GOVERNMENT PERFORMANCE AND RESULTS ACT: STATUS AND PROSPECTS OF THE RESULTS ACT

HEARING

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY

OF THE

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT HOUSE OF REPRESENTATIVES

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GOVERNMENT PERFORMANCE AND RESULTS ACT: STATUS AND PROSPECTS OF THE RESULTS ACT

TUESDAY, JUNE 3, 1997

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
INFORMATION, AND TECHNOLOGY,
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:30 a.m., in room 2154, Rayburn House Office Building, Hon. Stephen Horn (chairman of the subcommittee) presiding.

Present: Representatives Horn, Sessions, Davis of Virginia, and Davis of Illinois.

Also present: Representative Radanovich.

Staff present: Russell George, staff director/counsel; Jane Cobb, full committee professional staff member; Matt Ryan and John L. Hynes, professional staff members; Andrea Miller, clerk; and Mark Stephenson, minority professional staff member.

Mr. HORN. A quorum being present, the Subcommittee on Government Management, Information, and Technology will come to order.

This is a third in the series of oversight hearings on the Government Performance and Results Act of 1993, commonly known as the Results Act. Governments around the world are struggling to provide services more efficiently, effectively, and at a lower cost to their taxpayers.

Over the past decade, Federal management reform efforts in the United States have stressed the need to measure results as viewed by the client, the American taxpayer. As we have learned in previous hearings, the Government Performance and Results Act has enormous potential to focus the energies of the Federal Government, making programs more efficient and effective and restoring confidence in Government. In essence, the act requires Federal agencies to ask and to repeatedly answer some very basic questions: What is the agency's mission? What are its goals? And how will the agency achieve them? How can the agency's performance be measured? How should that information be used to make improvements?

The Results Act envisions a major overhaul of Federal activities and it therefore requires vigilant oversight. In order to establish one aspect of this oversight, the act directed the Office of Management and Budget and the General Accounting Office to assess and

report on the ability of the agencies to implement Results Act requirements.

The act specifies that the Office of Management and Budget, OMB, shall report on the benefits, cost and usefulness of the plans, and reports prepared by the pilot agencies. These pilots are essential to effective implementation of the act. From them we must experiment with and learn about three aspects of Federal management reform: performance goals, managerial accountability and flexibility, and performance budgeting.

The law called for a minimum of 10 performance measurement pilot agencies. But instead of 10 or another relatively small manageable number, we have 72. This is troublesome. It looks very much as though the executive branch attention to this law is being spread too thin. The pilots were meant to provide concrete experiences with success and failure in the implementation of this act. I am afraid that in this case quantity has become the enemy of quality.

OMB was also directed to identify significant difficulties experienced by pilot agencies in preparing plans and reports and to set forth any recommended changes to be made in the Results Act. OMB issued its report on May 19th. The General Accounting Office issued its comprehensive analysis of the pilot agencies yesterday.

The Results Act provides a unique opportunity to view the Federal Government on a comprehensive basis. In this context, the executive branch should seek to identify and set the priorities for the services that must be provided, the activities that must be carried out, and the measurement of the results that are achieved.

Congress considers the statutory requirements and timetable of the Results Act extremely important. The act was deliberately crafted to allow experimentation before mandating requirements. For example, the pilot stage allowed agencies to ask for relief from burdensome regulations in return for a promise of greater accountability. It is unclear if this stage has been implemented.

Also of concern is the quality and reliability of the information provided to Congress in the performance reports. In order to succeed, performance reports must be based from information derived from accurate data and can be independently verified. The data must be comparable not only from year to year, but also between agencies performing similar functions. Such data must also be consistently accumulated and reported. If there are too many goals and objectives, the risk is that few of those goals and objectives will be obtained. If there are too many performance measures to be tracked, both the agencies and the congressional committees will sink under the weight of data and the Results Act will have failed.

There is no shortage of failures in the dust bin of Federal management initiatives. From zero based budgeting to managing by objectives, these previous efforts have failed because there was little commitment to make them work. As chairman of this subcommittee, I am afraid we are heading down the same road with the Results Act. I am surprised and disappointed by OMB's scattered report. No doubt it follows the letter of the law. It is less clear to me that what we are seeing so far follows the spirit of the law.

It is worth recalling what we are about here. The leadership in Congress has made an extraordinary commitment to this effort. We

are serious about changing the management culture of the Federal Government. The culture needs to be much more service oriented. The highest levels of the legislative and executive branches of the Federal Government need to work in partnership to identify and to solve the problems involved in implementing the Results Act. Only then will we be on the way to attaining the goals of the act and only then will the public believe the changes are finally taking place in the culture of the Federal Government.

The Results Act presents a unique opportunity to change from a compliance-based system of accountability to a results-based system. If it works well, we will be able to ensure that the Federal Government's stewardship over resources and its services to the American people are efficient and affordable. If we are to be successful, a sample of the customers of Federal programs, the taxpayers, will need to be consulted in the development and measurement of goals and objectives.

This morning, we will hear from John Koskinen, who serves as Deputy Director for Management at the Office of Management and Budget and L. Nye Stevens, who is Director of Federal Management and Workforce Issues at the General Accounting Office. Each will report on his office's review of pilot agency efforts to implement the principles of the Results Act.

We welcome both of you, but I first want to yield to the gentleman from Texas, Mr. Sessions, for any opening that he might have.

Mr. SESSIONS. Good morning, Mr. Chairman, and thank you so much. I also would like to thank Mr. Koskinen, Mr. Stevens, and Mr. Mihm for being here this morning. And as you all know, I view the Results Act as being critical to the success of Government and I am dedicated to that success also of seeing it implemented properly.

We are here today I hope to learn more about the progress agencies are making in consultation with Congress and other stakeholders in preparing their strategic programs. Both OMB and GAO have prepared reports on this status, and I know that my staff and many of the committee staff, under the dedicated leadership of the majority leader and also our Chairman Horn, are working hard to ensure those strategic plans are up to snuff. The responsibility for the success of the Results Act falls upon a lot of people.

But I believe that today we are here because we have to call on those people who were at the apex of the executive branch to point us in the right direction, to give us information, and to evaluate the process, and the progress that we are making to come to this critical stage. I hope that today we will be able to ascertain where we are and how closely we are getting to that target, to hit the center of the target. And so I am delighted to have each one of you here today.

Mr. Chairman, as always, I support and concur with the words that you have given. This is important and this is serious business. Thank you, sir.

Mr. HORN. Well, I thank you.

[The prepared statement of Hon. Danny K. Davis and Hon. George P. Radanovich follow:]

Thank you Mr. Chairman. Today's hearing is on the Government Performance and Results Act, landmark legislation which has enjoyed wide bipartisan support since its passage in 1993. The Government Performance and Results Act (GPRA) was one of the first major steps taken by the 103rd Congress to re-invent government.

It is intended to improve government management by requiring the executive agencies to set measurable goals for themselves, then report annually on whether or not those goals were met.

We are in a critical period of implementation for GPRA. The agencies strategic plans must be submitted by September 30, and the required consultation with Congress is underway.

There has been considerable discussion about how that consultation will be conducted, and I would like to commend OMB, and the Congressional leadership, for ensuring that this consultation will be productive for all involved.

I also want to note that OMB's draft strategic plan has been submitted to this committee and is under review.

Today we will hear testimony from OMB and GAO on two reports required under GPRA -- on the results of the pilots and executive branch readiness for governmentwide implementation, respectively.

OMB and GAO seem to be in agreement that implementation in the first year may be somewhat uneven. While all agencies will probably meet the statutory deadlines, the quality of the strategic plans will probably not be of uniformly high.

This is hardly surprising however, this is after all the first time many agencies have had to develop these plans. Nevertheless, we must all work hard to ensure that implementation will be as good as it possible can.

Mr. Chairman, while these issues do not often generate excited public interest, they are essential to the proper functioning of our government.

And at a time when government is getting fewer and fewer resources, yet being expected to do as much as it always has, improving the efficiency and effectiveness of the federal government is more important than ever.

GEORGE RADANOVICH
19TH DISTRICT, CALIFORNIA

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Statement
by
The Honorable George Radanovich
before the
House Government Reform and Oversight Committee
on
June 3, 1997

Thank you, Chairman Horn and Members of the Government Reform and Oversight Committee for allowing me to sit on this important hearing on the Results Act. While I am not a member of this committee, I have been interested in the Results Act and believe that the immediate implementation of this law should be a priority for the 105th Congress and the Clinton Administration.

According to a poll published just last week for the Congressional Institute, over three quarters of Americans want their Congressional Representatives to give more attention to the results of programs when the are making funding decisions.

Mr. Chairman, the message to Congress is quite clear: focus on results; stop funding programs solely on the basis of their good intentions. Only then will the federal government get its financial house in order. The Results Act offers Congress a vehicle for achieving this critically important goal.

Through the current round of consultations on agency plans -- Congress can use the Results Act to conduct a top-to-bottom review of every federal program with the objective of clarifying what results the taxpayer expects from each program, how those results should be achieved, and at what cost.

To the American people, this process is second-nature. Whether in the private sector, or in their everyday lives, the focus is always on results. As a vintner, I know that if my product does not live up to its expectations, I cannot make a profit -- indeed, I might not even be able to keep my doors open. We need to restore common sense in our federal priorities. The Results Act -- I firmly believe -- is the right vehicle for doing just that.

Thank you, again, Mr. Chairman, for allowing me to join you today. I look forward to hearing from our witnesses.

Mr. HORN. The gentlemen before us know the usual routine. If you would rise, raise your right hands.

[Witnesses sworn.]

Mr. HORN. We will just simply go down the agenda and in alphabetical order, John Koskinen, Deputy Director for Management, Office of Management and Budget, one of our most frequent witnesses before this committee. Welcome, John.

STATEMENT OF JOHN KOSKINEN, DEPUTY DIRECTOR FOR MANAGEMENT, OFFICE OF MANAGEMENT AND BUDGET

Mr. KOSKINEN. Thank you, Mr. Chairman. I'm happy to be here. I still am looking—is this on?

Mr. HORN. Is that microphone on?

Mr. KOSKINEN. Let me borrow your microphone. Oh, I see.

Mr. SESSIONS. You are catching on very early.

Mr. KOSKINEN. You can tell I've been here before.

Mr. HORN. You do know they are part of the legislative branch. Their microphones work, but go ahead.

Mr. KOSKINEN. We'll talk to you about this in the budget process during infrastructure support.

I'm pleased to appear before the committee this morning to discuss implementation of the Government Performance and Results Act of 1993 and to provide an assessment of our progress to date in meeting its major requirements.

This committee was one of the leaders in the passage of the act, and we look forward to continuing to work with you and the entire Congress as implementation proceeds.

As a Government, we face major challenges. This is a time of great fiscal constraint. Tight budget resources demand that every dollar is counted. During a period of much public skepticism about the Government's ability to do things right, the Government must not only work better, but be shown as working better, if we are to regain public confidence. GPRA, if successfully implemented, will help this effort to improve public confidence in the efforts of its Government.

To be successful, implementation will also have to be a bipartisan effort. Recently, the House majority leader and other Members of the congressional leadership have facilitated the consultation process GPRA requires between Congress and the agencies by coordinating meetings between agencies and the appropriate congressional staff to discuss the agencies' strategic plans. We look forward to continuing this cooperative consultive process during the next few weeks.

Let me now summarize the conclusions of our report on GPRA and discuss those aspects of the act and its implementation that are our most immediate focus.

