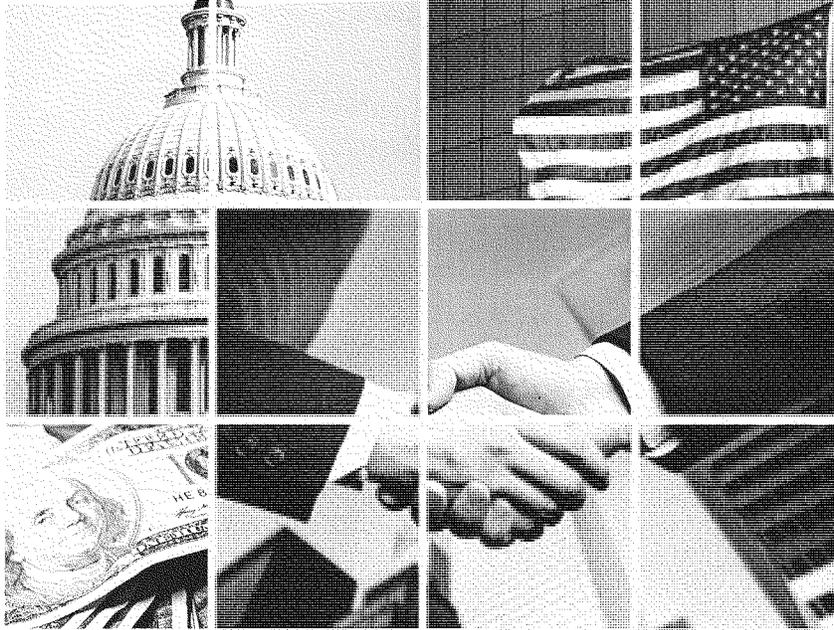
Those who use tax havens benefit from easy access to American markets, workforce, infrastructure and security but pay little or nothing for it. Ordinary taxpaying households and

small businesses end up picking up the tab for the missing revenue to the U.S. Treasury. The avoidance and evasion of taxes for a few becomes the burden for many – and for the future.

Offshore tax havens cost taxpayers revenue totaling as much as \$100 billion per year - \$1 trillion over 10 years, according to a report by the Senate Permanent Subcommittee on Investigations. Individuals and corporations based in the U.S. who pay taxes on their revenues must shoulder this burden for those who do not.

We recognize that many of the items on our list challenge long-standing subsidies to narrow yet powerful special interests. Despite the fact that these expenditures serve little or no continuing public purpose and their elimination would likely be supported by the public, there will no doubt be intense lobbying efforts to preserve the handouts. We urge you to resist those efforts and take the first important steps toward addressing our federal budgeting problems and ensuring that any public expenditure is for the public interest.

Thank you



Toward Common Ground

Bridging the Political Divide with
Deficit Reduction Recommendations
for the Super Committee

U.S. PIRG
Standing Up
To Powerful Interests

NTU
National Taxpayers Union

Toward Common Ground

Bridging the Political Divide with Deficit Reduction
Recommendations for the Super Committee

September 2011



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The authors bear responsibility for any factual errors. The recommendations are those of U.S. PIRG and National Taxpayers Union. The views expressed in this report are those of the authors and do not necessarily reflect the views of our funders or those who provided review.

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National Taxpayers Union

National Taxpayers Union (NTU) is America's independent, non-partisan advocate for overburdened taxpayers. NTU mobilizes elected officials and the general public on behalf of tax relief and reform, lower and less wasteful spending, individual liberty, and free enterprise. Founded in 1969, we work at all levels for the day when every taxpaying citizen's right to a limited government is among our nation's highest democratic principles.

For more information about NTU or for additional copies of this report, please visit www.ntu.org

U.S. Public Interest Research Group (U.S. PIRG)

U.S. PIRG is an advocate for the public interest. When consumers are cheated, or the voices of ordinary citizens are drowned out by special interest lobbyists, U.S. PIRG speaks up and takes action. We uncover threats to public health and well-being and fight to end them, using the time-tested tools of investigative research, media exposés, grassroots organizing, advocacy and litigation. U.S. PIRG's mission is to deliver persistent, result-oriented public interest activism that protects our health, encourages a fair, sustainable economy, and fosters responsive, democratic government.

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Executive Summary

To break through the ideological divide that has dominated Washington this past year and offer a pathway to address the nation's fiscal problems, the National Taxpayers Union and U.S. PIRG joined together to identify mutually acceptable deficit reduction measures. This report documents our findings.

What follows is a general summary of recommendations that fall into four rough categories:

1. \$214.9 billion in savings from ending wasteful subsidies,
2. \$444.8 billion from addressing outdated or ineffective military programs,
3. \$221.6 billion from improving program execution and government operations, and
4. \$132.1 billion from reforms to entitlement programs.

Each specific recommendation includes an estimate of its savings over the next ten years, and a reference to the source from which the estimate was drawn.

Introduction

As 2011 enters its final stretch, our nation faces enormous fiscal challenges. As part of the deal that was recently struck to raise America's debt ceiling, Congress established a new Joint Select Committee on Deficit Reduction to narrow the total budget gap by \$1.5 trillion over the next decade. This so-called "Supercommittee" must report its findings by November 23, 2011 and if a majority of its 12 members support its conclusions, both houses of Congress will consider the resulting legislation under expedited procedures by December 23, 2011.

As a result, the next 100 days will mark a major turning point in America's unsustainable fiscal trajectory. That's why the National Taxpayers Union (NTU) and U.S. Public Interest Research Group (U.S. PIRG) have joined together to propose to the Supercommittee and to Congress as a whole a list of more than 50 recommendations to reform our future spending commitments. If enacted in their entirety these changes would save taxpayers more than \$1 trillion over the coming decade.

While our organizations have often differed about the proper regulatory scope of government and a host of tax policies, we are united in the belief that we spend far too much money on ineffective programs that do not serve the best interests of the American people. This joint project is an attempt at identifying the "low hanging fruit" of waste and inefficiency in the federal budget, in hopes of transcending the ideological and partisan bickering that has helped to create the fiscal mess we see today. In a similar report submitted last year to the President's National Commission on Fiscal Responsibility and Reform, we outlined over \$600 billion in spending reductions by that entity's target date of 2015. Though many of our specific recommendations were incorporated into the "illustrative cuts" section of the Commission's final report, Congress has largely failed to act on them and significant reforms remain as necessary as ever.

The recommendations in "Toward Common Ground 2011" touch every portion of federal expenditures, including entitlements, defense spending, wasteful subsidies, and a broad range of improvements to the efficiency and effectiveness of discretionary programs. They include large items, such as a \$160 billion overhaul of federal information technology management, and small ones, like \$10 million in spending on biodiesel fuel education grants. Each recommendation includes a ten-year savings estimate backed up by authoritative sources such as the Congressional Budget Office, Government Accountability Office, Office of Management and Budget, or bipartisan working groups. They are specific, detailed, and actionable items that Congress could pursue right now to reduce spending and help meet its goal of \$1.5 trillion in deficit reduction.

Ending Wasteful Subsidies – Total Savings of up to \$214.9 billion

Every year, the federal government hands out billions of dollars in subsidies for a wide variety of activities, often best described as commercial in nature. Though the vast majority of such programs are well-intentioned efforts to provide targeted support to businesses or individuals, in practice many are a poor use of scarce taxpayer dollars and fail to achieve their stated objectives. This section recommends spending reductions that focus primarily on “corporate welfare” programs, inefficient agricultural supports, and subsidies for energy production. If Congress were to enact all 22 recommendations, it would save taxpayers \$214.9 billion over the next decade.

Savings Mechanism	Explanation	Savings (\$ in millions)	Source	Link for Additional Information
\$214.9 Billion in Savings from Elimination of Wasteful Subsidies to Agribusiness and Large Corporations				
Eliminate Crop Insurance Program	This program distorts the insurance market and market for commodity crops by encouraging overplanting. It's also partially duplicative as other programs provide more rational insurance for farmers.	\$77,000	CBO March 2011 Baseline	https://www.cbo.gov/budget/factsheets/2011b/usda.pdf
Eliminate tax credit for ethanol	The Volumetric Ethanol Excise Tax Credit is a refundable tax credit that pays blenders for every gallon of ethanol mixed with gasoline. A broad and bipartisan group of Members of Congress and policy organizations have advocated for its elimination.	\$60,000	GAO	http://www.gao.gov/new.items/d11318sp.pdf
Eliminate direct payments for commodity crops	Direct payment programs for the ten largest commodity crops were intended as temporary measures to ease the transition to a farming system less reliant upon federal subsidies. They have since become a fixture despite being identified as wasteful by watchdog groups on the left and right. They also distort the agriculture market by favoring certain crops.	\$50,000	GAO	http://www.gao.gov/new.items/d11318sp.pdf
Reduce Fossil Energy Research, Development and Demonstration by 50%	These programs provide federal grants for research and development that should be conducted with private dollars.	\$5,016	CBO March 2011 Baseline	http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf
Reduce Nuclear Energy Research, Development and Demonstration by 50%		\$6,970	CBO March 2011 Baseline	http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf
Biological and Environmental Research - Biological Systems Science	These programs provide federal grants for research and development that should be conducted with private dollars.	\$3,760	Department of Energy	http://www.mbe.doe.gov/budget/12budget/Content/Volume4.pdf
Mixed Oxide - Fissile Materials Dispositions - Construction	The National Nuclear Security Administration is funding the construction of a facility to blend surplus weapon-grade plutonium with depleted uranium oxide for production of mixed oxide fuel to use in existing nuclear power plants. The nuclear industry, not taxpayers, should fund the production of fuel suitable for power production.	\$2,184	Department of Energy	http://www.cfo.doe.gov/budget/12budget/Content/Volume1.pdf

