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PERFORMANCE BUDGETING

Opportunities and Challenges

Statement of David M. Walker, Comptroller General

G A O

Accountability ★ Integrity ★ Reliability

GAO-02-1106T

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

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

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

In my testimony today I make several points:

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

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

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

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

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

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

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

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

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

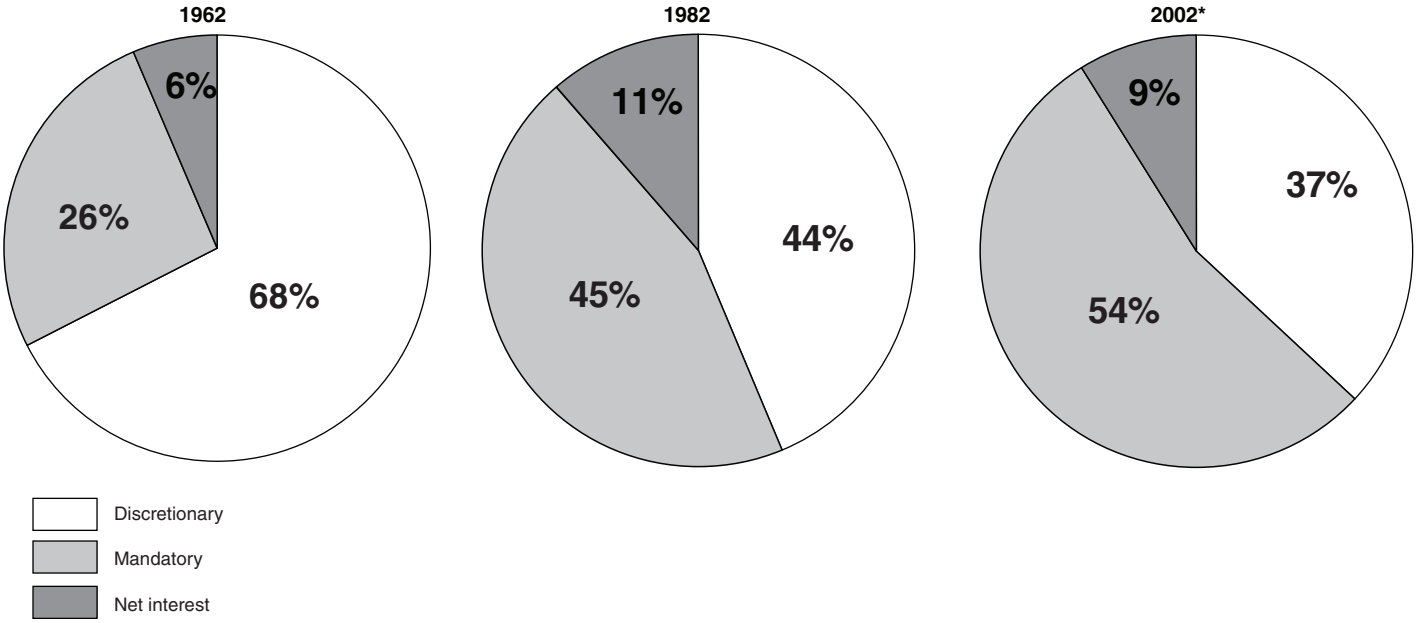
Long-term Demographic Trends Drive the Fiscal Future and Frame Current Debates

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

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

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

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



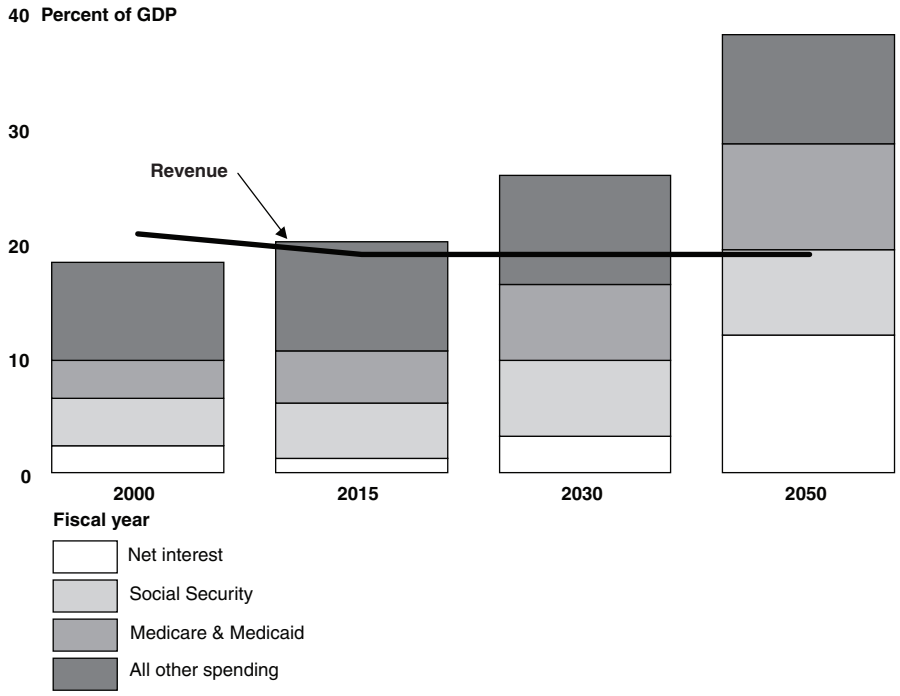
*OMB current services estimate.

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

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

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

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



Source: GAO's August 2002 analysis.

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

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

Improving Sustainability and Relevance of Government for the 21st Century

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

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

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

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

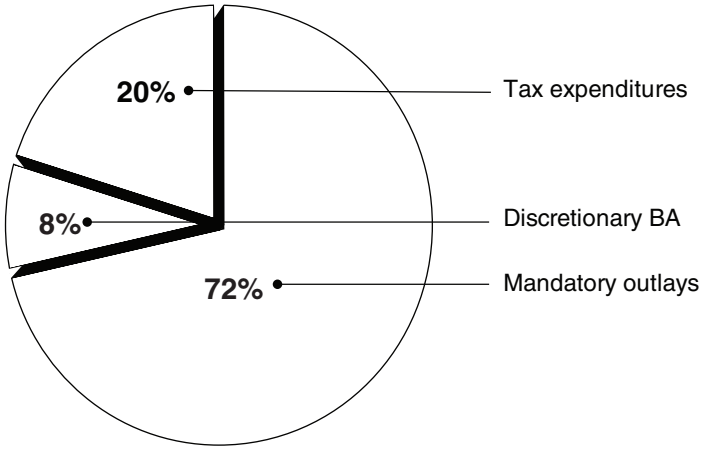
[2] U.S. General Accounting Office, *Homeland Security: Challenges and Strategies in Addressing Short- and Long-Term National Needs*, GAO-02-160T (Washington, D.C.: Nov. 7, 2001), GAO/T-AIMD-00-73, and GAO-02-467T.

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

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

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

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



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

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

Public Education Is Critical

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

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

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

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

The Role of Performance Budgeting

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

[3] GAO-02-467T.

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

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

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

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

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

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

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

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

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

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

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

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

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

OMB's Program Assessment Rating Tool

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

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

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

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

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

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

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

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

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

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

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

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

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

Performance Information Requirements and Evaluation Capacity

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

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

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

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

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

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

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

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

Congressional Oversight Is Necessary to Achieve Results

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

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

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

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

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

Concluding Observations

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

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

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

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

Contacts

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