Looking at strategic plans, the act requires that Federal agencies submit a strategic plan to Congress and OMB not later than September 30, 1997. There is no more important element in performance-based management than strategic plans. These plans set the agency's strategic course, its overall programmatic and policy goals, indicate how these goals will be achieved, and are the foundation and framework for implementing all other parts of GPRA.

The act requires agencies, when preparing their strategic plan, to consult with Congress and solicit and consider the views and suggestions of stakeholders, customers, and other potentially interested or affected parties. OMB has issued strong guidance supporting congressional consultation.

The administration is currently undertaking a strategic assessment of agency goals and commitments. A focus of that assessment is the agencies' implementation of GPRA and the preparation of the strategic plans and the annual performance plans that are due in September.

As a general matter, the agency plans reflect a serious effort and allow us to conclude that agencies should be able to produce useful and informative strategic plans by this fall. OMB's reviews of agency efforts have also reviewed several challenges.

Last summer, in our previous review, most agencies were only beginning to link the general goals and objectives of their plans with the annual performance goals they would be including in their annual performance plan. Further interagency coordination on programs or activities that are cross-cutting in nature is also necessary. The efforts of the Office of National Drug Control Policy provide a useful model for how such coordination across agencies with overlapping responsibilities might be carried out.

Looking at the annual performance plans, pursuant to the statute, the first plans will be sent to OMB this September with the specific performance goals that the agency intends to achieve in the fiscal year.

The agencies and OMB gained valuable experience in preparing annual performance plans through the pilot project phase of GPRA. OMB has initiated a review of the performance goals that agencies proposed to include in its annual performance plans for fiscal year 1999. And of the joint collaboration with the agencies, OMB has prepared guidance on the preparation and submission of annual performance plans for fiscal year 1999. And we expect agencies to produce useful and informative annual performance plans for that year.

The act requires that a governmentwide performance plan be annually prepared by OMB and be made part of the President's budget. The governmentwide performance plan is based on the agency annual performance plans that are submitted at the same time. The first governmentwide plan will be sent to Congress in February 1998, and will cover fiscal year 1999. In this regard, we would welcome your views on those features that you believe would make the plan informative and useful to Congress.

The agency's program performance report is the annual concluding element of GPRA. The first program performance reports, for fiscal year 1999, are to be sent to the President and Congress by March 31, 2000.

Some agencies are experimenting with different formats for performance reporting in the accountability report pilot program authorized by the Government Management and Reform Act that this committee played a pivotal role in achieving passage of. These variations include various information on the agency's performance as well as other statutorily required information such as the agency's

audited financial statement and the Federal Managers' Financial Integrity Act report.

Turning for a minute to the pilot projects, GPRA required that at least 10 departments or agencies be designated as pilot projects for performance plans and program performance reports. Pilot projects were designated in all 14 cabinet departments and an equal number of independent agencies. The 28 designations included over 70 individual pilots in the departments and agencies and covered approximately a quarter of the entire Federal civilian work force.

Historically, the expansion of the pilots from the minimum of 10 required by the statute has been viewed as an important advance under the act. Therefore, I was disappointed to hear, Mr. Chairman, that you think the result of this has been that we have spread the process too thin.

Our experience has shown us that, in fact, one of the reasons that as many people are actually using performance information in advance of the act—as is demonstrated by the GAO report—is because of the fact that more people were actually involved in the pilots than the act required. One of the major lessons to be learned from the pilots is to expand the number of people in the Government who are focused on the formulation of performance goals and measures, and the actual achievement of those measures. Therefore, we continue to think that, in terms of the overall implementation of the act, our ability to involve more Federal agencies or more Federal employees was a net gain.

The most important conclusion reached on completion of the performance measurement pilot projects is that, without these pilots and the time given to agencies by the act across the Government to gain experience in performance-based management, there would be little prospect for a successful implementation of the act governmentwide. In addition, the scope and dimension of these pilots confirmed that virtually every activity done by government can be measured in some manner, although not perfectly.

The pilot project process also indicates that the first years of full-scale implementation of GPRA will be the start of the dialog about performance and performance measures, not the end of it. Measures will be modified. Better and more appropriate goals will be defined. Performance data will increase in both volume and quality. Over time, the overall quality of agency plans and reports should improve significantly.

The second set of pilot projects called for by the act are those for managerial accountability and flexibility. While agency nominations for these pilot projects were solicited and received, as the chairman noted, no pilot projects were designated.

Two initiatives begun after passage of GPRA reduced the universe of waivers. The Work Force Restructuring Act effectively prevented OMB from approving any FTE ceiling waiver requests at the time when these pilot project nominations were solicited and reviewed. Such FTE waivers would have been an important component of many proposed pilots.

At the same time, the administration was eliminating and simplifying many requirements affecting the operations of Federal agencies. The Federal Personnel Manual was eliminated by OPM,

and thousands of pages and instructions and requirements disappeared. Procurement regulations were substantially streamlined. With far fewer requirements in place, waiver demand was lessened as well. In this context, we concluded that too few waivers would be authorized to designate any pilot project, and have that pilot serve as a credible test of the managerial accountability and flexibility provisions of GPRA.

While no flexibility pilot projects were designated, waivers were given to a range of agencies and the collaboration among the four central management agencies, both in defining a process for reviewing and deciding on waivers and identifying possible waivers, forms a good foundation for governmentwide implementation of this aspect of the GPRA.

GPRA also requires that not less than five departments or agencies be designated as performance budgeting pilots for fiscal years 1998 and 1999. These pilots are to develop budgets that display the varying levels of performance resulting from different budgeted amounts. OMB has notified the chairmen of the Senate Committee on Governmental Affairs and the House Committee on Government Reform and Oversight that we plan to defer the start of the performance budgeting pilot projects by 1 year.

This deferral does not affect the content requirements for agency strategic plans and performance plans, nor the date for OMB's report on the pilots to the Congress. It simply reflects our judgment that, as the agencies work this summer and this fall on providing what we feel need to be informative performance plans for fiscal year 1999, it does not serve the implementation of the act, or us, or the Congress to have several of them at the same time trying to develop performance budgeting pilots. Therefore, our strategy is to work with the agencies in the spring and designate at least five pilots which will start for fiscal year 2000. And, as noted, our report to Congress will be well within the statutory deadline. And we think we will end up with a better set of pilot projects without diverting the attention to the agencies at the time we're talking now to these pilots.

Congress also asked that OMB address a number of specific issues in our May report. Section six of the act required us to include in our May report any recommended changes in the various provisions of the act. The experience to date in implementing GPRA has not identified any provisions that require change.

As noted earlier, we expect agencies to provide useful and informative, strategic, and annual performance plans within the time line specified by the act. Even as performance measures become more refined, however, we should always bear in mind that using performance measures in the budgeting process will never be an exact science.

For example, an underperforming program may benefit from additional resources, not fewer. Comparing results across program lines will always require political judgments about the relative priorities, for example, of programs for highways and education. We should not lose sight of the fact that performance information will often be used to adjust the way programs are managed rather than to change the resources provided.

Accurate, timely performance information is important in all of these situations, and this is why the administration is committed to the successful implementation of the act.

This concludes my statement, Mr. Chairman, and I will be pleased to answer any questions you may have after Mr. Stevens' testimony.

Mr. HORN. We thank you very much for that very succinct statement.

[The prepared statement of Mr. Koskinen follows:]

STATEMENT OF
JOHN A. KOSKINEN
DEPUTY DIRECTOR FOR MANAGEMENT
OFFICE OF MANAGEMENT AND BUDGET
BEFORE THE
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION AND TECHNOLOGY OF THE
HOUSE COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT
JUNE 3, 1997

Mr. Chairman, I am pleased to appear before the Committee this morning to discuss implementation of the Government Performance and Results Act of 1993 (GPRA) and to provide an assessment of our progress to date in meeting its major requirements. GPRA was enacted three and a half years ago as the result of a bipartisan effort in the Congress, with the support of the Administration, to increase our focus on the results from government programs and activities. This Committee was one of the leaders in the passage of the Act and we look forward to continuing to work with you and the Congress as implementation proceeds.

GPRA strives to answer these important questions: What are we getting for the money we are spending? What are federal programs and organizations trying to achieve? How can the effectiveness of these activities be determined?

As a government, we face major challenges. This is a time of great fiscal constraint. Tight budget resources demand that every dollar count. During a period of much public skepticism about the government's ability to do things right, the government must not only work better, but be shown as working better, if we are to regain public confidence. GPRA, if successfully implemented, will help this effort to improve public confidence in the efforts of its government.

To be successful, implementation of GPRA will also have to be a bipartisan effort. Recently the House Majority Leader and other members of the Congressional leadership have facilitated the consultation process GPRA requires between the Congress and the agencies by coordinating meetings between agencies and the appropriate Congressional staff to discuss the agencies' strategic plans. We look forward to continuing this cooperative consultation process during the next few weeks. It is important to note that the strategic plans currently being reviewed are in draft and that suggestions from the Congress and other interested parties together with further internal consideration will undoubtedly improve their quality.

Let me now summarize the conclusions of the report on GPRA, which the Director of OMB submitted to the Congress on May 19,1997 pursuant to the Act, and discuss those aspects of GPRA implementation that are our most immediate focus.

I. PLANS AND REPORTS REQUIRED BY GPRA

A. Strategic Plans

GPRA requires that Federal agencies submit a strategic plan to Congress and OMB not later than September 30, 1997. The strategic plan covers the major functions and operations of the agency, and contains:

- a comprehensive mission statement
- general goals and objectives
- a description of how the general goals and objectives will be achieved
- a description of the relationship between the performance goals in the annual performance plan and the general goals and objectives in the strategic plan
- an identification of those key factors, external to the agency and beyond its control, that could significantly affect achievement of the goals and objectives
- a description of program evaluations used in the strategic plan, and a schedule for future program evaluations.

The strategic plan spans a minimum six year period: the fiscal year it is submitted, and at least five fiscal years forward from that fiscal year. A strategic plan is to be revised and updated at least once every three years. There is no more important element in performance-based management than strategic plans. These plans set the agency's strategic course, its overall programmatic and policy goals, indicate how these goals will be achieved, and are the foundation and framework for implementing all other parts of GPRA.

GPRA requires agencies, when preparing their strategic plan, to consult with Congress, and solicit and consider the views and suggestions of stakeholders, customers, and other potentially interested or affected parties. As a result of a review of agency strategic planning efforts in 1996, OMB concluded that further guidance on Congressional consultation was needed. In November of last year, OMB issued a memorandum to agencies reinforcing the importance of early consultation with Congress on strategic plans. In February 1997, the Speaker of the House of Representatives, the Senate Majority Leader, the House Majority Leader, and seven Senate and House Committee chairmen joined in a letter to OMB setting out Congressional expectations for the consultation process under GPRA. This letter, and OMB's response to it, became the basis for a second OMB issuance on Congressional consultation.

The Administration is currently undertaking a strategic assessment of agency goals and commitments. This assessment is being conducted jointly by the agencies and OMB. A focus of

the strategic assessment is the agencies' implementation of GPRA, and the preparation of the strategic plans and the annual performance plans that are due in September.

Generally, the agency plans reflect a serious effort and allow us to conclude that agencies should be able to produce useful and informative strategic plans by this Fall. OMB's reviews of agency efforts have also revealed several challenges. Last summer, most agencies were only beginning to link the general goals and objectives of their plans with the annual performance goals they would be including in their annual performance plan. Further inter-agency coordination on programs or activities that are cross-cutting in nature is also necessary. The efforts of the Office of National Drug Control Policy provide a useful model for how such coordination across agencies with overlapping responsibilities might be carried out.