Savings Mechanism	Explanation	Savings (\$ in millions)	Source	Link for Additional Information
Restructure the Power Marketing Administration to Charge Market-Based Rates	The Western Area Power Administration, Southwestern Power Administration, and Southeastern Power Administration provide power (amounting to about 1 percent of the nation's electricity) at below-market rates, leading to market distortions and encouraging greater usage. Requiring the Power Marketing Administrations to charge market rates to wholesale buyers would save over \$2 billion.	\$2,080	CBO 2009 Budget Options	http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf
Eliminate Hollings Manufacturing Extension Program	The Hollings Manufacturing Extension Program, which provides consulting services to manufacturers, spends hundreds of millions of dollars per year subsidizing large and profitable businesses.	\$1,300	National Institute of Standards and Technology	http://www.nist.gov/public_affairs/releases/budget_2012.cfm
Reduce funding for Economic Development Administration	The Economic Development Administration is supposed to aid needy communities with grants for economic revitalization, but the program has been fraught with inefficiencies for years and has been a source for many wasteful Congressional earmarks.	\$1,000	Center for American Progress	http://www.americanprogress.org/issues/2010/09/pdf/athousandcuts.pdf
Eliminate feedstock flexibility program	The Feedstock Flexibility Program is one of a series of price supports and trade restrictions that conspire to raise the domestic price of sugar to twice that faced by the rest of the world. The program mandates that the federal government purchase surplus sugar and sell it at a loss to biofuels producers to make ethanol.	\$374	CBO March 2011 Baseline	https://www.cbo.gov/budget/factsheets/2011b/usda.pdf
Eliminate marketing loan assistance program	Through a complicated mechanism, the Marketing Loan Assistance Program provides cash payments to agribusinesses when crop prices drop below a government-guaranteed floor. This is little more than an elaborate subsidy for agribusinesses.	\$319	CBO	https://www.cbo.gov/budget/factsheets/2011b/usda.pdf
Eliminate Overseas Private Investment Corporation (OPIC)	These programs provide funding for various activities to promote trade and exports. Though well-intended, the recipients of such funding are often profitable companies or their trade associations. Taxpayers should not be bearing the cost of their export promotions.	\$474	CBO	http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf
Eliminate Market Access Program		\$2,000	CBO	http://www.cbo.gov/budget/factsheets/2011b/usda.pdf
Foreign Market Development Program		\$355	CBO	http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf
Eliminate Export-Import Bank		\$427	CBO	http://www.cbo.gov/ftpdocs/123xx/doc12358/hr2072.pdf
U.S. Trade Development Agency		\$552	USTDA	http://www.ustda.gov/otherinfo/FY2011_CongressionalBudgetJustification.pdf

Savings Mechanism	Explanation	Savings (\$ in millions)	Source	Link for Additional Information
Biomass Research and Development	These programs provide federal grants for research and development that should be conducted with private dollars.	\$400	USDA	http://www.cbpa.usda.gov/budgettab/12newbud.pdf
Biomass crop assistance program	These programs provide grants of taxpayer money for research and development that should be conducted with private dollars.	\$390	CBO March 2011 Baseline	https://www.cbo.gov/budget/factsheets/2011b/usda.pdf
Eliminate ultra-deepwater natural gas and petroleum research	The ultra-deepwater natural gas and petroleum research program seeks to expand supplies of petroleum and natural gas products. Though it is funded through existing oil and gas revenues, this kind of applied research should be conducted by private industry, not through a federal program.	\$277	CBO March 2011 Baseline	http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf
Eliminate USDA funding for Dairy Management	Dairy Management, an agriculture marketing initiative, uses about \$5 million in annual USDA funding to promote increased consumption of dairy products. Involves partnerships with businesses that are better suited to funding their own initiatives.	\$50	GSA data analyzed by Senator Coburn - "Back in Black" report	https://www.nytimes.com/2010/11/07/us/07fat.html?_r=4&h
Biodiesel fuel education program	These programs provide federal grants for research and development that should be conducted with private dollars.	\$10	USDA	http://www.cbpa.usda.gov/budgetsum/FY12budsum.pdf

Addressing Outdated or Ineffective Military Programs – Total Savings of up to \$444.8 billion

While the need for a strong national defense is clear, it is equally clear that the Department of Defense (DoD) has a number of programs that do not advance those goals and instead waste vital resources. As the largest portion of the “discretionary” budget and about 20 percent of the total federal budget, it stands to reason that prudently examining DoD’s funding and priorities could generate significant savings for taxpayers. Due to the delicate nature of decisions relating to national security, we have relied on authoritative recommendations from officials and independent experts from across the political spectrum to guide this report. Following these 13 recommendations to carefully reform or eliminate weapons programs and make other procedural improvements could save taxpayers as much as \$444.8 billion over the next decade.

Savings Mechanism	Explanation	Savings (\$ in millions)	Source	Link for Additional Information
\$444.8 Billion in Savings from Ending Low-Priority or Unnecessary Military Programs				
Implement Acquisition reforms identified by the bipartisan defense acquisition panel	The Congressional Defense Acquisition Reform Panel developed comprehensive recommendations for improved contract development, performance incentives, and reforms to the Pentagon's financial management system. Taken together, they could yield \$135 billion in savings in the next ten years.	\$135,000	House Armed Services Committee	https://www.uspirg.org/uploads/18/be/f8be7eca1a2e8c54bd936d992b680ab/defense-panel.pdf
Adopt Gates efficiency recommendations	Defense Secretary Robert Gates has identified \$100 billion in savings from trimming the defense work force (including the number of contractors), consolidating the Department's IT infrastructure, and streamlining of several offices and agencies.	\$100,000	Department of Defense	http://www.defense.gov/news/newsarticle.aspx?id=62351
Cancel F-35 Joint Strike Fighter and replace with more advanced, cheap and reliable alternatives	According to the Sustainable Defense Task Force, "the F-35 Lightning may represent all that is wrong with our acquisition process." Beyond the cost growth, it has performance and reliability issues and "would provide a capability that is not warranted considering emerging threats." This option, derived from the Congressional Budget Office, would eliminate the F-35 and replace it with lower cost planes like the F-16 and F/A-18.	\$78,000	CBO 2009 Budget Options	http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf
Cancel Navy/Marines F-35 Joint Strike Fighter	Congress can deem it unwise to eliminate the F-35 entirely, this alternate item would cancel the Navy and Marines versions of the plane and replace them with F/A 18 Super Hornets, a relatively new plane compared to others the F-35 was intended to replace.	\$18,000	CBO 2011 Budget Options	http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf
Reduce spending for "Other Procurement"	The "Other Procurement" category includes spending on items like night vision goggles and radios. According to the President's National Commission on Fiscal Responsibility and Reform, the military spent \$400 billion more than their base budget for these items. Reducing and freezing this spending would save over \$50 billion while still providing a 50 percent increase over "Other Procurement" levels in 2000.	\$52,000	Simpson-Bowles Fiscal Commission Majority Report	http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/illustrative_List_11.10.2010.pdf

Savings Mechanism	Explanation	Savings (\$ in millions)	Source	Link for Additional Information
Reduce V-22 Osprey purchases	The V-22 Osprey has suffered from innumerable schedule, management, cost, and production issues. Reducing future purchases and replacing the functionality with additional MH-60 helicopters would save taxpayers \$15 billion.	\$15,000	Sustainable Defense Taskforce	http://www.house.gov/frank/issues/06-11-10-debts-deficits-and-defense.pdf
Pause development of Ground Combat Vehicle	The Ground Combat Vehicle is intended to replace current armored transport vehicles, but recent purchases of mine-resistant, ambush-protected (MRAP) vehicles appears to have reduced the need for it. Delaying it and researching lower-cost alternatives could save taxpayers billions.	\$14,000	CBO 2011 Budget Options	http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf
Terminate MEADS system	The Medium Extended Air Defense System is a joint venture between the U.S., Germany, and Italy to provide for a mobile air defense system. Neither Italy nor Germany plans to purchase the system when finished and the Patriot system can be expanded and improved to provide similar capabilities to MEADS.	\$10,000	CBO 2011 Budget Options	http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf
Change depots pricing structure	Altering the pricing structure for repairs performed at the military's maintenance depots would encourage greater usage of less expensive services at central facilities.	\$2,470	CBO 2009 Budget Options	http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf
Cancel the C-27J Joint Cargo Aircraft	The C-27 Joint Cargo Aircraft is an expensive plane whose capabilities are approximated by the C-130 Hercules, which is still in production.	\$1,460	Department of Defense	http://comptroller.defense.gov/defbudget/fy2012/FY2012_Weapons.pdf
End orders for obsolete spare parts and supplies for the Defense Logistics Agency	The Defense Logistics Agency, Army, Navy, and Air Force have substantial management problems that have resulted in ordering far too many spare parts (in some cases, more than 50 percent too many). If the agencies were to work through existing surpluses while reforming their ordering and tracking systems, taxpayers could save at least \$37 billion in future spare parts purchases.	\$7,100	GAO	http://www.gao.gov/new.items/d10469.pdf
End orders for obsolete spare parts and supplies for the Army		\$3,600	GAO	http://www.gao.gov/new.items/d09199.pdf
End orders for obsolete spare parts and supplies for the Navy		\$7,500	GAO	http://www.gao.gov/new.items/d09103.pdf
End orders for obsolete spare parts and supplies for the Air Force		\$18,700	GAO	http://www.gao.gov/new.items/d07232.pdf

Improving Program Execution and Government Operations – Total Savings of up to \$221.6 billion

Payment errors, duplicative programs, and inefficient processes combine to squander tens of billions of taxpayer dollars every year. Taking a comprehensive approach to streamlining the operation of myriad programs could not only spare taxpayers additional expense but also improve the quality of services they receive. If enacted in their entirety, these 15 recommendations could save as much as \$221.6 billion over the next decade.

Savings Mechanism	Explanation	Savings (\$ in millions)	Source	Link for Additional Information
\$221.6 Billion in Savings from Improvements to Program Execution and Government Operations				
Reform federal IT management - implement cloud computing	Taking advantage of options such as virtual network-based computing technology while closing up to 800 of the 2,100 federal data centers nationwide, as proposed by the Obama Administration, would save taxpayers an estimated \$160 billion over the coming decade.	\$160,000	Technology CEO Council and The Brookings Institution	http://www.techceocouncil.org/clientuploads/reports/TCC_One_Trillion_Reasons_FINAL.pdf and http://www.brookings.edu/papers/2010/0407_cloud_computing_west.aspx
Reduce backlog of buildings owned by the federal government that are not utilized or underutilized	According to the Office of Management and Budget, the federal government owns more than 55,500 buildings that are "not utilized or underutilized," worth more than \$96 billion. While there is potential for far greater savings from orderly disposition of these assets, taxpayers could be spared \$17 billion in maintenance costs even if the federal government were to give the buildings away or charge nothing but maintenance fees for rent.	\$17,000	CBO	http://www.cbo.gov/ftpdocs/122xx/doc12270/06-28-IssaLtrProperty.pdf
Reform Airport Improvement Grants	Aside from other deficiencies in the Airport Improvement Program, funded largely by taxes on airline tickets and aviation fuels, its system of grants can reward some general-aviation-dominated airports that operate well below capacity.	\$21,970	FAA	http://www.faa.gov/airports/planning_capacity/npias/reports/media/2011/npias_2011_narrative.pdf
Require DoD/VA to jointly buy prescription drugs	Pursuant to a recommendation from the Government Accountability Office, the Department of Defense and Veterans Administration began jointly contracting to purchase prescription drugs in order to achieve cost savings. That practice has rapidly declined in recent years, but increased joint efforts could yield substantial savings.	\$6,600	GAO	http://www.gao.gov/new.items/d11318sp.pdf
Terminate harmful and/or wasteful Army Corps of Engineers projects	The 2011 Green Scissors Report identifies nine specific Corps projects that are not only expensive boondoggles, but are harmful to the environment. For instance, taxpayers shell out \$350 million for federal beach replenishment projects that encourage development in flood prone areas. These projects should be eliminated.	\$5,600	Green Scissors Report	http://www.foe.org/green-scissors
Reduce federal vehicle fleet and costs by 20%	Federal agencies own or lease over 662,000 vehicles. Since 2006 costs to maintain and service these vehicles has grown more than 20 percent. In 2009 the Air Force implemented reforms and was able to achieve similar results.	\$5,600	GSA data analyzed by Senator Coburn - "Back in Black" report	<a href="http://www.gsa.gov/portals/content/102943#<!--010-->Federal_Fleet_Reports">http://www.gsa.gov/portals/content/102943#<!--010-->Federal_Fleet_Reports

