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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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June 6, 1979

The Honorable Jack Brooks
Chairman, Committee on Government Operations
House of Representatives

HSE01500

2 addresses

Dear Mr. Chairman:

I would like to offer our comments on the Intergovernmental Productivity Improvement Act of 1979 (H.R. 2735). Our comments are in response to your March 15, 1979, letter.

This bill would establish a limited Federal grant program to encourage additional productivity improvement efforts by States and localities. We strongly support the general thrust of this bill, which would implement a major recommendation proposed in our report, "State and Local Government Productivity Improvement: What Is the Federal Role?" (GGD-78-104, December 8, 1978).

In that report, a copy of which is enclosed, we stated that the Federal Government should increase its efforts to promote productivity improvement in the State and local sectors because of Federal interest in controlling inflation and improving the implementation of Federal grant programs. We recommended (1) implementation of a Federal seed money grant program for State and local management improvement, (2) creation of a renewed federally sponsored research and development effort to evaluate different approaches to the delivery of public services, and (3) designation of a Federal focal point for State and local productivity improvement to provide better leadership and coordination for the disparate Federal efforts in this area.

We found that Federal funds play an important role in supporting productivity improvement programs begun by interested State and local managers. Due to limited in-house expertise and information, most State or local governments needed some form of external assistance to embark on improvement programs. In some cases, Federal funds served to reduce the start-up costs as well as the risks that local managers face in using local funds for new and innovative management improvements.

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We found that Federal funds can be especially important to fiscally troubled local governments. According to our sample survey, these local governments are the most in need of productivity improvements but are the least able to afford the start-up costs and are the most dependent on Federal funds to finance the productivity improvement projects they do undertake. We observed that local governments facing budget cuts are often forced to cut management analysis staffs, in spite of their cost effectiveness, to concentrate shrinking resources on hard services that are more visible to the citizenry. Thus, we recommended a Federal general management improvement seed money grant program, similar to the program proposed in H.R. 2735.

The proposed bill would also increase the Federal commitment to evaluate and research new approaches to measuring and and delivering public services. Research and development in support of more enlightened public management is vital and is the kind of activity that can best be supported at the national level. Unfortunately, as our report pointed out, with the termination of the National Center for Productivity and Quality of Working Life and the curtailment of public sector productivity research by the National Science Foundation, the Federal commitment to research and development in support of State and local productivity improvement has been diminished. This bill would thus help to fill a vital need.

The bill would also require us to evaluate the program and report to the Congress within 36 months of the effective date of the Act. Due to our interest in the area, we will be following developments in this field anyway. For example, we are currently monitoring the ongoing efforts of the National Productivity Council to develop a new Federal program for State and local productivity improvement. Therefore, we would obviously have a strong interest in evaluating the implementation of the program proposed in this bill. However, we do not feel that 36 months is sufficient time for us to evaluate the full impact of Federal funds on State and local grantees.

The achievements of productivity programs are often long range. State and local acceptance of productivity projects begun with Federal grants is also a long-range proposition. While we could evaluate the administration of the program within 36 months, this period of time may be inadequate to review the full impact of the program on State and local productivity itself. Thus, we would suggest deleting the time frames for our review in proposed section 506(b).

We have several other suggestions for changes in the bill which we feel would improve the program.

--The bill authorizes Federal grants for up to 90 percent of State and local project costs but does not stipulate the duration of Federal funding. We have found that Federal funds can contribute to an effective productivity program only when top management within the local government is committed to the project. We feel that requiring a higher non-Federal match of funds would help ensure applications only from those jurisdictions with an interest serious enough to commit some local funds to the project. However, if the non-Federal match is increased, the Office of Personnel Management should be given authority to waive the match for governments in fiscal distress--a prime target of intergovernmental productivity assistance. Waivers should be permitted only if the local government meets established distress criteria.

--The bill does not incorporate the seed money approach. We feel that while Federal funds can be valuable in reducing start-up costs, limited Federal funding should not be continually tied up in subsidizing of ongoing project costs but rather should be used to defray start-up costs. Eventually, we should expect each project that is funded to be supported fully by State or local funds, once the program has had sufficient chance to prove its worth to the local voters. Accordingly, we would suggest that the seed money approach be used. Federal assistance for each project would terminate after a certain period, thereby enabling limited Federal funds to be distributed to a larger number of jurisdictions. Under the seed money approach, the Federal Government should be prepared to abide by local decisions, even if this means discontinuing the project when the Federal grant period is over.

--The list of suggested program activities in proposed section 502(b)(4)(c) should be expanded to include the development or adaptation of new technology to improve productivity.

--When possible, each grantee should evaluate the project's contribution to reduced costs and/or increased services in relation to costs. Based on this information as well as on independent monitoring, the Office of Personnel Management should periodically submit reports to the Congress on the productivity impact of the program.

--More explicit attention should be given in the bill to funding research and demonstration projects at the national level to measure and evaluate delivery of public services. As stated previously, more research on evaluating alternative ways to measure and deliver public services at the State and local level is vitally needed.

--In our December report, we emphasized the need for the Administration to designate a Federal focal point for State and local productivity improvement. That focal point would be charged with coordinating existing and new Federal programmatic initiatives that affect State and local productivity. The effectiveness of such a focal point in dealing with other Federal agencies would be enhanced if it were legislatively established in this bill.

Passage of this bill, with the changes we have suggested, would mark a significant step forward in our efforts to improve national productivity, control the costs of government, and restore the confidence of citizens in their government. We would be glad to meet with you or members of your staff to discuss our comments.

Sincerely yours,

Comptoller General
of the United States

Enclosure