B. Annual Performance Plans

Pursuant to the statute, the first of the agency annual performance plans will be sent to OMB this September. These plans will be for fiscal year 1999, and will be submitted with the agency's budget request for that year. The annual performance plans will contain the specific performance goals that the agency intends to achieve in the fiscal year. GPRA provides that a subsequent iteration of the annual performance plan be sent to Congress concurrently with release of the President's budget.

The agencies and OMB gained valuable experience in preparing annual performance plans through the pilot project phase of GPRA. OMB has initiated a review of the performance goals that agencies proposed to include in their annual performance plans for FY 1999. This review is still ongoing. The agencies are providing OMB with descriptions of their proposed performance goals, illustrating what will be measured and the nature and type of measurement. Gaining an early consensus on these goals will not only help assure that they are appropriate and relevant but will allow agencies to measure current performance, creating a baseline from which to set future performance levels or targets.

In another joint collaboration with the agencies, OMB has prepared guidance on the preparation and submission of annual performance plans for FY 1999. This guidance was issued last week. We expect agencies to produce useful and informative annual performance plans for FY 1999.

C. Government-wide performance plan

GPRA requires that a government-wide performance plan be annually prepared and made part of the President's budget. The government-wide performance plan is based on the agency annual performance plans. The first government-wide plan will be sent to Congress in February 1998, and cover FY 1999. In this regard, we would welcome your views on those features that you believe would make the plan informative and useful to the Congress.

D. Program Performance Reports

The agency's program performance report is the annual concluding element of GPRA. These reports are required within six months of the end of a fiscal year, and compare actual performance with the performance goal target levels in the annual performance plan. In cases of unmet goals, agencies will explain why and describe the actions being taken to achieve the goal in the future. The first program performance reports, for FY 1999, are to be sent to the President and Congress by March 31, 2000.

Some agencies are experimenting with different formats for performance reporting in the Accountability Report pilot program authorized by the Government Management Reform Act. For FY 1996, 8 agencies are issuing Accountability Reports, and are including various information on the agency's performance as well as other statutorily-required information such as the agency's audited financial statement and the Federal Managers' Financial Integrity Act report.

II. PILOT PROJECTS REQUIRED BY GPRA

GPRA provided for three sets of pilot projects. The performance measurement pilot projects tested whether the specifications and structure for the annual performance plan and program performance report would work as intended. The managerial accountability and flexibility pilot projects were to assess the effect of giving managers and staff greater latitude in administering and managing programs. Both sets of pilot projects were timed to precede the implementation of GPRA government-wide.

The third set of pilot projects are for performance budgeting. These pilots will examine the practicability of determining and presenting the changes in performance levels that result from different funding levels. The performance budgeting concept that will be tested by these pilot projects is the only provision in GPRA that cannot be implemented government-wide without further legislation.

A. Performance Measurement Pilot Projects

GPRA required that at least ten departments or agencies be designated as pilot projects for performance plans and program performance reports. The pilot projects covered three fiscal years and tested the ability of agencies to establish performance goals, and subsequently measure and report actual performance against these goals. Pilot projects were designated in all 14 Cabinet departments and an equal number of independent agencies. The 28 designations included over 70 individual pilots in the departments and agencies.

The performance measurement pilot projects became a substantial initiative. Approximately a quarter of the entire Federal civilian workforce were covered by the pilots. The size of individual pilots ranged from complete agencies to small component organizations. The

largest pilots included the entirety of the Internal Revenue Service, Social Security Administration, Defense Logistics Agency, and the Forest Service. Several agencies covered a large proportion of their programs through individual pilots.

The most important conclusion reached on completion of the performance measurement pilot projects is that -- without these pilots and the time given agencies across the government to gain experience in performance-based management -- there would be little prospect for a successful implementation of GPRA government-wide. The scope and dimension of these pilots confirmed that virtually every activity done by government can be measured in some manner, although not perfectly.

Over the course of the three years, improvement was generally seen in the pilot projects' ability to set goals, and measure and report performance against these goals. The improvement was uneven, and not always immediate. Goals often were changed or refined from year to year. While this is to be expected in any pilot project process, it also indicates that the first years of full-scale implementation of GPRA will be the start of a dialogue about performance and performance measures, not the end of it. Measures will be modified, better and more appropriate goals will be defined, performance data will increase in both volume and quality. Over time the overall quality of agency plans and reports should improve significantly.

B. Managerial Flexibility Pilots

The second set of pilot projects called for by GPRA are those for managerial accountability and flexibility. At least five departments or agencies were to be designated as pilot projects for fiscal years 1995 and 1996. While agency nominations for these pilot projects were solicited and received, no pilot projects were designated.

An unanticipated combination of circumstance and timing had a major effect on the flexibility pilots. GPRA was substantially drafted in 1992, and became law the following year. Two initiatives subsequently reduced the universe of possible waivers. These were the Workforce Restructuring Act of 1994, and the elimination of many non-statutory requirements by several central management agencies through the efforts of the National Performance Review.

The Workforce Restructuring Act effectively prevented OMB from approving any FTE ceiling waiver requests at the time when these pilot project nominations were solicited and reviewed. Such FTE waivers would have been an important component of many proposed pilots. At the same time, the Administration was eliminating and simplifying many requirements affecting the operation of Federal agencies. The *Federal Personnel Manual* was eliminated by OPM, and thousands of pages of instructions and requirements disappeared. Procurement regulations were substantially streamlined. With far fewer requirements in place, waiver demand was lessened as well.

In this context, OMB concluded that too few waivers would be authorized to designate any pilot project, and have that pilot serve as a credible test of the managerial accountability and flexibility provisions of GPRA. We also decided that it was better to have no flexibility pilots than to proceed with designations that would be viewed as not being a serious demonstration or test of the managerial flexibility and accountability provisions of GPRA.

A major effort currently underway to create Performance Based Organizations (PBOs) may be the preferred means for some agencies to obtain managerial flexibility in the near-term. PBOs are given greater personnel and procurement flexibility for a commitment to achieve specific improvements in performance. The PBOs must be legislatively authorized, and their flexibility may encompass relief from selected statutory requirements as well as administrative requirements. The PBOs present a much closer analog to the flexibility given managers in other countries using a performance-based approach to management then is available under GPRA.

While no flexibility pilot projects were designated, the collaboration among the four central management agencies both in defining a process for reviewing and deciding on waivers and identifying possible waivers, forms a good foundation for government-wide implementation of this aspect of GPRA.

C. Performance Budgeting Pilot Projects

GPRA requires that not less than five departments or agencies be designated as performance budgeting pilots for fiscal years 1998 and 1999. These pilots are to develop budgets that display the varying levels of performance resulting from different budgeted amounts. The pilot project must cover one or more of the major functions or operations of the agency.

OMB has notified the chairmen of the Senate Committee on Governmental Affairs and the House Committee on Government Reform and Oversight that it plans to defer the start of the performance budgeting pilot projects by one year. This would reschedule the alternative presentation of the pilot project performance budgets until the fiscal year 2000 budget. This deferral does not affect the schedule or content requirements for agency strategic plans and annual performance plans.

III. EXEMPTIONS AND POTENTIAL CHANGES TO GPRA

Congress also asked that OMB address a number of specific issues in the May 1997 report.

A. Agency Exemptions

OMB is authorized to exempt certain agencies from having to meet the requirements of the Act for strategic plans, annual performance plans, and annual program performance reports. Independent agencies with $20 million or less in annual outlays are eligible for an exemption. Approximately half the agencies requesting an exemption received one. The agencies exempted from the statute are listed in our report. Not every eligible agency sought an exemption; the exempted agencies comprise about a third of the eligible agencies. OMB believes no change in the $20 million amount is needed at this time.

B. Framework for Tax Expenditure Analysis

The Senate Committee on Governmental Affairs report on GPRA requests that the Director of OMB establish and describe a framework for analysis of tax expenditure provisions. The framework used to evaluate tax expenditures is expected to follow the basic structure for performance measurement, which is concerned with inputs, outputs, and outcomes. The framework is also expected to promote comparisons of tax expenditures with other means of addressing their main objectives or budget functions, such as spending or regulatory programs.

To explore methods for tax expenditure evaluation, the Department of the Treasury this year will have lead responsibility for pilot evaluations of several selected tax-expenditure provisions. These provisions involve individual, business, and international taxation issues. This approach will enable Treasury to gather experience on a cross-section of issues and also to spread the evaluation effort across its staff resources. As this work progresses, the General Accounting Office and the Joint Committee on Taxation will also be consulted. The expectation is that a schedule of additional evaluations of tax expenditures will be included in the government wide performance plan that will be published as a part of the President's Fiscal Year 1999 Budget.

Developing a framework that is appropriately comprehensive, accurate, and flexible to reflect the objectives and effects of the wide range of tax expenditures will be a significant challenge. It is expected that this framework will evolve and improve over the next several years and that quantitative estimates will be made to the extent possible. The measures developed could then be compared with the costs of the provisions and with the costs and benefits of other means of achieving similar performance goals.

C. Amending the Government Performance and Results Act

Section 6 of the GPRA required OMB to include in its May 1997 report any recommended changes in the various provisions of the Act. The experience to date in implementing GPRA has not identified any provisions that require change. OMB has separately described certain changes in GPRA timelines that would be needed if GPRA schedules were to conform to a biennial Federal budget, if a two-year budget became law.

IV. CONCLUSIONS

As noted earlier, we expect agencies to provide useful and informative strategic and annual performance plans within the timeline specified by the Act. Even as performance measures become more refined, however, we should always bear in mind that using performance measures in the budgeting process will never be an exact science. For example, an under-performing program may benefit from additional resources, not fewer. Comparing results across program lines will always require political judgments about the relative priorities, for example, of programs for highways and education. And we should not lose sight of the fact that performance information will often be used to adjust the way programs are managed rather than to change the resources provided. Accurate, timely performance information is important in all these situations and this is why the Administration is committed to the successful implementation of GPRA.

This concludes my statement, Mr. Chairman. I'd be pleased to take any questions you may have.

Mr. HORN. Our next witness is L. Nye Stevens, Director, Federal Management and Workforce Issues, General Government Division, U.S. General Accounting Office. Mr. Mihm has been before us many times, but I wonder, Mr. Stevens, or Mr. Mihm, if you will identify yourself as to title and role in this particular project.

Mr. STEVENS. Yes. Mr. Mihm is our Acting Associate Director for Federal Management Issues and has been the supervisor of a fairly large staff, most of which are sitting behind him, that has prepared the report on GPRA that was due this week.

Mr. HORN. I wondered why we had such a crowd this morning. Management did not attract them; does it? Please proceed.

Mr. STEVENS. Yes, sir. Mr. Chairman, I'll try to be equally brief and summarize my points and submit the full statement for the record, if that's all right with you.

Mr. HORN. Absolutely.

STATEMENT OF L. NYE STEVENS, DIRECTOR, FEDERAL MANAGEMENT AND WORKFORCE ISSUES, GENERAL GOVERNMENT DIVISION, U.S. GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY CHRIS MIHM, ACTING ASSOCIATE DIRECTOR FOR FEDERAL MANAGEMENT ISSUES

Mr. STEVENS. As required, we were to report to Congress this week on implementation of the Results Act and its prospects for governmentwide implementation for the future. We did release that report yesterday, and it provides an assessment of the progress and challenges that agencies face and are going to continue to face in implementing the act.