Savings Mechanism	Explanation	Savings (\$ in millions)	Source	Link for Additional Information
Eliminate Essential Air Service program	Created in 1978 as a temporary transition to a free-market aviation system, the Essential Air Service persists to this day and provides subsidies for air services in rural areas. The program funds service at dozens of facilities that serve fewer than 10 passengers per day or are within easy driving distance of major airports.	\$1,680	CBO 2009 Budget Options, Senator Coburn	http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf and http://coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=413f351a-2588-4017-ad8a-99891e956bc6
Eliminate certain payments in Abandoned Mine Restoration Program	The Abandoned Mine Restoration Program makes "unrestricted" grants to states and tribes that have already been certified as completing restoration efforts. As a result, funding has been used for unrelated projects.	\$1,230	OMB	http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf
End excessive "double-dipping" for reemployed annuitants	Agencies have dramatically increased the practice of seeking waivers to rehire retirees who then draw both a salary and retirement benefits.	\$611	OPM discussions with Senator Coburn - "Back in Black" report	All data calculated by Coburn staff - http://coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=c6590d01-017a-47b0-a15c-1336220ea7bf
Reduce funding for timber sales that lose money	The Forest Service spends more on federal timber sales than it has collected from the companies that harvest the timber. Taxpayers should not subsidize profit-making ventures for private timber companies.	\$591	CBO 2009 Budget Options	http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf
End funding for the National Drug Intelligence Center	The National Drug Intelligence Center has been the subject of numerous scandals and its performance has been repeatedly called into question. A year after its inception, GAO concluded that it duplicates efforts in drug enforcement. It should be eliminated.	\$440	DOJ	http://www.justice.gov/ind/2012summary/pdf/fy12-ndic-bud-summary.pdf
Livestock Protection Program	The Livestock Protection Program funds efforts to eradicate natural predators of livestock. This should be paid for with private dollars.	\$110	Campbell-DeFazio Amendment to farm bill	As cited at http://switchboard.nrdc.org/blogs/mwaage/nra_big_ag_kill_measure_to_save.html
Eliminate funding for Woodrow Wilson International Center for Scholars	The Woodrow Wilson International Center for Scholars is a well-established and successful think tank with net assets in excess of \$100 million. There is no reason for taxpayers to subsidize the general operations of one think tank.	\$100	WWIC Annual Report	http://www.wilsoncenter.org/sites/default/files/annual-report.pdf
Eliminate Small Community Air Service Development Program	The Small Community Air Service Development Program was intended to fund expansion of commercial air service at rural airports, but nearly 70 percent of projects it funds end in failure.	\$60	OMB, Department of Transportation	http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/appendix.pdf and http://ostpxweb.dot.gov/aviation/X-50%20Role_files/OIG_Report_May_2008.pdf

Savings Mechanism	Explanation	Savings (\$ in millions)	Source	Link for Additional Information
Eliminate Space Flight Awareness program	NASA's Space Flight Awareness program has a history of paying for lavish events for the benefit of private contractors. While Congress recently prohibited certain practices, the program continues to reward and recognize contractors rather than serve a public benefit.	\$16	Congressional Research Service, Senator Coburn's "Back in Black" report	Congressional Research Service correspondence with the office of Senator Tom Coburn, June 24, 2011

Reforming the Operation of Entitlement Programs – Total Savings of up to \$132.1 billion

Medicare, Medicaid, and Social Security combined comprise roughly 40 percent of the federal budget and, as a result, their budgets also deserve close scrutiny. Giving program administrators greater access to technology and other tools to root out fraud and improper payments could yield tremendous savings. The 6 recommendations in this section, if taken together, could save taxpayers as much as \$132.1 billion over the next decade.

Savings Mechanism	Explanation	Savings (\$ in millions)	Source	Link for Additional Information
\$132.1 Billion in Savings from Reforms to Major Entitlement Programs				
Better align Medicare payments to teaching hospitals with actual costs	Hospitals with teaching programs receive additional funding for costs associated with graduate medical education. However, this funding far exceeds the actual cost of providing such education. Reforming and reducing the payments would allow for substantial savings.	\$69,400	CBO March 2011 Baseline	http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf
Reduce Medicare payment rates across the board in high-spending areas	Per-beneficiary costs are inordinately high in some areas of the country, even after accounting for legitimate differences in the cost for things like labor and office space. Reducing these excess costs would yield nearly \$50 billion in savings over the next ten years.	\$47,600	CBO March 2011 Baseline	http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf
Reduce Medicare waste, fraud, and abuse	Estimates for the total amount of waste, fraud, and abuse in the Medicare system vary widely, but the President's fiscal commission determined that with more enforcement authority, CMS could save \$9 billion.	\$9,000	Simpson-Bowles Fiscal Commission Majority Report	http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12_1_2010.pdf
Reform Medicare Quality Improvement Organizations	Quality Improvement Organizations are private entities that contract with Medicare in order to improve the efficiency and quality of services delivered to beneficiaries. The Obama Administration has recommended making several changes to streamline their operation, saving \$3 billion over the coming decade.	\$3,000	OMB	http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/frs.pdf
Prevent improper payments for non-covered chiropractic services	According to Senator Coburn's Back in Black report, "The HHS [Office of the Inspector General] found Medicare inappropriately paid \$178 million for chiropractic claims in 2006, representing 47 percent of claims meeting [their] review criteria."	\$1,970	Department of Health and Human Services	http://oig.hhs.gov/publications/docs/compendium/2011/CM-P-March2011-Final.pdf
Remove ceiling for collection of overpayments from Supplemental Security Income program	When the Social Security Administration mistakenly overpays a recipient of Supplemental Security Income, they are limited in their ability to recoup those erroneous transfers. Removing the ceiling on collection of these overpayments would aid in efforts to save money and streamline the program.	\$1,126	CBO 2009 Budget Options	http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf

Mr. STEARNS. And I thank the gentleman.
Mr. Collender, you are recognized for 5 minutes.

STATEMENT OF STANLEY E. COLLENDER

Mr. COLLENDER. Thank you, Mr. Chairman. My testimony today is my own personal view on the subject of the hearing. My comments absolutely are mine and mine alone. A very brief word of personal introduction.

I am generally thought of as a deficit hawk. I get criticized from both the far right for being too left and by the left for being far too right. I actually take a great deal of comfort in this. I am pleased that when it comes to the Federal budget, I am considered a centrist and rational.

My budget background is also decidedly bipartisan. I proudly worked with three Democratic Members of the House of Representatives and the Democratic staffs of the House and Senate Budget Committees when I was much younger. But I was also the first speaker at the first meeting of the House Tea Party Caucus held on February 28th of this year. I spoke to the Tea Party Caucus at the invitation of Congresswoman Bachmann, who liked a column on the debt ceiling I had written for Roll Call in January. She asked that I discuss it in depth with the House Members and the other tea party supporters who attended the meeting. It was a privilege for me to be able to do so.

My background is important because I want what I am about to say about this hearing to be understood in the bipartisan centrist context I am often criticized for having. Based on everything I have studied, observed, participated in and commented on about the Federal budget over the past almost four decades, it is hard for me to understand why this subcommittee is spending any time and wasting so many taxpayer dollars holding this hearing.

The answer to the question on which this hearing supposedly is based is as straightforward as they come. Of course the Obama administration has done and continues to do a line-by-line, program-by-program review of the budget. There is simply no reason for the subcommittee to think otherwise. A line-by-line review is standard when every White House puts its budget together but it is especially the case in a year like this when spending cuts are the main course on the Federal budget menu. Here again, the reason is straightforward. Unless you are using a meat axe and eliminating whole departments and agencies, budget cuts require additional detailed line item reviews beyond those that routinely happen when the President's budget is being formulated. These additional reviews typically include the senior White House staff, the Cabinet and the President and Vice President. The inevitable policy choices and political decisions involved with those cuts cannot be made at lower levels.

There are three extraordinary ironies about today's hearing. The first is that none of the witnesses, including me, has any firsthand knowledge of whether or how the Obama administration conducted the line-by-line review about which the committee says it is so concerned. That immediately raises a serious question about why any of us was asked to testify.

Second, never mind the White House, Congress is the branch of the U.S. government that seldom, if ever, does the line-by-line review of the Federal budget this committee seems so desperate to have done. That makes a hearing on Congressional line item review procedures far more justified than one like this on what the White House is doing.

Third, final irony is that one of the primary reasons most Representatives, Senators and Congressional committees don't review every line item is because the White House provides Congress with voluminous, painstakingly detailed materials that are based on the in-depth line item reviews it conducts when it formulates the President's budget.

Mr. Chairman, there is a good deal more I could say about this subject and I will be happy to try to answer your questions. But honestly, I really don't see any reason to waste any more taxpayer dollars by prolonging a hearing that never needed to be held in the first place. Thank you.

[The prepared statement of Mr. Collender follows:]

TESTIMONY OF
STANLEY E. COLLENDER
BEFORE THE SUBCOMMITTEE ON
OVERSIGHT AND INVESTIGATIONS
OF THE
HOUSE COMMITTEE ON ENERGY AND COMMERCE
OCTOBER 5, 2011

Thank you Mr. Chairman.

My testimony today is my own personal view on the subject of this hearing. I am not here representing a client, my firm, or any other organization with which I'm associated and my comments absolutely are mine alone.

A few very brief words of introduction:

I have spent most of my adult life working on the federal budget in some capacity. I am one of only a handful of people who has worked on the staffs of both the House and Senate Budget Committees. I have been director of federal budget policy for what today are known as PriceWaterhouseCoopers and Deloitte. I am the author of *The Guide to the Federal Budget*, one of the most assigned texts on the topic in the 19 years an annual edition was published. For

the past 15 years I have written a weekly column on the budget, first "Budget Battles" in NationalJournal.com, and now "Fiscal Fitness," a feature you no doubt all read religiously when it appears in *Roll Call* each Tuesday. I am also the founder and one of the principal writers for "Capital Gains and Games," a blog devoted mostly to federal budget issues that in 2009 the *Wall Street Journal* included in its list of the top 25 economic blogs in the United States.

I consider myself to be a deficit hawk, but I sometimes get criticized from both the far right for being too left and by the left as being too far right. I take a great deal of comfort in that and am proud that, when it comes to the budget, I am considered a centrist and rational. Because of it, I have been invited on a number of occasions to do the briefing on the budget for the newly elected members of Congress at the orientation held after each congressional election at the Kennedy School of Government at Harvard.

