Testimony of
Jonathan D. Breul
IBM Center for The Business of Government

before

The Subcommittee on Government Efficiency
and Financial Management
Committee on Government Reform
U.S. House of Representatives

March 31, 2004

Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to discuss the implementation of the Government Performance and Results Act (GPRA) of 1993. In particular, you asked about (a) the effect of GPRA over the last 10 years, (b) the challenges agencies face measuring performance and using performance information in management decisions, and (c) how the federal government can continue to shift toward a more results-oriented focus.

I am a Senior Fellow with the IBM Center for The Business of Government. The IBM Center for The Business of Government is dedicated to stimulating research and facilitating discussion of new approaches to improving the effectiveness of government at all levels in the United States and across the world.

Government Performance and Results Act

The United States federal government is one of the largest, most complex and diverse organizations in the world. It faces a wide range of challenges in responding to a number of key trends, such as globalization, changing security threats, and demographic changes. Especially in light of diffuse security threats and homeland security needs and the looming fiscal challenges facing our nation, federal agencies need to work more effectively. Accountable, results-oriented management can help the federal government deliver economical, efficient, and effective programs and services to the American people.

Over the past decade the Congress and several administrations have put in place a structure for increasing the use of performance information. Federal agencies have been working to carry out the Government Performance and Results Act of 1993 (GPRA), which requires the development of strategic plan and annual performance plans and reports. GPRA requires a closer and clearer linkage between resources and results, recognizing that one of the ways in which performance management becomes useful and used is if this information becomes relevant for the allocation of resources.

The attention of the federal government to strategic planning and the supply of performance information has increased substantially in the 10 years since passage of Act. GPRA is doing exactly what was expected – it has laid the foundation for use of performance information. As a consequence, the federal government has never been in a better position to make its budget decisions more informed by considerations of performance.

HISTORY

The fiscal year 1990 budget document, *Management of the United States Government* (January 1989) outlined the key elements in GPRA. A chapter titled "Government of the Future" described the need for strategic planning, monitoring of performance, an emphasis on results, and greater managerial flexibility and accountability -- that were to be included in the amended version of S. 20. U.S. Senator William Roth of Delaware introduced S. 3154, the Federal Program Performance Standards and Goals Act of 1990, on October 3, 1990. The purpose of the bill was to "provide for establishment and evaluation of performance standards and goals for expenditure in the Federal budget." Based on the belief that the Federal Government continued to waste and mismanage public funds and that the public was not receiving "full value for their tax dollar," the bill required the Office of Management and Budget (OMB) to establish performance indicators, quantified for each major expenditure category in the budget.

The proposed legislation was not only aimed at federal operations, but also, and most notably, the Congress. It would have required the Congress to establish specific outcome measures as part of its legislative process, calling for Congress to set annual performance standards and goals in all authorizing and appropriating legislation.

Ten years ago on August 3, 1993, President Clinton signed P.L. 103-62, "The Government Performance and Results Act of 1993." Passed with broad, bipartisan support, GPRA was the Clinton Administration's first piece of management reform legislation. Signing the legislation, President Clinton remarked:

> "The law simply requires that we chart a course for every endeavor that we take the people's money for, see how well we are progressing, tell the public how we are doing, stop things that don't work, and never stop improving the things that we think are worth investing in."

Between 1990 and 1996, a burst of new laws emerged from Congress. These laws created a substantial, government-wide foundation for performance-based management. The first of these was the Chief Financial Officers Act of 1990 (CFOs Act). This Act required the largest government agencies to prepare annual audited financial statements. As part of the financial statement, an agency reports on the "results of operations". The CFOs Act was followed by GPRA, the Federal Acquisition Streamlining Act of 1994 (FASA), and the Clinger Cohen Act of 1996. FASA includes requirements that agencies establish cost, performance, and schedule goals for major acquisitions; achieve 90 percent of these goals; take certain steps if the 90 percent target is not met; and relate pay to performance. Clinger-Cohen includes requirements for agencies to develop performance measures for information technology that is either used or will be acquired by an agency.

Of these four laws, GPRA establishes the basic concepts and forms the fundamental structure for the United States' approach to performance-based management. GPRA further specifies a Congressional role in performance-based management, and requires that agency performance-related plans and reports be publicly available.

EFFECT OF GPRA OVER THE LAST 10 YEARS

Until about ten years ago, no laws existed that supported or required a comprehensive government-wide approach to performance-based management. Reforms such as MBO and ZBB were insular, begun and conducted by the Executive branch with Congress given no role and the public screened from view. Quite understandably, such reforms generally did not carry over from one Presidential administration to the next.