Our work shows that, to this point, the experience with the provisions of the act has been mixed and, as a result, when it goes into full governmentwide effect this fall, we can expect to see highly uneven implementation in the executive agencies as a whole.

The most positive finding of the report is that the experiences of some of the pilot agencies, and some nonpilot agencies, show that improvements are possible when an agency adopts a disciplined approach to three important management practices: First, setting results-oriented goals; second, measuring agency performance against those goals; and, third, using performance information to improve effectiveness.

Our report identifies a number of organizations, such as the Coast Guard, the Veterans Health Administration, the Social Security Administration, that have made tangible and important performance improvements by adopting such an approach. And these are real improvements. These are improvements in safety, environmental conditions, and the Government's responsiveness to its customers.

Nevertheless, despite the existence of a number of positive examples, we have not been overwhelmed by great numbers of them. As a result, the prospects for effective implementation are fairly limited in many agencies when the law comes into effect on a governmentwide basis in less than 4 months.

While the strategic and annual performance plans will be submitted, meeting the letter of the law that you referred to, Mr. Chairman, in your statement, our work suggests that these plans will not be of a consistently high quality or as useful to congres-

sional and agency decisionmaking as they could be. Although some performance improvements are noteworthy, the reported examples of substantial performance improvements were relatively few, and many agencies did not appear to be well positioned to provide in 1997 a results oriented answer to the fundamental Results Act question, which is, What are we accomplishing?

For example, the Department of Housing and Urban Development's public housing management assessment program did not collect important information that is needed to manage and assess its results. It had information on the numbers of outstanding work orders at public housing authorities and uncollected rents there, but the system they used did not measure other factors, such as the quality of the housing itself that are essential for assessing the results that housing authorities are achieving as well as for comparing or determining which housing authorities are performing well and which ones are performing poorly.

In our view, the situation at HUD appears to be typical. Our survey of Federal managers, which was a governmentwide survey we carried out for this report, showed that many agencies do not appear to be well positioned to answer the fundamental question of whether or not their programs have produced real results.

And I'll refer here, Mr. Chairman, to a couple of charts that are to my left. They're also reprinted on page 6 and 8 of the prepared statement.

The first chart shows only 32 percent of Federal managers said that they had the types of performance pressures that would demonstrate whether the programs were achieving their intended results. And even in similar numbers, about a third said they have measures that address customer satisfaction and service quality.

Although percentages are low, significantly more managers did report the existence of results oriented and other performance measures to a great extent currently than they recollected the situation to be 3 years ago. So it's a situation in which there's more today than there was then but still not a lot by an absolute standard.

Of course it's not sufficient merely to measure performance. If the Results Act is to have a lasting impact in contrast to many of the management improvement initiatives that you mentioned, Mr. Chairman, in your opening statement such as PPBS and MBO and CBB, it's important that performance information actually be used to make decisions and to improve the management of Federal programs.

In our survey, we asked Federal managers about the extent to which results oriented performance information was actually used. And that's reflected in the second chart, the one closest to you, Mr. Chairman. As that chart shows, it's on page 8 of the statement, managers reported that the use of such information was very limited. It's still a very infrequent occurrence. Only about a fifth of the managers and supervisors we contacted reported that results-oriented performance information was used to help save agency budget, and an even smaller proportion said it was used to make actual changes in legislation, program design, or in funding decisions.

However, similar to the situation with performance measures, Federal managers did report some positive change in what they

recollected the situation was 3 years ago. There has been some progress.

Our work has shown that agencies are confronting five key challenges that have limited the effective implementation of the Results Act and its prospects for the future. These challenges, which are detailed in our report, really represent an unfinished agenda for the Results Act.

The first challenge is that of establishing clear agency missions and strategic goals, especially in the very frequent case, where program efforts are overlapping and fragmented. One example of this is the Department of Education programs that provide loans and grants to students to help finance their higher education. We found that although the student loan and Pell grant programs provided the majority of Federal financial aid to students for post-secondary education, there are another 22 smaller programs that were targeted to specific segments of the population, such as prospective students from disadvantaged families.

These 22 programs were collectively funded at the $1.1 billion level for fiscal year 1995. We concluded that the consolidation of some of these smaller grant programs, either with larger grants or with each other, would have no adverse impact on students' access to post-secondary education. And the Federal Government over a 5-year period could save about 10 percent in administrative costs, or about $550 million, not an inconsequential amount at all.

The second major unmet challenge is that of limited or indirect influence that the Federal Government has in determining whether a result is actually achieved. And it complicates the difficult task of measuring the discrete Federal contribution to a specific result. Measuring the Federal contribution is particularly difficult in regulatory programs on which we're going to be issuing a separate report very shortly in research and development programs and in those that are delivered through third parties such as financial institutions or State and local governments.

For example, determining the impact of economic development of which, by the way, there are 342 in the catalog of domestic Federal assistance and has been a daunting task because of the numerous external forces including broad national economic trends and assistance that communities may receive from State and local government and the private sector that also contribute to economic development. Separating out the effects of Federal efforts in that area can be extremely difficult as we observed in our review last year of development programs because it first requires documentation that there's been some improvement; second, linkage of the specific program elements to the actual economic changes; and third, a measurement of the growth stemming from other influences on the economy in order to isolate the impact that could be attributed to the economic development programs that we're evaluating.

The third major challenge to the effective implementation of the act is the lack of the results-oriented performance information in many agencies, as you pointed out in your own statement, Mr. Chairman, which hampers efforts to identify appropriate goals and confidently assess performance.

Even when the data exists, we have consistently found that the quality of the data is often questionable due to several factors, including the need very often to rely on third parties to provide it.

For example, the Department of Veterans Affairs told us that some of their results-oriented measures for the loan guarantee programs such as simple things as the average time it took to process loans, that these measures were new and that the base line data just weren't available for them. Consequently, they did not have data on past performance to use in setting the 1998 targets, and they had to say this is going to be provided later.

The fourth challenge centers on the need to instill within the agencies an organizational culture that focuses on results, and this I must say still remains a work in progress in the Federal Government. For example, when we ask Federal managers in our survey about the extent to which they and their supervisors had the authority they needed to help the agencies accomplish their strategic goals, they did not perceive that they had more such authority than they recalled having 3 years ago. We reported in April, as Mr. Koskinen mentioned, that the managerial accountability and flexibility project did not work as had been intended.

And then finally, Mr. Chairman, there's a fifth challenge to the effective implementation of the act and that's the need to link agencies' performance plans directly to the budget process. Reaching agreement between Congress and the executive branch on the changes that are needed in the program activity structure is quite likely and is going to be a time-consuming, very difficult process to do that and one that, in our view, is going to take more than one budget cycle to resolve.

Just in closing, I would point out that the—solving these challenges is going to raise some significant policy issues for the administration and Congress to resolve, some of which are going to be very difficult. However, we believe that the success or failure of the Government Performance and Results Act should not be judged on whether contentious policy issues are fully resolved; rather, that judgment of its success or failure should turn on the extent to which the information produced through the required goal-setting and performance measurement practices—once these practices are successfully implemented—helps inform policy decisions and improve program management. That's the ultimate objective.

Thank you, Mr. Chairman. We'll respond to any questions you have.

Mr. HORN. We thank you, Mr. Stevens.

[The prepared statement of Mr. Stevens follows:]

MANAGING FOR RESULTS: PROSPECTS FOR EFFECTIVE IMPLEMENTATION OF THE GOVERNMENT PERFORMANCE AND RESULTS ACT

Summary of Statement by L. Nye Stevens, Director
Federal Management and Workforce Issues

The Government Performance and Results Act, which is referred to as "GPRA" or "the Results Act," seeks to shift the focus of federal management and decisionmaking away from a preoccupation with the activities that are undertaken–such as grants or inspections made–to a focus on the results of those activities–such as real gains in employability, safety, responsiveness, or environmental quality. Under the Results Act, GAO was to report to Congress by this week on the Act's implementation. Yesterday, GAO released its report in response to that mandate.

GAO's work shows that to this point, the implementation of the Results Act has achieved mixed results, which will lead to highly uneven governmentwide implementation in the fall of 1997. On the one hand, GAO found that the experiences of some of the Results Act pilot agencies and related efforts by nonpilot agencies showed that significant performance improvements were possible when an agency adopted a disciplined approach to setting results-oriented goals, measuring its performance, and using performance information to improve effectiveness. On the other hand, GAO's survey of a random sample of civilian managers and supervisors in 24 major executive branch agencies found that although there had been progress over the last 3 years, managers reported that many agencies did not appear to be well positioned to provide in 1997 an answer to the fundamental Results Act question of whether programs have produced real results.

GAO found that agencies are confronting five key challenges that have limited the effective implementation of the Results Act. These challenges include those associated with (1) establishing clear agency missions and strategic goals, especially when program efforts are overlapping or fragmented; (2) measuring performance, particularly when the federal contribution to a result is difficult to determine; (3) generating the results-oriented performance information needed to set goals and assess progress; (4) instilling a results-oriented organizational culture within agencies; and (5) linking performance plans to the budget process.

Addressing some of these challenges will raise significant policy issues for Congress and the administration to consider, some of which will likely be very difficult to resolve. GAO noted that the Act's success or failure should not be judged on whether contentious policy issues are fully resolved; rather, judgment of the success or failure of the Act should turn on the extent to which the information produced through the required goal-setting and performance measurement practices–once those practices are successfully implemented–helps inform policy decisions and improve program management.

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the status of the implementation of the Government Performance and Results Act of 1993 and the prospects for its effective governmentwide implementation. In essence, the Act, which is referred to as "GPRA" or "the Results Act," seeks to shift the focus of federal management and decisionmaking away from a preoccupation with the activities that are undertaken–such as grants or inspections made–to a focus on the results of those activities–such as real gains in employability, safety, responsiveness, or environmental quality.

Congress understood that the management changes required to effectively implement the Results Act would not come quickly or easily. The Act therefore included a phased implementation approach that began in fiscal year 1994 with pilot projects on the Act's performance planning and reporting requirements. Under the Results Act, we were to report to Congress by this week on the implementation of the Act, including the prospects for compliance by executive agencies beyond those that participated in the pilot phase.

Yesterday, we released our report responding to that mandate, and, as requested by the Subcommittee, my comments today are based on that report.[1] We drew on a large body

[1]The Government Performance and Results Act: 1997 Governmentwide Implementation Will be Uneven (GAO/GGD-97-109, June 2, 1997).

of work we have done in recent years on the Results Act and on related goal-setting, performance measurement, and accountability concepts. We also surveyed a random sample of civilian managers and supervisors at the general schedule (GS) and general management (GM) levels GS/GM-13 through Senior Executive Service (SES) levels in 24 major executive branch agencies.[2] These 24 agencies accounted for over 99 percent of the federal government's net outlays for fiscal year 1996. The sample was stratified by whether the manager was SES or non-SES and by whether the manager was working in an agency or agency component that was designated as a Results Act pilot and that we were able to isolate in drawing our sample. Of the approximately 1,300 managers surveyed, we received usable responses from about 72 percent.

The overall survey results are statistically generalizable to the 24 agencies included in the survey. The survey data in our report that I will discuss today are the estimated percentages of how officials would have responded had the entire universe of eligible officials been surveyed. In general, percentages reported for the entire sample have confidence intervals ranging from ± 5 percentage points to ± 12 percentage points. In other words, if all managers in the 24 agencies included in our population had been surveyed, the chances are 95 out of a 100 that the results obtained would not differ from the sample estimate, in the most extreme case, by more than ± 12 percentage points.