Before anyone asks me about it, I did indeed work for three very liberal Democratic members of the U.S. House of Representatives when I was much younger. But you should also know that I was privileged to be the first speaker at the first meeting of the House tea party caucus held on February 28. I was there at the invitation of Congresswoman Michele Bachmann who liked a column on the debt ceiling I wrote for *Roll Call* back in January and asked me to discuss the topic with the members of Congress who attended the meeting.

I tell you all of this to put what I am about to say about this hearing in a nonpartisan, centrist context. Based on what I've studied, observed, participated in and commented about the federal budget on over the past almost four decades, it's hard to understand why this hearing is being held.

The answer to the subject of this hearing is obvious and straightforward: Of course the Obama administration has done...and continues to do a line-by-line, program-by-program review of the budget. There's simply no reason for this subcommittee to think otherwise.

In fact, that's what budget "formulation" – the sometimes tortuous, repetitive, and exceptionally detailed process the executive branch goes through to put together the president's budget each year – is all about.

A line-by-line review is standard every year when an administration puts together its budget. But it is especially the case in a year like this when the White House is proposing significant spending cuts rather than spending increases. Budget cuts such as the ones in the fiscal 2012 budget the president sent to Congress at the in February require additional detailed reviews that typically include senior White House staff, the cabinet, and the president and vice president. These days, when the low-hanging budget changes were made long ago, the policy decisions required to make the call about what to cut cannot be made without involvement at the highest levels.

Sadly, this same type of highly detailed, line-by-line review is not typical of the way the legislative branch typically looks at the federal budget. The Congressional Budget Office and the Appropriations Committee staff do indeed do a detailed program-by-program review. But in my experience, because of their personal time constraints and the limits on staff resources, few members of Congress, including many with direct responsibility for approving or overseeing department and agency budgets, ever review more than the handful of line items within their jurisdiction. In many cases they don't even do that. And in many years in the recent past, and apparently in this year as well, the ultimate spending decisions made in Congress center largely on across-the-board changes to the previous year's levels rather than a line-by-line review.

The ultimate irony of today's hearing is that one of the reasons most representatives and senators don't review every line item in the budget each year is the voluminous material the executive branch provides to the House and Senate based on the detailed review it conducts. The budget appendix – the part of the president's budget submission that looks like a Manhattan telephone directory and has print just as small – is just the tip of the fiscal iceberg. So-called “justification books” with extensive details are provided to the appropriations committees, briefing documents galore are prepared for authorizing committees, and computer runs with more-detailed data than anyone could possibly use on every program in the budget are sent to CBO. The level of detail provided by the

White House to Capital Hill is what allows Congress to put its own fiscal focus elsewhere.

In conclusion, the answer to your question about whether the Obama administration has conducted a “page-by-page, line-by-line” review of the federal budget is an unambiguous yes.

Mr. STEARNS. I thank the gentleman.

Mr. Lilly, you are recognized for 5 minutes.

STATEMENT OF SCOTT LILLY

Mr. LILLY. I would like to pick up where Stan left off and say I do think there is a good side of this hearing because I think line-by-line budgeting is extraordinarily important. It is not the best way to do a budget, it is the only way to do a budget, and I think it is slipping from our grasp for a number of reasons I would like to talk about.

First of all, is the administration doing line by line? I would have to agree with Stan. I find a lot of the conversation this morning remarkably silly in that regard. Every April, every budget officer of every agency sits down with every section chief and goes through item by item of what was spent in the past year, what is needed in the coming year, what they could afford, how they could reduce their spending, how they could cut back on services, what would be the impact of a 10, 20, 30 percent cut. That happens all across the board. It produces amounts of budget material that I think this committee can only imagine.

Ranking Member DeGette pointed to the appendix of the budget. In that appendix, and there it is, there is probably half a page that talks about the United States Park Service. I have materials that the Park Service submitted to the Congress this year—this is a reprint of it—583 pages on the Park Service. If you want to go into whether this is detailed or not, this is an item on the Kennesaw Mountain National Park. Cobb County, Georgia, has bought and provided the Wallace House to that foundation and they are including \$157,000 and two full-time-equivalent positions in order to staff that. That is a lot more than line by line. That is the detail that gets into everything that every employee of this government does, and so the idea that that is not happening is ridiculous.

Do you like the decisions that were made? Well, maybe you do, maybe you don't. One big cut that this administration made that nobody has mentioned was the termination of the F-22, which I didn't agree with, but it was a huge, huge cut.

Now, the other thing I would say is, I think there has been a real deterioration in line-by-line budgeting. The Executive Branch bears part of the burden for that. We have reams of needless, stupid data that is included in budget materials every year on a formulistic basis. It deprives our resources to get in and dig into the budget in a real way, and it ought to be eliminated. We have been relying because of the Executive Branch, year after year, on huge supplementals. Veronique has written eloquently about that. That has been at least slowed down in this administration. It has been a big step forward.

But frankly, what puzzles me about this hearing is, it is a lot like the umpire stopping the game and going out and chastising the pitcher for not calling balls and strikes. The framers of the Constitution did not charge the Executive Branch with being a check and balance on excessive spending in the Executive Branch. That is why you guys are here. That is the purpose of the Congress and that is where the line-by-line budget review has to take place. If you don't do it, nobody will do it.

Before 1921, from the first Congress in 1789 until 1991, the Executive Branch played no role in putting the budget together. Every agency went directly to the Appropriations Committee and asked for funds. So we don't even need the Executive Branch to be in here. It is your job to put the budget together.

Now, I think that has been seriously deteriorating in my period of time here and there are three things that have happened, Mr. Chairman. First of all, we have deliberately destroyed expertise. The limitation on subcommittee chairmanships meant that a guy like Ralph Regula, who knew as much about parks and forests as any Member of Congress, had to move from the Interior Subcommittee to the Labor H Subcommittee where he had never served a day, just deliberately destroying the expertise necessary to do this process.

The second is the earmark orgy that we went through over the last decade. From 1995 until 2005, we had a quadrupling of earmarking. We had as many as 15,000 requests for earmarks go to the Labor H Subcommittee, which is the biggest domestic appropriations subcommittee. Do you know how much staff time it takes to do that? It completely eviscerated the ability of that subcommittee and every other subcommittee to do the kind of oversight and line-by-line review that is necessary.

Now, we have finally gotten rid of that, and I am very thankful, and there are people on both sides of the aisle that worked to get rid of it. What did we do with all the time and the resources that we gained by getting rid of that? We went on vacation. Look at the calendar that the Majority Leader posted this year. In January, the House was in session 6 full days. In February, we had 2 weeks off. In March, which is the height of the season for testifying by agency witnesses on their budgets, we were in 8 days. We had the first-ever St. Patrick Day recess. The same thing is true of April, May and June when the——

Mr. STEARNS. Mr. Lilly, I just need you to sum up.

Mr. TERRY. Yes, I think you are the silliness right now.

Mr. STEARNS. OK. Let us just have you sum up. You are a minute and a quarter over.

Mr. LILLY. I would just simply say this. Line-by-line budgeting is hard work. It is the work of the Congress. The Congress has to be here to do it. It has to organize the resources. It needs to be tough with the Executive Branch in demanding the information that is necessary, but that has not been happening for more than a decade.

[The prepared statement of Mr. Lilly follows:]

Improving Oversight and Review of Federal Agencies

A Line by Line Approach to Getting More for Each Tax Dollar

Testimony of

Scott Lilly

Senior Fellow, Center for American Progress

Before the Oversight and Investigations Subcommittee of the
House Committee on Energy and Commerce

There is no function in any organization that is more critical to its success than the intelligent allocation of resources. By far the biggest resource allocation process in the world is the massive effort that occurs each year in putting together the budget of the U.S. government. That budget touches the lives of every American in numerous ways. But in my judgment and the judgment of a good many other people who have spent their lives preparing, reviewing, negotiating and enacting federal budgets, this budget process has deteriorated as an effective means of identifying low-performing programs, setting necessary priorities, and allocating resources.

While there are no clear metrics that measure whether or not deterioration has occurred, my research indicates that the perception of deterioration is widely shared by a wide range of participants in the federal budget process, including career civil servants at various levels of government and long-term staff who serve on congressional committees. My testimony today features not only my own impressions but those of a variety of career budget analysts who worry that the taxpayer is getting less for his money than he should.

Before detailing that research, however, let me get straight to the point. The consequences of this deterioration are severe. Critical programs are likely to be denied the resources necessary to achieve their objectives. Inferior, non-performing and wasteful program continue to get funds that they either don't need or can't use effectively. In either case, the taxpayer gets less than he deserves or should expect.

In my judgment, this deterioration occurred in both executive and legislative branches and evolved over a period of years. Factors contributing to the deterioration include the requirement for and inclusion of large amounts of formulized but largely meaningless data in program and agency budget submissions as mandated under the Government Performance and Results Act. Equally destructive is the chaos created by the excessive use of supplemental appropriations, which essentially results in the government having no effective decision-making tool at any single point in time. If enough funds were not taken from the Treasury in the initial appropriations process, then more (much more) could be taken later on in the

year. The excessive use of supplementals not only breaks down discipline but also breaks the bureaucracy necessary to make intelligent choices. One need look no further than what has happened to the staffing of the Defense Department's Comptroller's office to get a clear picture of what I mean.

While the executive branch may have made major blunders that impede a serious line-by-line approach in examining programs and spending priorities, the legislative branch has made even larger blunders—and it is the legislative branch that is vested with the power of the purse. Furthermore, it is the legislative branch that is the check against executive branch excess. It is my strong feeling that federal budgeting works as well as the Congress demands that it work.

Mr. STEARNS. Thank you, and I thank the gentleman.

Ms. DEGETTE. Mr. Chairman, I would respectfully ask that the members of this committee at least be civil to the witnesses who have given up their day to come here.

Mr. STEARNS. I agree with you.

Now that we have finished with our opening statements, I will start with my line of questioning. I would point out to Mr. Collender and Mr. Lilly, I agree with you, Congress should also do a line by line, and I think your points are well taken that Congress has a fiduciary responsibility and has had historically to do that.

We have a letter that we received from the Office of Management and Budget, and one of the things we were concerned about is that when the President comes up with initiatives that are savings, we never know how much money this is saving. For example, you have Securing American Values and Efficiency that talks about the President's SAVE Act, that his award is going to save all this money, but we are not clear how much money it is saving, so it is hard sometimes for us and Members of Congress to hear the President say he is going to create all these savings line by line, whether you agree that the President should do it or Congress, but when the President says it and he says line by line, item by item, program by program, page by page, and then we try to understand where these savings are, it is difficult for us to find them. So the hearing today is to try and have a better understanding.