Performance information, mainly in the form of outputs, has existed and been used by the Office of Management and Budget (OMB), agencies, and Congress for many years. Measures of workload and transaction volume were common. In the 1980's, a total quality management initiative led agencies to develop productivity measures. This performance information can be characterized as being selective in its scope, often lacking in year-to-year continuity, and the product of unstructured, voluntary processes.

Collectively, GPRA's strategic and performance plans and the performance reports establish a comprehensive system of accountability through which agencies articulate what they are trying to accomplish, how they will accomplish it, and how Congress and the public will know whether they are succeeding. The emphasis of GPRA is on shifting performance measures from inputs and process (e.g., numbers of regulations issued) to results (e.g., safer workplaces). And, with the Chief Financial Officers (CFO) Act of 1990, the agencies also articulate how much these services and programs are costing.

Today the federal government is now in the seventh year of government-wide implementation of performance-based, results-oriented system of management envisioned by GPRA.   Agencies have made very substantial progress and efforts continue to significantly improve the use and value of performance information.

To a surprising, and welcome extent, an increasing number of departments and agency official have embraced results-based government. Their progress is providing useful examples for others who have been slower to embrace change and can be expected to fuel continued change going forward for some time.

However, additional effort is needed to clearly describe the relationship between performance expectations, requested funding and consumed resources. The uneven extent and pace of development should be seen in large measure as a reflection of the mission complexity and variety of operating environments across federal agencies.

Three features of GPRA – its statutory framework, strategic plans, and emphasis on measuring results - have contributed to its success to date and suggest why the law has outlived the forecasts of the pathologists of prior management and budget reforms.

1. A sensible, bipartisan statutory framework

Until about ten years ago, no laws existed that supported or required a comprehensive government-wide approach to performance-based management. GPRA's phased, iterative implementation allowed agencies and the Congress to identify where implementation did not meet expectations and make adjustments and revisions. Its drafters drew heavily on the experiences of other major democratic, market economies such as Australia, Canada, New Zealand and the United Kingdom. GPRA also benefited from being part of a series of important management reforms currently underway, including for example, the Chief Financial Officers Act and efforts by the Federal Accounting Standards Advisory Board to improve financial reporting. Finally, the bipartisan nature of the reform gave it added strength. It was conceived by a Republican Senator, passed under a Democrat Committee chair, and signed by a democratic President.   Not only did both recent presidential candidates speak to the importance of performance measurement, but President Bush has now made "results" a key element of his Management Agenda.

2. Strategic planning

Strategic planning is also one of GPRA's major success stories. Ten years ago there were next to no strategic plans in the federal government; now they are present in every department and agency, as well as most bureaus, sub-agencies, programs and operating units. Strategic planning has extended agencies' time horizons to a longer five to six year view, rather than the annularity of the budget process. The first round of plans were completed in 1997. A second round was issued three years later toward the end of 2000.

In the last six months, agencies completed a third round of strategic plans, collectively answering the question "what is the federal government trying to do?" Compared to 1997, the plans have become slimmer, more attractive and much more readable documents. Importantly, over time they have become less a statement of "vision" and more and five-six year operating plan.

The requirement to update the plan at least once every three years has proved to be awkward because it is out of synch with the four-year Presidential election cycle. Thus, for example, many agencies were required to update their plans in the fall of 2000, with an election in November. Congress might consider amending the Act to synchronize the plans to coincide with the beginning of a new Presidential term.

3. Performance measurement

Performance measurement is a third feature of GPRA that has worked, greatly expanding the supply of results-oriented performance information. In the 10 years since GPRA was enacted, agencies have improved the focus of their planning and the quality of their performance information. Over time, agencies have shown continued improvement in planning and performance and produced useful baselines from which to assess future program performance. However, developing credible information on program results remains a work in progress, as agencies struggle to define their contribution to outcomes, which in many cases are influenced only partially by federal intervention with funds, regulations, etc. and assure the reliability of their performance data.

Under the Bush Administration, interest in performance measurement has accelerated.

The use of performance information to influence resource allocation and program management decisions is expanding. Progress

OMB's PART review has highlighted the difficulty of developing

[fill-in with perf meas commentary]

THE CHALLENGES AGENCIES FACE

Much remains to be done to better integrate performance information in management decision-making, including budgeting. Four challenges remain – integration, performance budgeting, program evaluation, and Congressional buy-in.