[2]In reporting this survey data, when we use the term "manager" or "federal manager," we are referring to both managers and supervisors.

PROGRESS IN IMPLEMENTING THE RESULTS ACT HAS BEEN MIXED

Our work shows that, to this point, the implementation of the Results Act has achieved mixed results, which will lead to highly uneven governmentwide implementation in the fall of 1997. Although agencies are likely to meet the upcoming statutory deadlines for producing initial strategic plans and annual performance plans, we found that those documents will not be of a consistently high quality or as useful for congressional and agency decisionmaking as they could be. On a more positive note, the Office of Management and Budget (OMB) selected over 70 performance planning and reporting pilots that far exceeded the number required by the Act and that should provide a rich body of experience for agencies to draw on in the future. Congress, too, has shown a growing interest in and support for the governmentwide implementation of the Act. For example, the House Majority has established teams consisting of staff from various committees to lead its strategic plan consultation efforts. These teams have been reaching out to agencies to review and comment on agencies' strategic plans.

We also found that the experiences of some of the Results Act pilot agencies and related efforts by nonpilot agencies showed that significant performance improvements were possible when an agency adopted a disciplined approach to setting results-oriented goals, measuring its performance, and using performance information to improve effectiveness. For example, the Veterans Health Administration improved services to veterans by more rigorously assessing the results of the medical care it provides. In particular, the

Veterans Health Administration reported that it used performance information to target the most important improvement opportunities and thereby lowered the mortality rate for cardiac procedures by an average of 13 percent over the last 8 years.

In another example, involving the Social Security Administration's (SSA) national toll-free 800 telephone number to handle citizen inquiries, SSA used customer satisfaction and other performance information to identify and make program changes, including providing additional staff to handle phone calls from the public. As a result, the busy rate decreased from 49 to 34 percent, and the percentage of calls answered within 5 minutes increased from 74 to 83 percent from fiscal year 1995 to fiscal year 1996.[3]

Although these and other performance improvements are noteworthy, the reported examples of substantial performance improvements were relatively few, and many agencies did not appear to be well positioned to provide in 1997 a results-oriented answer to the fundamental Results Act question: What are we accomplishing? For example, we reported in January 1997 that the Department of Housing and Urban Development's (HUD) Public Housing Management Assessment Program did not collect important information needed to manage and assess its results.[4] The program is to assess the performance of local housing authorities by measuring factors such as the numbers of

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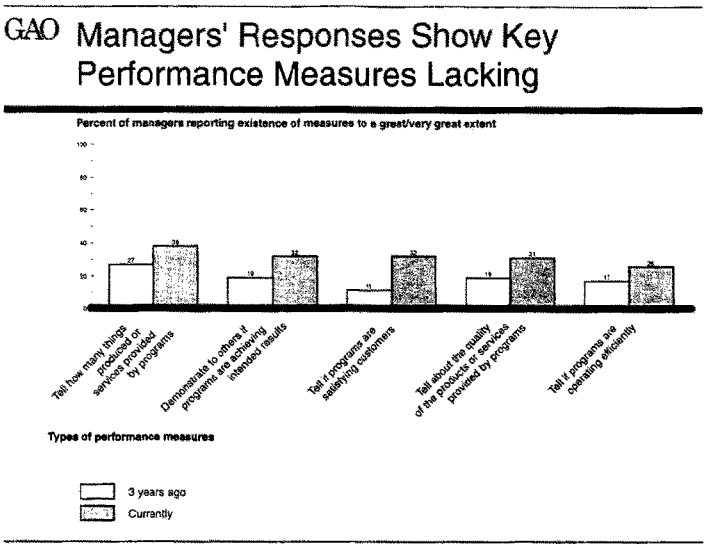
[3]Social Security Administration: Significant Challenges Await New Commissioner (GAO/HEHS-97-53, Feb. 20, 1997).

[4]Public Housing: HUD Should Improve the Usefulness and Accuracy of Its Management Assessment Program (GAO/RCED-97-27, Jan. 29, 1997).

outstanding work orders and uncollected rents. However, the system does not measure other factors, such as housing quality, that are essential for assessing the results that housing authorities are achieving, as well as for determining which housing authorities are performing well or poorly.

The situation at HUD appears to be typical. We surveyed federal managers about the extent to which critical performance measures were available for their programs. As figure 1 shows, according to our survey, only 32 percent of federal managers said that, to a great or very great extent, they have the types of performance measures that would demonstrate whether their programs or operations were achieving their intended result. The figure also shows that 38 percent or less of federal managers reported having, to a great or very great extent, other important performance measures, such as efficiency and quality measures.

Figure 1:



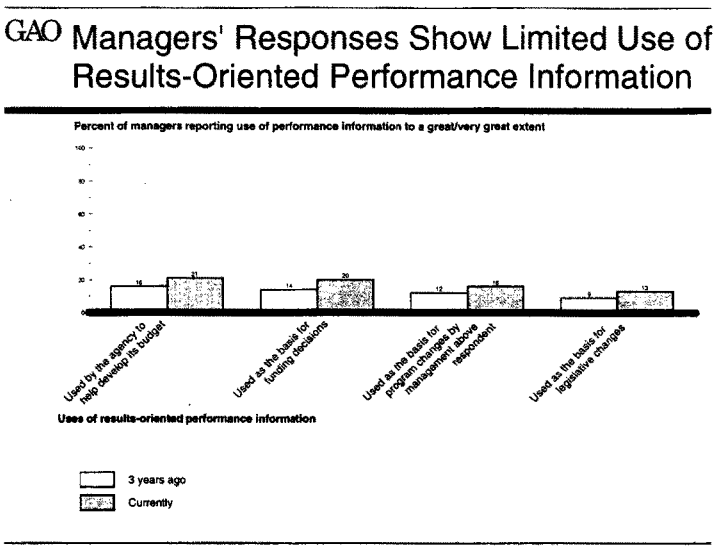
Source: GAO survey data.

As indicated in figure 1, while still viewed as low, significantly more managers reported the existence of results-oriented and other performance measures to a greater extent currently than 3 years ago. For example, when asked to recollect what the situation was 3 years ago, 19 percent of federal managers reported that, to a great or very great extent,

they had results-oriented measures, compared to 32 percent who reported that they had such measures today. This represents a 13 percentage point change over what federal managers perceived the situation to have been 3 years ago, suggesting that results-oriented performance information, which is essential to the success of the Results Act, is becoming more widely available.

Obviously, it is not sufficient merely to measure current performance. The Results Act envisions that performance information will be used to make decisions and better manage programs. We asked federal managers about the extent to which results-oriented performance information was used to help make key decisions about their programs. As figure 2 shows, the reported use of such information was limited.

Figure 2:



Source: GAO survey data.

Similar to the situation with performance measures, federal managers reported some positive changes in what they recollected the situation to have been 3 years ago. Although these changes are statistically significant for most of the uses shown in the figure, these changes have been modest.

Even among those federal managers who reported that, to a great or very great extent, they had measures that demonstrate their programs are achieving intended results, their reported use of results-oriented performance information was not high. No more than 37 percent of the managers reported that performance information was used to a great or very great extent to help make any of the key decisions shown in figure 2.

These survey results underscore how far agencies still have to progress in the use of results-oriented performance information. Although there has been progress over the last 3 years, many agencies still have not developed the information necessary to determine whether their programs are accomplishing their intended results. Where managers reported that their agencies had results-oriented performance measures, the results-oriented information generally was not being used to a great or very great extent to help make decisions affecting their programs.

KEY CHALLENGES REMAIN TO EFFECTIVE IMPLEMENTATION OF THE RESULTS ACT

We found that agencies are confronting five key challenges that have limited the implementation of the Results Act. These challenges include those associated with (1) establishing clear agency missions and strategic goals, especially when program efforts are overlapping or fragmented; (2) measuring performance, particularly when the federal contribution to a result is difficult to determine; (3) generating the results-oriented

performance information needed to set goals and assess progress; (4) instilling a results-oriented organizational culture within agencies; and (5) linking performance plans to the budget process. As Congress recognized when it passed the Results Act and as the experiences of pilot agencies and related efforts by nonpilot agencies suggest, these challenges will not be quickly or easily resolved. I will briefly describe each of these five challenges and give some examples.

Establishing Clear Missions and Strategic Goals

One challenge to the effective implementation of the Results Act is traceable to overlapping and fragmented program efforts. Crosscutting program efforts, such as student loan or economic development programs, present the logical need to coordinate efforts to ensure that goals are consistent and, as appropriate, that program efforts are mutually reinforcing. We found that, when this is not done, overlapping and fragmented program efforts can undermine efforts to establish clear missions and goals. Such uncoordinated overlapping and fragmented program efforts can frustrate program customers, waste scarce resources, and limit the overall effectiveness of the federal effort.

For example, we reported in 1995 on the Department of Education programs that provided loans and grants to students to help finance their higher education.[5] We found that although the student loan and Pell grant programs provided the majority of federal financial aid to students for postsecondary education, another 22 smaller programs were targeted to specific segments of the postsecondary school population, such as prospective students from disadvantaged families or women and minorities who are underrepresented in graduate education. These 22 programs were collectively funded at $1.1 billion for fiscal year 1995. We concluded that these smaller grant programs could be considered candidates for consolidation--with other larger programs or among themselves--with no adverse impact on students' access to postsecondary education. We also found that the federal government could anticipate administrative savings of 10 percent each year, or a total of $550 million in budget authority (adjusted for inflation) over 5 years.

In addition to the problem of overlapping and fragmented programs, agencies are challenged in setting goals because those goals often must reflect a balance of competing policy priorities. For example, we reported in April 1997 that the Forest Service had increasingly shifted the emphasis of its efforts from producing timber to sustaining wildlife.[6] This shift was taking place in reaction to requirements in planning and

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[5]Department of Education: Information on Consolidation Opportunities and Student Aid (GAO/T-HEHS-95-130, Apr. 6, 1995); and Department of Education: Opportunities to Realize Savings (GAO/T-HEHS-95-56, Jan. 18, 1995).

[6]Forest Service Decision-Making: A Framework for Improving Performance (GAO/RCED-97-71, Apr. 29, 1997).

environmental laws and their judicial interpretation--reflecting changing public values and concerns--together with social, ecological, and other factors. However, we noted that the demand for recreation was also expected to grow and may increasingly conflict with efforts to sustain wildlife and produce timber. We found that the disagreement both within the Forest Service and among key external stakeholders, including Congress, on how the Forest Service is to resolve conflicts or make choices among competing uses on its lands had seriously undermined its efforts to establish the goals and performance measures needed to ensure accountability. We concluded that until general agreement is reached, the Forest Service's decisionmaking is likely to continue to be inefficient and ineffective.

Measuring Performance

A second challenge to the effective implementation of the Results Act is the often limited or indirect influence that the federal government has in determining whether a desired result is achieved, which complicates the effort to measure the discrete federal contribution to a specific result. Our work has shown that measuring the federal contribution is particularly challenging for regulatory programs; scientific research programs; and programs that deliver services to taxpayers through third parties, such as state and local governments. For example, determining the impact of economic development programs has been a daunting task because of the numerous external forces--including broad national economic trends and the assistance that communities may

receive from state and local governments and the private sector–that may contribute to local economic development.