Now, Mr. Schatz, your office actually with your staff has developed a database and you have actually gone in to do this, as I understand it, and so it is possible for the Citizens Against Government Waste to do this and you would certainly think Congress could do it as well as the President's Office of Management and Budget. Wouldn't you agree?

Mr. SCHATZ. Well, since I am under oath, Mr. Chairman, we didn't do it exactly line by line. But we did use the resources that exist in the public and private sector and consolidated them into our list of prime cuts, so it is Congressional Budget Office, it is Congress itself, it is the President's budget recommendations that go through GAO or Inspectors General and just put together a comprehensive list, 691 recommendations—I am sorry—yes, recommendations save \$691 billion—I am sorry—over 1 year and \$1.8 trillion over 5 years. So the information is there. A lot of these recommendations have been around for many years. Our origin, as I mentioned, goes back to the Grace Commission under President Reagan so those recommendations were incorporated into the President's budget, and our major point has been, if there is going to be an initiative, there should be a way to find out what has happened with that so that the taxpayers can say this was proposed, this is what happened, and in a sense, it doesn't matter what it is called, it just needs to be presented in a way that these questions shouldn't be asked.

We are having a hearing because we don't have the answers, not because there shouldn't be a comment about whether it is line by line or not or what it means. It is just, there have been ideas in the past that have been proposed where someone can go and see what has been done, what has been saved, and what is being proposed the next year.

Mr. STEARNS. Well, I know when the Republicans first took over with the Contract with America, we had a long list pretty much that we developed from many of you in the audience and witnesses today that we tried to use to reduce spending, and the methodology that you use or your criteria for your program evaluation, could you just briefly tell us what that was?

Mr. SCHATZ. Well, at least within what we looked at in the prime cuts, it was looking at the resources that had already reviewed a lot of these recommendations. For example, the Congressional Budget Office or our own evaluation, and certainly looking back at how these recommendations had been made. We have used some of the similar criteria that NTU and U.S. PIRG have used.

If a program is going to be proposed and funded by the Federal government, there should be a way to determine whether that program is achieving its goals, and if it is not, it should be eliminated, and that is in a sense the simplest way to do it. Another way is to look at whether the government should be involved at all, the old Yellow Pages test under President Reagan that he used to speak about, and whether the government should even be, quote, unquote, in a business or in a situation that allows them to compete with the private sector. So, in some ways it depends on which area of spending we are looking at.

Mr. STEARNS. Regardless of what everybody says here, based upon the video we just watched, was your interpretation that he was going to go page by page, item by item, line by line? Was that your interpretation of what the President said?

Mr. SCHATZ. Yes, but again, through the process that is supposed to occur. The better question is, what happened after—

Mr. STEARNS. Yes, what happened and where are those savings? Let us talk about transparency for a moment. Is the Federal government required to establish a single searchable Web site to track Federal procurement?

Mr. SCHATZ. It is now under the Federal Accountability and Transparency Act after it occurs, yes.

Mr. STEARNS. When was this Web site launched and how effective is the site in providing transparency to the more than \$1 trillion in Federal contracts? Do you have any idea?

Mr. SCHATZ. It is USAspending.gov, and it was proposed originally by then-Senator Obama and Senator Coburn. It passed both Houses, was signed into law. It does have useful information. Interestingly, we received an email the other day from a gentleman who looked through it and just put in the word “coffee” and found, you know, hundreds and hundreds of expenditures on coffee. So there is a way to search it. It is useful, but it is after the fact. It is spending that has already gone out the door as opposed to looking at the spending before it occurs, and that to us is more important.

Mr. STEARNS. I guess the question would be, if the administration is actually—are they using the information at USAspending.gov to complete its line-by-line review? I don’t know.

Mr. SCHATZ. I can’t answer that.

Mr. STEARNS. Does anyone on the panel know, have any hint if the President is actually using that site at all? No?

Mr. LILLY. I do know that they have been very focused on contracts as an area of potential savings, reducing the contracts, cut-

ting the margins on contracts, and so that site is one way to find out what is going on there, and I know that that is being factored into their—

Mr. STEARNS. All right. My time is expired, and I recognize the gentlelady from Colorado.

Ms. DEGETTE. Thank you very much, Mr. Chairman.

Mr. Knudsen, up until very recently, you were the Policy Director at the House Budget Committee, correct?

Mr. KNUDSEN. Yes.

Ms. DEGETTE. When did you leave that position?

Mr. KNUDSEN. In August.

Ms. DEGETTE. August of this year, so very recently?

Mr. KNUDSEN. Yes.

Ms. DEGETTE. And so as you know, what happens in the budget process, the administration develops a budget. Mr. Lilly said they get all kinds of data through the different agencies. They come up with their budget. They send that to the House of Representatives, correct?

Mr. KNUDSEN. They send it to all of Congress.

Ms. DEGETTE. Right, and then the House and Senate Budget Committees go through that. In a good year, they come up with their own budget, they pass that budget. Then they do the 13 appropriations bills, correct?

Mr. KNUDSEN. I believe it is now 12, but yes, that is the process.

Ms. DEGETTE. The 12 appropriations bills. Those bills actually appropriate the money from the budget, and Congress has the discretion about whether or not they are going to fund those programs, correct?

Mr. KNUDSEN. Yes, ma'am.

Ms. DEGETTE. Then that goes to the White House and then the President decides whether he is going to sign or veto those bills, right?

Mr. KNUDSEN. Yes.

Ms. DEGETTE. Now, in recent years, what has happened—and I actually think it is unfortunate and I think the chairman will probably agree with me on this—we have sort of devolved over the last number of years to doing a big omnibus appropriations bill, and as a result, Members of Congress don't have the ability to vote on those separate 12 bills, correct? They just vote on the omnibus, whatever it is?

Mr. KNUDSEN. That is right, yes.

Ms. DEGETTE. And the President doesn't have an opportunity to veto bills either because they spend too much or too little for each of those 12 areas of government, right? It is like an up or down on omnibus, right?

Mr. KNUDSEN. That is correct, although, as you know, in the Constitution, he may provide a list of his objections and—

Ms. DEGETTE. Right, but he doesn't have line item veto authority?

Mr. KNUDSEN. That is correct.

Ms. DEGETTE. We have argued about that over the years. So thank you very much for illuminating that for me because the point I would like to make, Mr. Chairman, I thought about asking all the witnesses whether they talked to the President to see if he in fact

did a line-by-line review, and I thought about asking all these witnesses what does a line-by-line review mean, does it mean the agency looks at it or whatever, and then I realized, that is really aside from the point.

It seems to me the point of this hearing was to bring a whole bunch of people in to testify as to their political beliefs about what the President should or shouldn't be doing, but the bottom line is, right here in Congress is where the rubber hits the road. Right here in Congress is where we can do a line-by-line review of the budget either figuratively or literally and decide where programs should be cut. The only useful testimony that I have heard, with all due respect, this whole day is the testimony by Mr. Moylan and Mr. Kalman, who came together from opposite ends of the political spectrum and actually made serious recommendations as to places that we could cut. And so Mr. Chairman, what I intend to do after this hearing is get their report and look at it and then I think I might forward it on to the Budget Committee, not the Energy and Commerce Committee, which is where we develop the budget in Congress.

With that, I am happy to yield back the balance of my time.

Mr. STEARNS. All right. The next person is Mr. Griffith from Virginia who is recognized for 5 minutes.

Mr. GRIFFITH. Thank you, Mr. Chairman. I do note with some interest the whole debate that is taking place today in regard to the line-by-line item, and whether or not the President, you know, can in fact go line by line or whether he should go line by line, and all that is very interesting to me. What I think is more important with that line of questioning is that this was a promise that the President made and it does not appear, if I understood some of the testimony correctly, that he has actually done that. Was that my understanding of your testimony, that based on your analysis, Mr. Moylan, that you don't believe the President actually has followed through or his people have followed through on a line-by-line analysis?

Mr. MOYLAN. Well, I think the President and his administration have done a tremendous amount of work to analyze the budget line by line. I think the question is really what the result of that has been, and the result of that from our perspective has not been enough in terms of tackling wasteful spending.

But if I might take this time to respond at least in part to what Ms. DeGette said. I would actually largely agree that the President plays an important role in this process but it is a limited one, and this is part of the reason, for example, why NTU has for years supported something of an anti-appropriations committee, to have a standing committee in Congress that has as its job to do a consistent line-by-line review of the Federal budget to look for savings as opposed to what the Appropriations Committee does. So I think that there is a lot of work that can be done in concert there to help improve these processes.

Mr. GRIFFITH. In that regard, have you all taken a look at the House Rules and particularly Rule 21 in that area to determine whether a change in the House Rules might change things, the way business is done in the House Appropriations and Budget Committees?

Mr. MOYLAN. Sure. We have for years analyzed many different suggestions to change the rules of the House in order to put in more incentives to tackle wasteful spending, to give Congress more tools to do so. Some of the concepts that we have talked about earlier, things like biennial budgeting as well, have been things that we have been supportive of because we think they would bring more accountability to the process.

Mr. GRIFFITH. Because my frustration, quite frankly, to the entire panel but particularly Mr. Moylan is coming out of the State legislature in Virginia where I served for a number of years, there the budget controls, and if we don't have the money to do something, the budget doesn't spend the money. I have learned here, at least what I have been told, is that if we have a law on the books as a result of these rules, we have to fund that whether we have the money or not, which is where we get into the whole debate about mandatory versus discretionary spending. Do you think that we as a Congress need to change the psychology where we maybe take a look at the way that Virginia does it where if we don't have the money, we don't spend it and the budget controls? As opposed to the law controlling the budget, the budget controls the laws.

Mr. MOYLAN. That has actually been the subject of considerable debate in recent years, not just the fact that dollars that are considered mandatory spending are growing, in large part because of entitlement programs like Medicare and Medicaid, but how many other programs are now mandatory that their funding is more formula-based rather than a discretionary action by Congress, so yes, I do think that there is much work that can be done there to appropriately distinguish between what mandatory spending is and what discretionary spending ought to be and what ought to fall in which category.

Mr. GRIFFITH. Because notwithstanding Mr. Green's discussion of his legislative experience and the senior legislator saying that, you know, by the third year he only read his own bills, I have always tried to read the bills in both my State experience and here, and I have discovered some things in there that I would like to work on, some of which I have been told I can't yet because it comes up later in the mandatory, because it is mandatory, it is in a 5-year bill, et cetera, and that has been somewhat frustrating. And there are things like that. I discovered a 1970 law that says when we take horses off Federal lands, we can't humanely euthanize them, and as a result of that, we have what I call retirement homes for wild horses and burros at the tune of about \$70 million a year. And so when I am looking line by line, when I am actually reading the budget bill, and I am not going to tell you, as was pointed out, that every reference and cross-reference that I am familiar with at this point, I hope to be sometime if I am allowed to stay in the Congress for a few years, but when I am looking at these things, those are the kind of things that I think a line-by-line analysis would find and would then, you know—if I were—and I don't plan to run—but if I were President that I would say, hey, let us change that 1971 law and straighten that out because it just doesn't make sense when we don't have the money to be spending money on that when we have citizens who may need that money for other purposes.