1. Program evaluation

GPRA has prompted a revival in interest in program evaluation. For the first time in statute, GPRA defines program evaluation: “Program evaluation means an assessment, through objective measurement and systematic analysis of the manner and extent to which Federal programs achieve intended results.” Further, it requires agencies, when developing strategic plans, to describe evaluations used in establishing or revising general goals and objectives, with a schedule for future evaluations. And finally, it requires agencies, when reporting on program performance, to include summary findings of program evaluations completed during the fiscal year covered by the report.

Despite efforts to place a premium on evaluation, both the supply and demand for it remains weak. 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 third parties that implement federal programs.

2. Identifying the full cost of programs in the budget

3. Developing integrated reporting systems

At present, few Executive Branch agencies have automated systems for budget and performance reporting. With the possible exception of the Department of Defense, there are no automated management systems to provide a framework for tracking costs and goals from planning through enactment to execution.
GPRA reporting is often a paperwork intensive process that focuses on statutory reporting to the Congress.

Agencies prepare their budget requests using capabilities that are not linked to central automated systems. The annual agency budget requires to OMB and congressional justification materials are paperwork products.

Fortunately, technology-enabled performance budgeting tools are also now available to support agency decision-makers and the development, presentation and execution of the budget. Pursing a systematic use of strategic and performance planning, budgeting, and financial information is essential to achieving a more result-oriented and accountable federal government.

OMB has begun work on a systems architecture that will be used for reporting on budget and performance. OMB’s FY 2004 budget request included additional funding to update OMB’s MAX system and support.

4. Performance Budgeting

Senator John Glenn explained the purpose of GPRA*, "*The ultimate goal of GPRA is to use program performance information to guide resource allocation decisions. I repeat that. Use program performance information to guide resource allocation decisions. That is the important connect." Yet after nearly 10 years of implementation, considering performance when making budget decisions is unfortunately the exception, not the rule.

This year and for the first time, many departments and nearly all major agencies developed performance budgets, and sent their appropriation committees a performance budget justification for fiscal year 2005. The overviews and justification are structured around the agency strategic goals. Programs are presented in the context of the goals they support, with Program Assessment Rating Tool results, performance records, plans for the budget year, and the usual supporting material.

Making results the focus of the budget will require three significant changes.

- First, planning and evaluation – both oriented toward outcomes – must be thoroughly integrated into the budget process and documents.
- Second, the alignment of budget accounts – and especially their "program activities" subdivision - should be reviewed so that the budget can readily relate resources used to the results produced. This can be done on a program-by-program basis.
- Third, accounts and activities should be budgeted the full annual cost of the resources used. This requires legislation.

GOING FORWARD

Going forward, the challenge is to put performance-based, results-oriented government into practice. The initial years implementing GPRA focused on developing a performance management framework, accompanied by a growing increase in the use of the performance information to support budget decisions. However, systematic integration of performance into budget decision-making has yet to occur. GPRA has not been fully harnessed to improve management and program performance. Notwithstanding the effort to date, it continues to be difficult to systematically assess either the effectiveness of programs, or their relative efficiency when compared to similar activities in other areas of government and the private sector. While some agencies have made good progress in performance reporting under GPRA, a lot more needs to be done.

So what is next? The short answer is that OMB will have to produce a government-wide architecture for relating budget and performance data, and create a portal for collecting and sharing this information. Such an "e-budget" initiative will provide a new, automated framework for budgeting in the Executive branch and institutionalize the President's goal of integrating budget and performance throughout the Executive branch. An OMB-led, multi-year, multi-agency initiative needs to provide a common basis for agency reporting on costs and goals from planning through budgeting and execution throughout the Executive branch, and bring both new and existing reporting requirements into an e-budget system that brings together a unified set of budget and performance data. The architecture must ensure that the information satisfies program policy review needs, is comparable across programs, and can be shared with the government's central budget and financial systems.

Looking ahead, the integration of reliable cost accounting data into budget debates needs to become a key part of the performance budgeting agenda. Although much more remains to be done, together GPRA and the CFO Act 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 will be required to build on this

Performance budgeting is the next logical step in the implementation of results-oriented government. It will not be the answer to the vexing resource trade-offs involving political choice. It does, however, have the promise to modify and inform policy decisions and resource allocation by shifting the focus of debates from inputs to outcomes and results.