Separating out the effects of federal program efforts can be extremely difficult, as we observed in a 1996 review of economic development programs, because it would require, first, documentation that there had been some improvement in a targeted area; second, linkage of specific program elements to actual economic changes; and third, measurement of the growth stemming from other influences on the economy of the targeted area in order to isolate the impact that could be attributed to the economic development program.[7]

Some agencies are exploring approaches that begin to address the difficulty they are having in developing useful results-oriented performance information. Among the approaches that are detailed in our report are (1) using impact evaluations; (2) using intermediate performance measures; (3) using a range of measures; and (4) working with stakeholders to identify and reach consensus on the most meaningful measures for the program.

[7]Economic Development: Limited Information Exists on the Impact of Assistance Provided by Three Agencies (GAO/RCED-96-103, Apr. 3, 1996).

Generating Results-Oriented Performance Information

A third challenge to the effective implementation of the Results Act is the lack of results-oriented performance information in many agencies, which hampers efforts to identify appropriate goals and confidently assess performance. Even when data exist, we have consistently found that the quality of agencies' performance data is often questionable due to several factors, including the need to rely on third parties to provide data. For example, Department of Veterans Affairs officials told us that some of their results-oriented measures for a Loan Guaranty program were new and that baseline data were not available on those measures. Consequently, they did not have data on past performance to use in setting some of the program's fiscal year 1998 goals. In some of these cases, the Department indicated in its fiscal year 1998 budget submission that those goals were "to be determined." In another example, Department of Agriculture officials said they eliminated some performance measures that had been part of their Results Act pilot's annual performance plan because they did not have a way to collect data on those measures. Lacking these data, they did not have an informed basis on which to set goals.

Instilling a Results-Oriented Organizational Culture

A fourth challenge to the effective implementation of the Results Act centers on the need to instill within agencies an organizational culture that focuses on results, and this remains a work in progress across the federal government. According to our survey,

federal managers rated the commitment of top leadership to achieving results as higher currently than they did 3 years ago. However, federal managers' responses to our survey also suggested that not much progress has occurred in agencies to develop and sustain cultures that focus on results. For example, when we asked federal managers about the extent to which they or supervisors at their levels had the authority they needed to help their agencies accomplish their strategic goals, the federal managers did not perceive that they had more such authority currently than they recalled having 3 years ago.

Significantly, for federal managers from the Results Act pilots that we were able to isolate for our sample, managers' perception of the extent of their authority currently was much lower than their perception of the situation 3 years ago. For example, 40 percent of SES managers from selected pilots reported that managers at their level had authority to help the agency accomplish its strategic goals to a great or very great extent currently, while their perception of this extent of authority 3 years ago was 56 percent–a difference of 16 percentage points.

These survey results suggest that as agencies implement the Results Act and strive to become more results oriented, they need to pay special attention to ensuring that key managers have the authority they need to achieve intended results. In passing the Results Act, Congress recognized that if federal managers were to be held accountable for program results, they would need the authority and flexibility to achieve those results.

Congress also understood the importance of affording federal program managers the freedom to be innovative and creative and to marshal resources to achieve results.

Thus, the Results Act authorizes agencies to apply for managerial flexibility waivers of nonstatutory administrative procedural requirements and controls in their annual performance plans. The Act further specified that managerial accountability and flexibility waivers were to be piloted during fiscal years 1995 and 1996. However, as we reported in April 1997, the managerial accountability and flexibility pilot did not work as intended.[8] We found that three major factors contributed to the failure of the managerial accountability and flexibility pilot to work as intended. First, changes in federal management practices and laws that occurred after the Act was enacted affected agencies' need for the waivers. Second, agencies could use other, less rigorous, means to obtain waivers from administrative requirements. Third, unlike its active approach to the first set of Results Act pilots covering performance planning and reporting, OMB did not work actively with agencies that were seeking to take part in the managerial accountability and flexibility pilot.

[8]GPRA: Managerial Accountability and Flexibility Pilot Did Not Work As Intended (GAO/GGD-97-36, Apr. 10, 1997).

Linking Performance Plans to the Budget Process

Finally, a fifth challenge to the effective implementation of the Results Act is the need to link agencies' performance plans directly to the budget process through the Results Act requirement to base the annual program performance goals on the budget's program activity structure.[9] We have found that the extent to which the budget's program activity structure can be directly linked to a results-oriented performance framework varies widely among activities, and adjustments and accommodations in the program activity structure may be needed. Reaching agreement on such changes between Congress and the executive branch will be a time-consuming and difficult process that will likely take more than one budget cycle to resolve.

AN AUGMENTED REPORTING FRAMEWORK HOLDS PROMISE FOR STRENGTHENING FEDERAL DECISIONMAKING AND ACCOUNTABILITY

The Results Act is the cornerstone of a series of initiatives that are intended to provide a comprehensive framework for integrating program, cost, and budget information. Improved financial reporting and auditing required by the Chief Financial Officers Act should strengthen the reliability of cost and performance information. The Federal Accounting Standards Advisory Board (FASAB) has developed a new set of reporting

[9]Performance Budgeting: Past Initiatives Offer Insights for GPRA Implementation (GAO/AIMD-97-46, Mar. 27, 1997).

concepts and accounting standards that underpin OMB's guidance to agencies on the form and content of their agencywide financial statements.

FASAB standards include a new reporting model for federal agencies geared to providing users with information about budgetary integrity, operating performance, stewardship, and systems and controls. These standards also include cost accounting standards that became effective beginning with fiscal year 1997 and are the first set of standards that are to account for the full costs of federal programs. For the first time, decisionmakers are to be provided with annual "report cards" on the costs, management, and effectiveness of federal agencies. The FASAB cost accounting standards, if successfully implemented, are to provide decisionmakers with information on the costs of all resources used, including the costs of services provided by others to support activities or programs. Such information would allow for comparisons of the costs of various programs and activities with their performance outputs and results.

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In summary, Mr. Chairman, the performance improvements already reported strongly suggest that the basic goal-setting and performance measurement model used by the Results Act, if successfully implemented, will be an important tool to improve federal management and performance. However, addressing some of the challenges that I have highlighted today, such as crosscutting program efforts and balances among competing

priorities, will raise significant policy issues for Congress and the administration to consider, some of which will likely be very difficult to resolve.

The Results Act's success or failure should not be judged on whether contentious policy issues are fully resolved; rather, judgment of the success or failure of the Act should turn on the extent to which the information produced through the required goal-setting and performance measurement practices–once those practices are successfully implemented–helps inform policy decisions and improve program management. Although progress thus far has been mixed and implementation this fall will be uneven, the Results Act has shown that it has the potential for improving the federal government's performance and sharpening executive branch and congressional decisionmaking.

This concludes my prepared statement. I would be pleased to answer any questions.

(410143)

Mr. HORN. And now I now yield 10 minutes to Mr. Sessions, the gentleman from Texas, who spent a lot of time on this subject, so we are going to have you lead the questioning.

Mr. SESSIONS. Thank you, Mr. Chairman.

Mr. Koskinen, I would like to first start, if I could, with you and have you provide us, if you can, an evaluation of those plans that were submitted and talk with me specifically about who fell within the criteria that you think are good plans, ones that met your expectation, and then on the reverse side, some of those which you feel will require some additional work.

Mr. KOSKINEN. I think the short answer is they all require additional work. The statute didn't contemplate—and we didn't either—that they would be done by now. Our goal, in fact, is to continue to work with the agencies, as we are this spring, and the assessments through the summer, to ensure that we get the best possible plans to you and the public in September. We've made it clear to the agencies that we support congressional consultation, and we expect that those plans will evolve to some substantial extent as a result of consultations not only with Congress, but other stakeholders and interested parties.

Clearly, some agencies have broader background and experience and are farther ahead. An agency like Social Security, for instance, has in effect been producing strategic plans and performance measures for 6 or 7 years. And if you look at their annual accountability report, it also is a model of what we're trying to drive toward. Because in one document—produced in a timely manner—they talk about their mission, what they're trying to accomplish, the measures of customer service and delivery of the benefits, how they've done against those measures, and what their audited financial statements show. So they clearly are an agency that is doing very well.

But I would stress that at this time we don't think any agency is complete. And we have been pleased to have the active involvement, particularly in the House, of the majority leader's teams working with the agencies and us to try to get the best plans we can. I think Mr. Stevens and GAO are correct. This is a massive undertaking and it's going to take the best efforts of all of us to have us succeed.

Mr. SESSIONS. OK. So you would probably describe this as maybe a scrubbing process. They get them to you, their first view, you try and scrub it, you go back and work with them.

You talked about stakeholders. Is that GAO? Are they one of the stakeholders that you work with?

Mr. KOSKINEN. No, actually the stakeholders, the agencies we're working with are, in fact, the interested constituents and parties in—affected by their programs or interested in them. The stakeholder they all have, obviously, is the Congress. The statute provides for that. Our guidance requires that there be an active consultation by every agency with its oversight committees, authorizers, and appropriators. We have worked for the last 2 or 3 years with GAO in terms of jointly sharing information. But obviously we understand that GAO is a part of the legislative branch, not the executive branch.

Mr. SESSIONS. All right. What is your relationship with GAO in the scrubbing process, then?

Mr. KOSKINEN. In terms of the scrubbing process, as you refer to it, I would refer to it as the review and dialog with the agencies, we have not been in communication with GAO on an agency-by-agency basis. We have utilized the reports GAO has issued to help inform the process.

As I think I testified about a year ago, GAO did a very good review of the pilot performance projects that talked about the lessons learned. We thought that was a good enough report and valuable enough that we actually distributed it to a large number of people in the executive branch because we thought the lessons GAO discovered were important for all of the agencies to undertake. But on an agency-by-agency basis, we're not engaged in any communications with GAO.

Mr. SESSIONS. OK. How about an engagement with your organization, then, inasmuch as you are the one receiving the plans and them working with you? I am trying to find out—you are here before us.

Mr. KOSKINEN. Yes.

Mr. SESSIONS. I am trying to determine the honest attempt on both sides to get closer to what Congress is after.

Mr. KOSKINEN. Right. We started actually over 3 years ago but when I, the 3 years I've been here, we've actually been working on an almost continuous basis with the agencies. In the fall of 1994, in that budget process for the fiscal 1996 budget, we asked the agencies to provide as much performance information as they had to begin to take a look at what performance measures would look like.

We did a review with them in the spring of 1995 of their core programs. We said, "If you looked at your basic programs, what would be the right performance measures for those?"

In the summer of 1996, we did a full-scale review of the agencies' strategic planning processes. And, as noted in my testimony, we discovered, of course, that they were facing some significant challenges.

We're in the process right now of concluding a spring assessment of a range of management initiatives, but the focal point is on GPRA as a general matter. Each of our program examining divisions has worked and is working with the agencies to, in fact, critique, provide guidance on and feedback on each specific agency plan. So that, as I say, this has been an over a 3-year undertaking, and we continue to believe that we're going to have to work up until the end of August to make sure that we get you the best plans we can.

Mr. SESSIONS. Right. OK. Well, with that in mind, and I do understand from your testimony that you have given here that there are a lot of changes that are in process.

Mr. KOSKINEN. Right.

Mr. SESSIONS. That you are trying to take full advantage of those, but we did talk about the 3 years. Do you believe that, as your responsibility and your testimony that you are giving to us today, that you are going to be on target to present plans that I think not only meet the law but also the spirit of the law, in other

words, not just written compliance but also an in-depth observation from each one of those agencies about their mission?

Mr. KOSKINEN. Yes.

Mr. SESSIONS. You believe sitting there today that you are going to be on target and they will all be?