That being said, Mr. Chairman, I yield back my time.

Mr. STEARNS. I would say to the gentleman from Virginia, if you offer a bill to eliminate that \$70 million for the Social Security for horses—is that what it is?

Mr. GRIFFITH. The retirement home for horses.

Mr. STEARNS. The retirement home. OK. Well, you might drop that bill and I would be happy to be one of the cosponsors.

Mr. GRIFFITH. I will see if we can get that drafted up, Mr. Chairman.

Mr. STEARNS. All right. Thank you.

We go to the gentlelady from Tennessee, Ms. Blackburn.

Mrs. BLACKBURN. Thank you, Mr. Chairman, and thank you to each of you for being with us today.

Mr. DeHaven, you were the Deputy Director of the Indiana Office of OMB, right?

Mr. DEHAVEN. A Deputy Director.

Mrs. BLACKBURN. OK. And did you ever do a line-by-line review for your State?

Mr. DEHAVEN. No, I would not say we did a line by line. We actually went program by program. We actually conducted—when Mitch Daniels was the head of OMB, he came up with the PART system. When he became Governor, he directed the—he created the State Office of Budget and Management of Indiana and had them come up with PROBE, and basically do the same thing. We met with programs. We went through—we met with program heads. We went through the programs, on and on and on, and the result was, these reports would come up. In addition to those reports, we came up with these performance measures, and I do note with interest—I hear talk about PART and I hear talk about performance measures. I actually implemented performance measures in Indiana. That was my job. They were political. The numbers we got back were often BS—excuse me—and the whole purpose of the performance measurement system for Governor Daniels was to put out these temporary press reports and show the Indiana taxpayer that look, we are getting better, we are going from red to green, I am a better steward of the taxpayer dollar.

As I put in my testimony, all the decisions that were made when it came to cutting programs or government efficiency or all that other stuff boiled down to politics and special interest.

Mrs. BLACKBURN. OK. Let me ask you this. Did you all ever do what Governor Christie did in New Jersey with across-the-board cuts? He did a 9 percent cut. In my State of Tennessee, the former Governor did significant cuts like that. Did you all ever do any kind of across-the-board cut to help get the spending under control?

Mr. DEHAVEN. When I was there, we did not do across-the-board cuts. I left right after the recession started to hit and State revenues dried up. Since then, I do believe that there were suggestions made for across-the-board cuts. The Governor can also withhold money a lot easier in Indiana.

Mrs. BLACKBURN. All right. I know that Mr. Orszag did a memo that I have with me where he recommends a 5 percent across-the-board cut and stated, and I am quoting, “To reach the 5 percent target, your agency should identify entire programs or sub-programs or, number two, substantial cuts amounting to at least 50 percent of total spending within a program or a sub-program. The

intent of this exercise is to identify those programs with the lowest impact on your agency's mission."

I think what I want to do, I know Mr. Kalman is against across-the-board cuts but I would like to start with Mr. Schatz at the end and work down. How many of you favor across-the-board cuts? You know, this is something I favor, 1, 2 or 5 percent across the board just to trim the fat, if you will, and help agencies focus their attention on what needs to be reduced. So let us go down the line and let me see who all favors an across-the-board cut.

Mr. SCHATZ. I would say yes, but I also note that you had proposed many of these amendments over the years, and when you talk about a penny on the dollar or 2 cents on the dollar or 5 cents on the dollar, your amendments were consistently defeated in the prior Congresses, so it is not the first thing that should be done because waste is identifiable and should easily be eliminated, but it certainly points out that in any organization, if you need to balance your books because you can't keep spending money or borrowing it, it is something that could be done, but again, it wouldn't be the first thing I would do.

Mrs. BLACKBURN. OK. Mr. DeHaven?

Mr. DEHAVEN. No, we need a deeper philosophical discussion about the fundamental role of government. When you had the budget agreement for 2011, I actually noted that a lot of the cuts ballyhooed by Speaker Boehner were similar to cuts that Newt Gingrich engineered. The fact of the matter is, if you cut the head off the hydra and you don't burn the stump, it grows back. So you get your 5 percent or more, even if you are going to get it. So long as they exist, they will grow back.

Mrs. BLACKBURN. OK. We have got 44 seconds left, so quickly down the list.

Mr. KNUDSEN. The disadvantage is that obviously across-the-board cuts don't choose priorities and so on but they have the same advantage that a spending cap does, and that is, they impose a limit and the limit can compel choices.

Ms. DE RUGY. I believe that there is easily 10 percent waste in each department, each program. However, again, I think it is not our priority because it doesn't allow us to differentiate between different programs.

Mrs. BLACKBURN. OK.

Mr. MOYLAN. I would say that NTU's view is that it is a second-best solution but it is one that—as you know, we have consistently supported those amendments because we believe spending reductions are necessary.

Mr. KALMAN. Very quickly, because obviously I said I was—we have an issue with across-the-board cuts. And just to be very specific about it, there are a couple of programs, for example, that have received bipartisan support such as Pell grants and so cutting Pell grants in the face of when there is massive waste that NTU and PIRG found, we find that troubling. And so we prefer a closer look at the budget.

Mr. COLLENDER. I would rather you make decisions based on priorities as opposed to an across-the-board meat axe approach.

Mrs. BLACKBURN. OK.

Mr. LILLY. I think there are programs that are overfunded, there are programs that are underfunded. Across-the-board cut is the antithesis of line by line, which is what this hearing is about and what I think we need to dedicate ourselves to.

Mrs. BLACKBURN. I yield back, Mr. Chairman.

Mr. STEARNS. I thank the gentlelady, and the gentleman from Texas, Mr. Green, is recognized for 5 minutes.

Mr. GREEN. Thank you, Mr. Chairman, and for my colleague who I heard earlier that he mentioned he read all the bills, congratulations. You are in your first term. Like I said, I am hoping to read the bills in my subcommittees on Energy and Commerce.

In today's hearing, the majority is focused on the Obama administration's budget process and directed substantial criticism towards the administration. But ensuring a sound and efficient budget process should be a goal that doesn't break down on partisan lines. In fact, a number of the witnesses for us today have expressed concerns about the budgeting process that spans administrations and political parties.

For example, Mr. DeHaven and Dr. de Rugy, in one article you both co-authored you said, and I quote, "The fact that we are having a mounting deficit is because George W. Bush is the most gratuitous big spender to occupy the White House since Jimmy Carter. One could say that he has become the mother of all big spenders." Can I take this from you that you both agree that the Bush administration created a lot of the debt problem we now confront?

Ms. DE RUGY. Yes.

Mr. DEHAVEN. It is an undeniable fact.

Mr. GREEN. Both for each of you, Vice President Cheney is quoted by his Treasury Secretary as saying, "Reagan proved that deficits don't matter." Do you think Vice President Cheney was wrong?

Mr. DEHAVEN. Yes, absolutely.

Ms. DE RUGY. Yes, they matter.

Mr. GREEN. OK.

Ms. DE RUGY. I mean, there could be a debate, an academic debate, right? Until recently, academics, you know, could not find a correlation, still haven't found a correlation between the size of deficits and interest rates. However, I mean, there has been—we don't know so there is this side of the debate, right? And then however, we know that there is a point where deficits are so big and the size of the government is so big and the size of the debt is so big that it becomes—the tumor becomes so big that it starts destroying everything, and then there is a principle issue, which is in theory the amount of taxes that are—

Mr. GREEN. Well, I only have 3 minutes and I have a whole bunch of questions, but do you agree that—

Ms. DE RUGY. Yes, yes.

Mr. GREEN [continuing]. Deficit is where we are at now—

Ms. DE RUGY. You guys shouldn't be spending more money.

Mr. GREEN [continuing]. No matter where we have come in the last 10 years, because I will remind you all that in 1999 and 2000, we had a balanced budget, or annual balanced budget.

Ms. DE RUGY. Well, not if you—if you had planned reasonably and put money aside to pay for all the unfunded liability and promises made, no, it is not a balanced budget.

Mr. GREEN. Oh, well, granted, but officially, not counting Social Security and—

Ms. DE RUGY. Yes, officially.

Mr. GREEN [continuing]. But officially we were actually buying down our national debt in 1999 and 2000.

Ms. DE RUGY. Officially, but budget gimmicks is what Congress has used to actually make something look black when it is red.

Mr. GREEN. And those are bipartisan gimmicks, but let me go on.

Dr. de Rugy, in one of your papers on an off-budget emergency spending, you document how most of the 8 years of the wars in Iraq and Afghanistan were paid for with money that was not part of the Congressional budget limits. That was literally hundreds of millions of dollars. As you point out in the paper, emergency spending is supposed to be used when the need is unexpected and unpredictable like hurricanes or something like that that we had a debate over the last month. Question: When the President proposed this misuse of offline emergency spending year after year, which President proposed this misuse of offline emergency spending year after year, long after they were expected and predictable?

Ms. DE RUGY. President Bush.

Mr. GREEN. OK. And again, it was complacent with Congress obviously?

Ms. DE RUGY. Absolutely.

Mr. GREEN. And both parties in control.

Ms. DE RUGY. Absolutely, and Congress, you know, was happy to let the budget rules that was supposed to restrict some of that abuse expire.

Mr. GREEN. In one of your papers, you also called the Bush administration profligate, which coming from Texas, we don't see that very often. But did you say that in the paper, that President Bush's administration was profligate?

Mr. DE RUGY. In spending?

Mr. GREEN. Yes.

Ms. DE RUGY. I am French, just in case you didn't notice.

Mr. GREEN. Doctor, which President proposed to Congress that it stop using the off-budget emergency spending of which you have been so critical?

Ms. DE RUGY. Well, I mean, President Obama has accepted—you know, there is no evidence that the abuse is not going to be continued. There are no rules that actually are on the books now to actually prevent it, and if the debate over the latest round of emergency spending is any indication, there is no one in Congress who is actually really serious about reconsidering the abuse of that loophole.

Mr. GREEN. So this is both a Congressional and Presidential problem that we have?

Ms. DE RUGY. Yes.

Mr. GREEN. Dr. DeHaven, in the past you have written about agriculture subsidies as “the orgy of supplemental spending bills that have increased the spending.” Would you tell that Congress agri-

culture spending is part of that low-hanging fruit for deficit reduction?

Mr. DEHAVEN. I would consider it to be so, especially when you have record incomes, but then we saw that back in 1996. Congress comes up with Freedom to Farm because incomes are high and they said we are going to wean you off and we are going to give you temporary payments to do that. Farm income prices promptly dropped the next few years. They came up with emergency supplementals and then in 2002, under the Bush administration and Republican Congress, they take the temporary payments and make it a permanent handout, so—

Mr. GREEN. Mr. Chairman, I don't think I have any more time, but I appreciate the answers to the questions.

Mr. STEARNS. I thank the gentleman, and the gentleman from California, Mr. Bilbray, is recognized for 5 minutes.

Mr. BILBRAY. Thank you, Mr. Chairman.

Mr. Chairman, I think there is an item we might be able to agree on here, and there might be a real opportunity to really get a focus on where both sides can cooperate on this. Let me first ask Mr. Lilly, you remember the comments about the earmarks in 1995. You also remember that the first initiation was that we had an administration that was taking line items and moving them from line item to another to basically get around cuts and so there was a lot of that originally was to lock things in so the administration couldn't shuffle funds and, you know—and also you do remember that a thing called an earmark was the Predator, which was probably the most cost-effective and efficient weapons system ever developed in this country since the Monitor went out to Hampton Roads and confronted the C.S. Virginia. Those two items, in all fairness, you know—I am saying when it started off, there was a major reason why there was concern there.

Mr. LILLY. I think if you look at my written testimony, I make the point that the Predator was—if it is not in the testimony I submitted today, I have often referred to this. I don't think that earmarks are evil as such but I think the practice where we went—on the Labor H appropriation bill, we had zero earmarks in 1995. We had about 40 in 1996. We had over \$1 billion in earmarking by 2004.

Mr. BILBRAY. And I think the sad part about it—

Mr. LILLY. It completely overwhelmed the system.

Mr. BILBRAY [continuing]. That we didn't get the education out that the real abuse was a thing called the air drop where people were dropping things in in conference where no one had the right to be able to extract it, as the person who had to inherit the seat of a certain Congressman who abused that.

Let me go over and ask U.S. PIRG, U.S. PIRG today, I enjoy listening to your testimony about so-called renewable fuels and the abuses in the system because I remember in 1995 when I came here, you had the Lung Association and U.S. PIRG strongly pushing the auction and mandate, strongly pushing as an environmental and health issue the requirement that ethanol be put in our gasoline, MTBE and ethanol, and I appreciate the fact that U.S. PIRG has reassessed not only the lack of health and environmental benefits but also the cost on this.

Mr. KALMAN. Yes, I was not around in U.S. PIRG in the 1990s to the extent that I am unfamiliar with our previous position on ethanol but it is in the report. We believe that, you know, it doesn't serve the purpose and it is a wasteful—

Mr. BILBRAY. Not all items that people think, even the so-called experts think are great for the environment and health turn out to be what is projected.

And so I am real touchy about it, guys, because I had ads run against me that I wanted children to die because I opposed that, and I opposed it because my scientists in California knew that it was a problem back then.

Let us go to something we can agree on. Mr. Knudsen, your idea about if it is not authorized, we should not be spending money on that.

Mr. KNUDSEN. Yes.

Mr. BILBRAY. Now, that is something that I think Republicans and Democrats, and it comes back to your point about Congress now taking the responsibility and starting to take the reins back. Go down the list, each one of the people here, would you encourage us to demand that Congress take a look at that and make that a policy?

Mr. SCHATZ. Yes.

Mr. DEHAVEN. Yes.

Mr. KNUDSEN. Yes.

Ms. DE RUGY. Yes.

Mr. MOYLAN. Yes.

Mr. KALMAN. I would have to look more closely at it.

Mr. COLLENDER. Yes, but it is not required by the Constitution.

Mr. LILLY. Let me just say—

Mr. BILBRAY. Neither is a balanced budget but—

Mr. LILLY [continuing]. That we have had not only a collapse of the budget process in the appropriations process but the big collapse has been the authorization process. If you look at CBO's report to the Congress from last January, over half of the non-defense appropriations were for things that weren't authorized. Some of them haven't been authorized for 20 years. Now, most people don't want to see those programs ended but unless the authorizers are able to reactivate this process and review those programs, then I think you are kind of stuck with appropriating money without authorization, and it is a terrible thing.

Mr. BILBRAY. You believe that we shouldn't force the issue and require authorizers to do their job and not reauthorize?

Mr. LILLY. We should, but I don't think people that depend on those programs should suffer as the result of the failure of the authorizing committees to do their work.

Mr. BILBRAY. So you think that future generations should suffer by using continuing to spend 43 percent more than we have money for?

Mr. LILLY. That is different from cutting spending. I am not saying we shouldn't cut spending. I am saying that is a very arbitrary way that is going to hurt a lot of people that you probably are going to find out you didn't want to hurt.

Mr. BILBRAY. OK. Democrats and Republicans work together and authorize a 2-year budget cycle for the veterans. Do you believe

that we should look at applying the same application for the rest of the budget or large portions of it? Down the line.

Mr. LILLY. I think that would be—if the Congress wants to maintain control of the budget, that is a bad thing for them to do.

Mr. COLLENDER. I agree with Scott. It will reduce responsibility, not increase it.

Mr. KALMAN. Again, I would have to look at it more carefully.

Mr. MOYLAN. I would say it has to be done with care, but yes, it should be considered.

Mr. BILBRAY. Next.

Ms. DE RUGY. No.

Mr. KNUDSEN. No.

Mr. DEHAVEN. You get a bunch of more supplemental spending. Indiana had one, and that is—no.

Mr. SCHATZ. Yes.

Mr. BILBRAY. OK. My argument is, if we did that, maybe would have time to start doing authorizations and be able to get our job the other way, but that is a disagreement.

I yield back, Mr. Chairman.

Mr. STEARNS. I thank the gentleman.

Mr. BILBRAY. I think, though, we found an agreement of something hopefully the Democrats and Republicans on this committee can take to the other committees and say here is a common ground that we have found on this committee and that is why this hearing needed to be held. Thank you.

Mr. STEARNS. The gentleman from Louisiana, Mr. Scalise, is recognized for 5 minutes.

Mr. SCALISE. Thank you, Mr. Chairman. I know that there were some people who said they didn't think we should be having this hearing. I want to thank you for calling the hearing because I think as we have more hearings like this, I think it does put more pressure and put more sunshine on the fact that we really do need to be doing more on all fronts to not only find waste in government but also to hold people accountable for the things they say. I have been kind of amused by or intrigued by the comments from some of my colleagues. You know, when the President actually said these words, we will go through our Federal budget page by page, line by line, eliminating those programs we don't need and insisting that those we do operate in a cost-effective way, I am kind of shocked that some of my colleagues on the other side are now claiming that when the President said this, he really didn't mean it. I would be curious to know what other things the President has said that he doesn't mean.

Ms. DEGETTE. Would the gentleman yield?

Mr. SCALISE. I would be happy to yield.

Ms. DEGETTE. I don't think anybody said that the President didn't mean it. What we wanted to know—

Mr. SCALISE. The ranking member said—

Ms. DEGETTE. I am the ranking member.

Mr. SCALISE. The ranking member of the full committee.

Ms. DEGETTE. And I said—

Mr. SCALISE. Mr. Waxman said—

Ms. DEGETTE [continuing]. And Mr. Waxman said that we didn't know if the President actually read it line by line or not but the OMB did, so don't put words in his mouth.

Mr. SCALISE. Well, but he said that he didn't mean it literally, he just—you know, I guess he just says things and whether he means them or not. But if he said it and he meant it, and, you know, I would love to have the OMB here, and as the chairman pointed out, we wanted to have the OMB here. They refused to come. We could ask them, you know, because obviously they must have had those conversations with the President and his staff of, you know, whether or not they were directed to go line by line through the budget but I think from seeing some of the things that we have seen clearly, that hasn't happened, you know, and of course, we had the President come before our House chamber and say, you know, with this latest stimulus bill saying "pass this bill," and we found out there wasn't even a bill. He didn't even have a bill to pass yet he is saying "pass the bill," so maybe he does say things he doesn't mean, but he ought to mean what he says. And I think the American people deserve to hold him to the things he says, and I think that is the bigger issue is that if he is going to say these things, he thought to be—he ought to expect to be held accountable for those things he is saying, and that means as we try to go line by line through the budget, I think if you look at what we did in the House, we actually passed a budget, something novel, something that hasn't happened for years. In the Senate, it has almost been 900 days since the Senate passed any budget. We passed a budget and our budget was actually geared at getting us back on the path to a balanced budget. Our budget was \$6.7 trillion less than the President's budget.

And so we did in fact go line by line and found many areas of things that the government is doing that it can't afford to do. We are borrowing money we don't have. We have to stop spending money we don't have and we started to make that fiscally responsible decision that we were going to get our country back on the path to a balanced budget so we can create jobs and get the economy back on track, and in fact, our budget got more votes in the Senate than the President's own budget. The President's budget was brought up in the Senate. Not one member of the Senate voted for the President's budget, not one Democrat, not one Republican, nobody. You would think if the President was serious about going line by line and he saw such an embarrassment that not one United States Senator voted for his budget, maybe he ought to go back to the table. Maybe he ought to start over and write a different budget that maybe included ideas from both sides that showed some effort at bipartisanship instead of a budget that people on neither side of the aisle chose to vote for.

And so it brings us to some questions because if you look at some of the things we have been going line by line in this committee. This committee is the committee that exposed the Solyndra scandal, and in fact, when we tried to go line by line and get more details, we actually had to get a subpoena because the administration wasn't even giving us the information. And so unfortunately, by the time we got the information, went line by line per se, we didn't have the ability to stop that from happening. The taxpayers lost

\$530 million. You know, the President, if the President would have just gone line by line with the memos that were written by his own staffers who said, you know, 2 days before he went to Solyndra for a photo op, they said frankly, you shouldn't be going down there and this thing is probably going to go bust and the taxpayers are going to lose hundreds of millions of dollars but instead they wanted the photo, you know, so maybe he went line by line and say you know what, I still want to go have the photo op anyway. But the taxpayers lost out and we tried to go line by line here in the House and we were denied. They stonewalled us and we had to subpoena the record, and fortunately, we finally got them. Unfortunately, the taxpayers are already on the hook.

So I will ask—let me ask—let us see. The Heritage Foundation I know is here. The President has talked a lot about Medicare and, you know, saying he is going to go root out waste, fraud and abuse in Medicare, and it is something we have all encouraged to do. We all ought to be rooting out waste, fraud and abuse in Medicare, but has even that happened where they have gone line by line and gotten those hundreds of billions of savings that we have all heard about that he was going to go and find there?

Mr. KNUDSEN. I can't say what really has happened inside the administration. What I would say, waste, fraud and abuse is always something you want to cut out just as these items the President has proposed. They should not be dismissed. They ought to be considered seriously and disposed of in some way. But when it comes to Medicare, the problem is much more fundamental than waste or overpayments or any of those things. The Medicare system is collapsing, and unless there is some fundamental restructuring of it to change the incentives and the way it works, the system can't stand up or it will swallow up increasing amounts of the budget and the economy—

Mr. SCALISE. And the President's own actuaries, President Obama's handpicked actuaries confirmed that Medicare goes bankrupt in 12 years if we don't do anything. So those folks that say do nothing, basically they are saying let Medicare go bankrupt, and that is not acceptable. So I appreciate that.