Mr. KOSKINEN. I think GAO is right. We might disagree where the bell shaped curve starts in terms of the spread. There are going to be some again that reflect years of experience with this that will be at one end of the bell shaped curve and will be outstanding plans. There are going to be some at the other end of the bell shaped curve, a small number, who will be agencies who are still struggling, that these will be acceptable plans, they will meet the spirit, but the agencies will be the first to tell you that they are, in fact, the front end of that experience, and they will continue to evolve.

The bulk of the plans will be, I think, comfortably in the middle of that bell shaped distribution curve. They will be in-depth analyses of missions, of goals, of objectives, will indicate performance measures that will be used, and will, in fact, start us on down the road.

But I might just note that our goal in this process is not a neat document. If all we accomplish in this process is very good strategic planning documents and that's it, we will have failed. The goal in this process is in fact to have agencies and the Congress use the information generated about the results achieved by programs to make management decisions as well as budgetary decisions. And I would just say, it takes a lot of people to tango, but it takes at least two. And that is, it's going to take the Congress as well as the agencies.

Mr. Stevens noted, I think very appropriately, that one of the challenges they have identified is the ability to link performance plans to the budget process.

Mr. SESSIONS. Yes.

Mr. KOSKINEN. Now that's a challenge not just to the agencies, that's a challenge to the Congress because our present budgetary accounting system clearly does not track in many cases program-by-program. There are a lot of line items and detailed and disaggregation of budgetary resources that in fact make it very confusing, if not impossible, to figure out what the costs are and resources are devoted to a particular program.

So we have I think a lot of work to do jointly together if this act is actually going to achieve its goal, which is in fact to improve the performance of the Federal Government.

Mr. SESSIONS. This all gets down to accountability, and I can assure you this Congress is going to look very carefully at the accountability factor, because in fact we have asked those agencies to describe those areas, that methodology, and what their plan of action is going to be. So very good.

Mr. Mihm, if I might direct my question, the same one to you perhaps, and that is, from the evaluation that you have had as an independent arm for your analysis of the plans you have seen, or Mr. Stevens, whichever is most comfortable with responding.

Mr. MIHM. We found, Mr. Sessions, on the whole, the agencies that have the most direct relationship between the product and

service that they provide and the ultimate customer are those that have the easiest time doing GPRA, and, as a result, they're the furthest along and the furthest down the bell shaped curve that Mr. Koskinen talked about.

So, for example, Social Security Administration where it's pretty easy—or relatively, I should be careful—are they getting the right check to the right individual on the right time? It's easier than it would be for an intergovernmental program run by the Department of Education to figure out what's our result, what's the relationship that we do and our ultimate result.

So it really turns on the success that the agency is having in both its strategic planning and its annual planning. Its performance measurement efforts really turn on the degree to which there's a direct relationship between what it does and the ultimate user of its product or service.

Mr. SESSIONS. Good. I have got about 1 minute remaining. Let me say this. I hope that both of you go back, Mr. Koskinen, that you give a pat on the back to those agencies that have gotten their plans in on time, and I hope you will let them know in writing that they were close, and those that were not close, that you have gone back to them and said it requires more work. But I hope that that is in writing to them, because, as we go through this appropriation process, not just this year, but next year, that will be an important trail marker for those agency heads to understand that we really were serious about what we are trying to do. And I think it helps your job out.

Mr. KOSKINEN. That's right.

Mr. SESSIONS. Thank you, Mr. Chairman.

Mr. HORN. I thank you and now recognize for 10 minutes Mr. Davis, the Member from Illinois.

Mr. DAVIS OF ILLINOIS. Thank you very much, Mr. Chairman, and with your permission I would like to submit a statement for the record.

Mr. HORN. Without objection. Is that an opening statement?

Mr. DAVIS OF ILLINOIS. Yes.

Mr. HORN. It will be put with the other opening statements at the beginning of the hearing.

Mr. DAVIS OF ILLINOIS. Thank you very much.

Mr. Koskinen, we know that OMB plans to defer the start of the pilot projects on performance budgeting for a year. According to your report, a major reason for this delay is the lack of adequate cost accounting capability in many of the Federal agencies.

My question is: What are the implications of poor cost accounting capabilities for the implementation of the GPRA generally? And then, does this problem, coupled with the absence of baseline data, mean that additional delays in performance budgeting pilots are likely? And finally, what do you plan to do to address these weaknesses?

Mr. KOSKINEN. First, let me state that the absence of cost accounting data is a factor, but I think our major reason for delaying, as I noted earlier to the chairman, is that we did not want to distract the agencies at this timeframe while they are working on completing their strategic plans and preparing their first perform-

ance plans for submission to us in September and the Congress in February, to at the same be starting up a new set of pilots.

The cost accounting issue is an important one. We won't solve that problem either in the next 12 months. What we are talking about in cost accounting is not that we don't, in fact, keep track of where the funds are spent, but we are talking about costing out the cost of each activity or program. In other words, as we have talked to you today and as the act talks about, we want to know what the results are of our activities. But at the same time, once we know what performance we have gotten, we would like to know how much did it cost us to achieve that performance? And, again, our present budgetary structure disaggregates those costs. We have personnel, salary and expenses, a lot of other kind of overhead costs that are spread in various ways throughout the budgets, and it is important for us to be able to pull all of those costs together.

The Financial Accounting Standards Advisory Board, FASAB, has provided a set of now complete accounting standards for the Government, and one of the last ones they issued was cost accounting. So we are moving in the right direction, but I think it will be some time before we get there. But ultimately, we need to have that information so that, as I say, we can complete the equation; not only knowing what we got for what we paid, but actually what did we pay to get that result.

With regard to your question, then, about will the absence of baselines mean we will delay the performance budgeting? The answer to that is, no; that we will look at the performance budgeting pilots as a way of trying to figure out can we—how reasonable is it to ask the agencies to give us, in effect, sensitivity analyses not only of different resources, but the allocation of existing resources in different ways?

I would note that the performance budgeting pilots are the only pilots that then do not automatically go to full scale implementation. The way the statute is designed, we do the pilots and then OMB will report to the Congress with our recommendations as to whether this is worth the effort. So this is really a pilot program in which we will all make judgments as to whether this adds anything significant to the dialog, which is worth the cost and the effort of doing it.

With regard to baselines, let me just say, because that runs through some of the GAO comments and our own, clearly we need to have baselines for our activities so that we can see and know how to measure the improvement. But even as a fundamental question, it is hard to know what your goal ought to be if you don't know where you are.

But the absence of those baselines shouldn't surprise anyone. If we have not been, as a general matter across the board, collecting performance information and talking about it, then we are not going to have a lot of those baselines. So what we have told the agencies is if you wait until you have perfect information and wonderful histories of several years, we will be at this for a long time.

So the conclusion we have reached, and the CFO Council, which has worked with us, is that the algorithm we are using is start wherever you are. Whatever information you have now, whatever baseline information you have, whatever judgments you can make

on the basis of your experience, use them; but don't wait until some future day when we have either better cost accounting or better baselines. Start where you are and we will be building the baselines as we go.

Mr. DAVIS OF ILLINOIS. I would assume that pilots resulted as a result of earlier strategic planning. Would that be accurate?

Mr. KOSKINEN. I am sorry?

Mr. DAVIS OF ILLINOIS. That the pilots were developed as a result of earlier strategic planning.

Mr. KOSKINEN. No, actually, the statute recognized that the most difficult part of implementing this act is going to be defining performance measures and collecting data and determining what is the right data and how hard is it to get? So even while agencies were thinking about and beginning to work toward the development of strategic plans, we went into specific agencies who volunteered to be pilots and that we selected as a pilot, and said wherever you are going with the strategic plan, what are useful performance measures? And, let's do a set of pilots to see how easy it is to collect that information and what utility will it be once we have it.

So to some extent, the performance pilots were ahead of the train, which would normally start with a strategic plan.

Now, the ones that were most effective, and the GAO report showed that, were the ones that, in fact, grew out of a broader strategic plan and vision for the agencies. And some agencies had more experience at that just on their own than others. I think that was one of the lessons GAO drew from those pilots and we have agreed with that, and that is that the ultimate test of performance measures is can you link them to your basic goals and objectives?

Obviously to do that, you have got to know what your goals and objectives are. As I noted in my testimony, in our review last summer of the strategic planning process, summer of 1996, we thought again, as GAO, that one of the great challenges will be to take performance information and make sure that it actually is performance-related to the achievement of the basic goals and objectives that are part of an agency's strategic plan.

Mr. DAVIS OF ILLINOIS. Is it likely that the budget process will need to be changed to incorporate the performance information generated by the GPRA? And if so, what is OMB's position on this issue?

Mr. KOSKINEN. I think it is likely and, in fact, it is imperative. And our position is that we are anxious to work with the Congress and the Budget Committees to take a look at the implications of that. Ultimately, we call it connecting resources to results, that as we go through the budget process we should be continually analyzing budgetary accounts and decisions in terms of how they relate to the results that we are getting from the allocation and the application of those resources. So I think we are going to have to have a more transparent budget process.

Mr. DAVIS OF ILLINOIS. Can you give us any specific instances of how the link would take place or shape up?

Mr. KOSKINEN. Well, HUD, for instance, has an interesting set of matrixes of their programs and the connection of the programs to the budgetary accounts. They have, I don't remember quite the

exact numbers, but for a particular program they might have as many as 60 budget accounts that related to that program.

And conversely, they have some programs that themselves are spread across a range of other budget accounts. So that the issue is can we collect and connect the budget accounts to the programs?

I just had a meeting recently with the State Department, which talked about a hard set of strategic discussions. But it has been wonderful. The State Department is really working its way through it. But as they noted, when they get through talking about their goals and objectives, they are still going to then have to deal with a budget process that has very specific line items in it that are not easily associated with their goals, objectives, and performance measures.

So we talked with them about the need to engage in a dialog with their appropriators about how to most meaningfully connect the resources to the results.

Mr. DAVIS OF ILLINOIS. I would think that their goals and objectives might sometimes be a little difficult to measure.

Mr. KOSKINEN. Yes.

Mr. DAVIS OF ILLINOIS. Mr. Stevens, the survey GAO conducted as part of your report indicates that it will take time for agencies to reorient their thinking toward the result-driven approach required by GPRA. Can you give us any idea of how much time it is reasonable to expect, realizing that things will vary among different agencies?

Mr. STEVENS. If you are referring, Mr. Davis, specifically to the cultural aspects of the need to adapt to results-oriented management, I don't think it will ever end. The governmental system is fundamentally one that has strong emphasis on process and securing the confidence of Government managers that their programs can be and should be managed by results I think will never be as fully implemented as it is in the private sector, for example.

That isn't to say that we aren't making progress. When we ask people what the situation was 3 years ago, they say, well, it is better than it was then, so we are making progress, but I don't think it will ever be done.

Mr. DAVIS OF ILLINOIS. Are you saying that process is oftentimes as important as content or results?

Mr. STEVENS. That has certainly been true of the bureaucracy up until now, yes, sir, and I think the Government Performance and Results Act is a direct attempt to change that culture.

Mr. DAVIS OF ILLINOIS. In your statement, you say that sustained congressional involvement is needed to ensure that missions are based in statute and to identify cases where statutory requirements need to be modified or clarified. Could you give some examples of these instances?

Mr. STEVENS. In the Government Performance and Results Act itself or statutory requirements that would reflect the requirements on agencies?

Mr. DAVIS OF ILLINOIS. That's correct, yes.

Mr. STEVENS. Well, I would say, for example, that the 342 economic development programs that exist in the Government, each one of those has a statutory foundation or basis that attempts to look for commonalities and compare their results, perhaps consoli-

date some, would certainly take congressional authorization in many cases. They are spread among different committees. They have different protectors and that could be a very complicated job.