Thank you, Mr. Chairman, and I yield back.

Mr. STEARNS. I thank the gentleman.

We are going to go a second round, at least I am going do a second round, so any member that would like to is welcome to stay.

This is an extraordinary hearing in the sense that we have these fiscally responsible groups, so many of you, in one room, and it is rare—I have been in Congress, this is my 23rd year—that I have ever seen this collection of reputable organizations who are—really, their sole mission is to try and protect the United States from a bankruptcy or at least to try and have a responsible budget, and so I think kudos to all of you for, one, your interest and pervasive attempt to control spending and to give insight to Congress.

I know many of us, before we vote, will ask, you know, whether the Citizen Against Government Waste, the National Taxpayers Union, The Heritage Foundation, at least on this side, we will ask and say what is your view, so I think it is important that all of you realize that you are important to us and that is why I think it is important to have all of you here.

I want to ask Mr. Moylan, the National Taxpayers Union, I have—in your opening statement, you talk about this termination, reduction and savings plan that the Office of Management and Budget issued, and they total about \$33 billion in savings for 2012, and I guess when you look at that, at \$3.8 trillion, that is less than 1 percent, and yet those are the expenses that the President and the OMB are offering, and it is so minimal. So the question all of us, well, where are the other savings in light of the fact that we have this huge budget deficit yearly and this huge debt growing, we borrow 41 cents of every dollar, pay for the budget, and so these figures are staggering, yet to think that there is only \$33 billion is the only level of cuts. Am I missing something? That just seems very austere and very minimal.

Mr. MOYLAN. Well, I think your sense of it is very similar to ours in that when we review a report like that and see what is ultimately a relatively small number—and I would also point out that many of the specific recommendations that the OMB made in the terminations report are actually not just spending side, there are also tax provisions in there that would have the effect of raising revenue, so it is not all just spending cuts but, you know, this indicates to us that there is a tremendous amount more work that can be done in terms of tackling waste and inefficiency, and we think that, you know, we are offering ourselves up as a resource and our work and, you know, there is a lot of sort of partisan rancor in Washington about a lot of things, but there is actually a fair amount of agreement in the watchdog community about where the waste exists in the Federal budget. We think that our report with PIRG demonstrates that, and we hope to take that message not just to the President but to Congress as well.

Mr. STEARNS. Let me ask a few of the others. Mr. DeHaven, \$33 billion seems so minimal. Now, you are saying that is not complete because there are tax increases, so there might be more savings that have been balanced out because of the tax increases.

Mr. DEHAVEN. To clarify, it is \$33 billion in deficit reduction. Some of that is extra revenue and some of that is spending reduction.

Mr. STEARNS. All right. Just a comment, Mr. DeHaven, what you think about that kind of—I think with the Cato Institute, that seems pretty minimal to you too, doesn't it?

Mr. DEHAVEN. Well, it is paltry and insignificant, but I also want to point out, and I left this out of my spoken testimony, that the stuff about waste, fraud and abuse, waste, fraud and abuse in government programs will—like Christ said, the poor will always be with us—waste, fraud and abuse will always be with us. And the only way to get rid of waste, fraud and abuse in a government program is to make that government disagree. Now, whether it is Republicans or Democrats, they all fall back on this waste, fraud and abuse stuff and we need to be having a more fundamental discussion about the role of government and a deeper ideological discussion about where we are going to go and what the Federal government should and should not be doing.

Mr. STEARNS. One of the things that—I think many of us felt that government programs should sunset and then before they are reinstated, that there should be an oversight hearing to deter-

mine whether that program was effective. Would all of you agree with that, that we should take government programs and sunset them?

Mr. SCHATZ. Yes, I would.

Mr. STEARNS. Mr. DeHaven?

Mr. DEHAVEN. I don't have a problem with some sort of process by which we have these discussions. The problem is—and I was going to bring in the budget appendix up there, and I didn't bring it in because I don't have the arm strength these days. It is massive and so when it comes to oversight, when you have a government that big when it comes to authorization and stuff like that, it is very hard for even a master of the budget to know what all is in there, let alone a Member of Congress, let alone Joe or Jane Lunchbucket out there that actually has a real life outside of Washington, DC, and it is just too big and overbearing and somehow you have to cut that down to make more sense of it. Otherwise we are going to continue to have these discussions year in and year out.

Mr. STEARNS. OK, just quickly, go ahead.

Mr. KNUDSEN. Yes, I would support that idea.

Ms. DE RUGY. I agree and sunseting is a good first step.

Mr. STEARNS. Mr. Moylan?

Mr. MOYLAN. We have long supported sunseting as a way to inject some more accountability into the process.

Mr. STEARNS. Mr. Kalman?

Mr. KALMAN. We would not support that. We think there are programs that have wide support and are widely agreed and, you know, Pell grants, as I said before, is one of them.

Mr. STEARNS. Then how would you get oversight of these programs without the threat of termination? You wouldn't get any oversight. These things would go on indefinitely. But anyway, I appreciate your opinion.

Mr. Colender?

Mr. COLLENDER. Sure, but it is not the panacea you think it is. Most programs will just be continued anyway.

Mr. STEARNS. Because of the politics?

Mr. COLLENDER. Of course.

Mr. STEARNS. Mr. Lilly?

Mr. LILLY. I think the reason we have 20 committees in Congress is so that we have the capacity to do the oversight. The problem is, those committees are not doing the oversight. I will give you one example. I did a report last year on a government contractor that is charging 80 percent gross margins. The product that that contractor produces was developed by the United States government. The facilities that they use to manufacture it were paid for by the United States government and we are paying 80 percent for it, and that contractor is getting paid under authority from this committee. Now, why aren't you having a hearing on that rather than this? You have got to get down in the weeds.

Mr. STEARNS. Let me ask you, can you name that contractor?

Mr. LILLY. Emergent BioSolutions. I have a report on it here.

Mr. STEARNS. Well, if you don't mind, I would like to make that part of the record. Without objection?

Ms. DEGETTE. No objection.

Mr. STEARNS. No objection, we will be glad to make that part of the record.

And I think there are probably more programs like that out there, Mr. Lilly, and so—

Mr. LILLY. Yes, there are.

Mr. STEARNS [continuing]. If you find any more, please let us know, and you are saying that is the jurisdiction of the Energy and Commerce Committee?

Mr. LILLY. That is correct.

Mr. STEARNS. Well, I have finished my second round. Does anyone else on the Democrat side? No? Mr. Griffith, you are recognized.

Mr. GRIFFITH. Just a couple matters, Mr. Chairman. Thank you so much for the time. I appreciate your courtesy.

First, let me just say, you all might want to go back to those who did not agree with the biannual budget and just take a look at some of the models that those hotbeds of ideas in the various Republican States of this union are coming up with. My experience was that as long as you had some ability to amend so that you can correct the errors that you might have made the first time around, that the biannual budget makes for a smoother process. The battles philosophically over what gets spent are not quite as pitched in some circumstances when you have that biannual budget the second time around and people seem to try to work with it. That is just my take on that.

In regard to sunset, you know, it shows you I am new around here. I thought that is what reauthorization was, that if you ran out of authorization, that was a sunset. But I would have to say in relationship to those comments, if the program is worthy and somebody gets hurt accidentally, Congress will start to scramble quickly to reauthorize the program. I think reauthorization is very important because it is the tool by which a sunset is enforced, and if you don't have to worry about reauthorizing, then why put it in there in the first place. Just authorize it permanently and be done with it.

In regard to the comments by Dr. de Rugy and Mr. DeHaven, you were asked some questions about the spending of the Bush administration and you gave your very frank and honest opinion. I am wondering if you are saying a major change in that spending growth under the current administration. If each of you could answer that, I would appreciate it.

Ms. DE RUGY. No, I don't. In fact, I often say that President Obama is President Bush on steroids.

Mr. GRIFFITH. Mr. DeHaven?

Mr. DEHAVEN. I have made that same comment, but if we are still in Iraq and Afghanistan, we are still spending money on everything that Bush spent money on, maybe just more. I barely see the difference some days.

Mr. GRIFFITH. I appreciate that and agree with you all that, you know, we have got to take a look at the—somebody said it, I don't want to attribute it to everybody by using the colloquial "you all." But the person who said that we have got to take a look at the role of government, which is why when I am reading bills and taking a look at these things, you know, a lot of times I am scratching my

head wondering why the government got into this in the first place, even though they may be very good programs. I have seen quite a few of those. If you all can help us figure out where they are, and I do look forward to looking to the report that the two groups, both left and right, did. That is the kind of thing that is very helpful to us. I think there are a lot of things that we as Americans, both Democrats and Republicans, left and right, can agree on.

I have found this hearing today to be very helpful and educational. I appreciate you all taking your time, and Mr. Chairman, I appreciate you calling the hearing. Thank you.

Mr. STEARNS. I thank the gentleman, and I just remind all members that we have 10 days to hold the record open for any additional comments or opening statements, and again, I want to thank all of the witnesses today for your time and willingness to help us out, and with that, the subcommittee is adjourned.

[Whereupon, at 12:18 p.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

**Chairman Fred Upton
Subcommittee on Oversight and Investigations
Administration Efforts on Line-by-Line Budget Review
October 5, 2011**

Today, the Subcommittee will examine a question of great importance: At a time of record deficits and debt, what programs should be downsized and what should be eliminated?

Excessive government spending is impeding job growth and economic prosperity. What was unimaginable only a few years ago has become the new normal for this administration. The federal government has had three straight years of trillion-dollar plus deficits. The federal government borrows 41 cents of every dollar it spends. This is simply not sustainable. Yet, in the face of these looming debts, the Obama administration continues to insist that we grow the size of the government and raise taxes to pay for it all.

Today's hearing is a great opportunity to see what actions are being taken and what new ideas can be pursued to reduce the deficit and the debt. It is a real disappointment that the Office of Management and Budget claims it has no appropriate witnesses to testify today – we gave the administration adequate notice and an invitation to be here.

The Obama administration has talked about its commitment to line-by-line budget reviews for the last three years. If this is truly a top budget priority, either the Director of the OMB or the Deputy Director for Management/Chief Performance Officer could have testified on this subject. I worked at OMB for President Reagan – I know what an important role OMB plays in imposing financial discipline on the executive branch. Under President Obama, OMB was tasked to lead the effort to review the budget “line by line” to find wasteful and ineffective spending. Our goal today was to find out whether they have attempted to eliminate programs that are duplicative or no longer work and to make the programs we do need more efficient and less costly.

I can't think of a time when congressional oversight was so essential to shine a spotlight on wasteful and ineffective spending. We need to find ways to reduce spending while still producing results for the American people. In the book “Moneyball,” which is now a movie as well, we see how the Oakland A's used new ideas and strategic thinking to compete with ball clubs with triple their budget. They did more with less. We need that kind of thinking applied to the federal budget.