Mr. DAVIS OF ILLINOIS. GAO has commented that pilot projects, which OMB is currently conducting to develop broad-based accountability reports which integrate financial program performance and management information, do you need legislation in order to do this in this particular area?

Mr. MIHM. Mr. Davis, those are currently being piloted under a separate piece of legislation called the Government Management Reform Act—I am sorry for all of these acronyms—GMRA, which expanded the requirements to the Chief Financial Officers Act for audited financial statements for all agencies. OMB is working with the agencies to pilot those consolidated accountability reports that you mentioned.

There were a half dozen or so that were piloted the first year, more in the second year, and now I understand there is going to be plans for a dozen or more in the third year to pilot the integration of bringing together for the first time the information that you as congressional users really need in one format. So you would get audited financial information, program performance information and other vital management information for the agencies together rather than coming up in a semiannual basis or on different calendar times. So it will be far more useful to you. So it is already under a statutory basis, the piloting of those.

Mr. DAVIS OF ILLINOIS. And that information is evolving?

Mr. MIHM. It is evolving, yes, sir.

Mr. DAVIS OF ILLINOIS. Thank you very much, Mr. Chairman. That completes my questioning.

Mr. HORN. I thank the gentleman. I now yield 10 minutes to the gentleman from Virginia, Mr. Davis.

Mr. DAVIS OF VIRGINIA. Mr. Chairman, thank you very much. I think both witnesses testified about really how well they believed the Social Security Administration is at developing strategic plans, but at this point I don't think—Congress has not received their draft plan and we haven't been consulted on this. In fact, I've got a list of agencies here, agencies that haven't submitted their plans, prospects uncertain, but agencies—Social Security is at the lowest, that they haven't submitted their plans and they indicate that the consultations aren't going to be forthcoming for some time; a risk of noncompliance. And I have Social Security under that list the staff has assembled.

Any reaction to that?

Mr. KOSKINEN. Yes. As I say, we are working very closely with particularly the House leaders in the consultation process, and I have advised Social Security that they are in the ironic position of having done probably as much or more work in strategic planning and performance measures than any agency and yet now show up on the bottom of this list.

Their problem is they are in the middle of a change, obviously, in political leadership. They want to ensure that when they come with the consultation that they won't be consulting about a plan that will be changed. But they understand the problem and have

committed that this month they will begin that consultation process.

As I discussed with the majority leader's staff actually yesterday, I think that of all the agencies they are least likely to be a problem because of their history and the quality of their information. But I have stressed to them that consultation is a real part of this process, that they need to be here talking with you about their plans. They need to be getting input from you.

They have already over time gotten that from their appropriators where they provide this performance information every year, but I have noted to them that there is a broader constituency here and they need to get themselves off of the bottom of the list.

Mr. DAVIS OF VIRGINIA. There is probably more interest in Congress today than was anticipated when this bill passed in terms of how things are going, and agencies, everybody seems to be having trouble adjusting. Even OMB was a little bit late with its draft statutory report, and I know you have had a lot of other things to do over there in the past. Is that also an issue of just priorities with a limited staff at this point?

Mr. KOSKINEN. Right. I have been very concerned that we not be the shoemaker's children and that we be out getting plans from everybody else and not have one. We obviously have had a few things on our mind with the budget agreement and other negotiations, but we do have a draft. We did start the consultation process. We do present an interesting challenge, as a number of agencies, because we don't create widgets. We don't produce necessarily products. We are a staff agency providing policy advice analysis and other information both to the President and to the agencies in the Congress. So figuring out what is measurable in terms of our activities is a challenge.

Our plan addresses that, and we are looking forward to more discussion with not only the Congress, but other interested parties, because we are open to additional suggestions about how you can actually quantify most effectively the performance measures other than the fact of policy operation.

Mr. DAVIS OF VIRGINIA. One of the interesting things is the expectations everybody has coming from this act. I mean, some of these expectations may be reinterpreted now over what might have been intended when the act passes and time changes and people read it and look at it in the context of where we are today with balanced budget agreements and the like. I wasn't even here when the law passed but looking at it, I am interested in what the mission statements are going to show in terms of what agencies are doing now and what their mission statements actually call for.

It seems to me, to some extent, this can be where the rubber can hit the road with some of these agencies that may have to revamp their mission statements or change the way they are doing things. And I did not hear a lot of testimony on that from either of you. I wonder if you have any observations on that.

Mr. KOSKINEN. As we have said to the agencies over this long 3-year consultation process, particularly last summer when issues began to surface, you don't find new issues in the strategic planning process. What you find is it is a way of pulling together all of the issues, so that your point is well taken. In the consultation

process, in the development of these plans and ultimately in the review of them, the plans will be a focal point for discussing some fundamental policy issues that need to be resolved.

The favorite example everybody has has been the Forest Service that on the one hand is trying to protect the forest and on the other hand log them, and what are the differences in those competing policy issues?

Regulatory agencies obviously have a range of issues that have been the subject of discussion and debate. Strategic plans won't reveal new problems. What they are going to do is, in fact, engage people in a focused discussion about what are the missions and goals and objectives and more—equally importantly, what are we getting as a result of the activities? What have been the results?

My only kibitz a little with GAO's point about the impact issue is that it is correct, that ultimately when there is a result out there or an outcome as we call it, the hardest question will be to figure out what role did we play in achieving that? But I think that's a secondary issue. It is a great challenge, but if we could just get people focusing on the actual outcomes, the results of what happened and then worry about what role we had in it, we would be way ahead of the present debate, which is primarily focused on inputs.

If you look at the dialog and debate over the last 2 or 3 years, contentious as it has been, it has been primarily focused on inputs: How much resources? How many people should we devote to what issues? And what I think the magic of this act, and the potential it has for all of us, is that it will move the dialog kind of along that spectrum and have us start saying not only what were the inputs and what are the appropriate inputs, but what were the results? And then I think if we can ever get to the point where we are all arguing about what role our programs played in the actual results, what impact we had, we will have made great progress.

Mr. DAVIS OF VIRGINIA. Let me ask if GAO has any comment on the mission statements and how these are going to gel as we start addressing them and how agencies may have gone way beyond their mission statements in some cases.

Mr. STEVENS. Well, the very process of thinking about what an agency's mission is is new to some of them, and certainly the process of discussing that with their congressional overseers is very new and somewhat worrisome to them.

The Environmental Protection Agency is a good example. They have about a dozen statutory mandates, but they don't have any overarching legislative mission statement or determination of what their real mission is. They are responsible for clean air, clean water and solid waste and so forth, but no overarching determination of what their environmental responsibilities are.

The Federal Emergency Management Agency, I think, is one that has shown a good approach to this in the recent past, in which they examined whether they were really there to provide assistance after a disaster takes place, or whether they couldn't do more for the ultimate objective of mitigating the damage of disasters by taking actions in advance and working more closely with State and local governments to mitigate the effects of disasters before they take place than having what they interpreted their mission to be

up until then of coming in afterwards and providing money for a clean-up.

So there have been a number of cases in which this has been a very therapeutic process.

Mr. KOSKINEN. Let me just comment. FEMA is a very interesting example of what the Congressman is driving at. When James Lee Witt started, he noted that one of the major missions FEMA had was, in fact, preparing for a nuclear attack and the results of it. And as he noted, the cold war seemed to have ended in the meantime and the wall was down and they had 320 people working on, in fact, response to nuclear attack. So that was a legitimate mission.

Mr. DAVIS OF VIRGINIA. How do we measure that one today?

Mr. KOSKINEN. It is like the guy with the elephants in Indiana. We haven't had one for a while so it must have been OK.

The mission was a legitimate one 5 years, 10 years, 15 years ago, but as the world changed it was appropriate for FEMA to take a hard look at what is our basic mission and redeploy those resources. So I think that the point you make is a good one, and it is not static. We may have an agreement about missions today that is appropriate in the present circumstances and over the next iteration of the next strategic plan. Life may change, and we may all decide that the focus in the deployment of resources in an area ought to be adjusted accordingly.

Mr. DAVIS OF VIRGINIA. Mr. Koskinen, business organizations are doing this every day. They are examining their mission statements every day, every quarter as the bottom line comes in, and Government sometimes does it, oftentimes doesn't because for a host of reasons. It is just a good policy and rhythm to get into once we get started.

I know it is starting off perhaps more controversial because of the cultural shock in some of these agencies that haven't had the kind of oversight from Congress that this demands and the kind of comparisons that they are forced to make, that they have never been accustomed to making. But this really, I think, shows great promise over the long-term if we can get this off and running and started. It is a little uneven right now.

But I would just say for having worked with you and Mr. Kelman and others over at OMB it has really been very foresighted in a lot of ways, and if you can help us get through this and coordinate with GAO, I think we can leave a legacy here that will stand for future administrations and relationships that Congress, different parties and on different sides of the table, are moving through. But I think this has a lot of promise.

Let me ask you this: In this town I see an entire cottage industry of specialized management consultants springing up as governmentwide implementation gets closer and closer. To what extent are agencies having to turn to outside resources or consultants to help them identify meaningful performance goals and measures, and develop their strategic plans or otherwise work to comply with the Results Act?

Mr. KOSKINEN. I don't know if there is an easy way to get at that. The statute makes it clear that the mission of an agency is not to be designed by consultants, so they are prohibited from

using outsiders to tell them what their missions are. Those have to be generated internally.

Clearly, a number of them have made effective use of outside advisors about the strategic planning process. They have gone on the private sector experiences and they are using that. But again, one of our concerns, as I have testified in the past, has been to make sure that the agencies don't create what I call "GPRA bureaucracies." That is, we have somebody off on the side producing whatever we and you want them to produce in the form of paper, but it doesn't relate to the day-in and day-out management and operation of the agency.

So one of our tests of the agency in a strategic planning process is: Who is involved in the process? Who is actually leading it? What are the uses of outside people? How involved are the senior leadership of the agency in the development of the plan? And our goal is to ensure, as I say, that these become working documents; that, in fact, agencies manage against these; even if we don't allocate another dollar in resources one way or the other, that they actually manage against the information they get about how the programs are operating and the effectiveness of them.

Mr. DAVIS OF VIRGINIA. Thank you very much. I think my time is about up.

Mr. HORN. Thank you.

We have with us this morning Mr. Radanovich of California, a member of the Budget Committee and without objection, I am glad to yield you 5 to 10 minutes.

Mr. RADAVONICH. Thank you, Mr. Chairman. I am just basically here to listen. I appreciate being able to be sat on the dais and would just like to listen to the testimony. Thank you very much.

Mr. HORN. That's humility beyond the call of any Member of this House.

Mr. KOSKINEN. Could you come to a few more of my hearings?

Mr. HORN. OK. Let me ask a few questions and then we will go in for the second round of questions.

These are directed at all of you, so you can all mix it up on this. As we all know, the Department of Defense, the Internal Revenue Service, will not be able to give Congress a balance sheet that has been mandated by law for a number of years, when it comes due this fall. Both have had severe fiscal management problems. And I guess my curiosity is this: With those two agencies being sort of basket cases at the civilian level, and defense with 49 separate accounting systems, IRS with a complete lack of management for years, why were not various other pilots put in those agencies to see if we can't learn something? Because these are the two of the three or four largest agencies in the Federal Government, and I believe the only one that was a pilot was Defense Logistics. But I just wonder what the thinking of OMB was and I wonder what the reaction of GAO is?

Mr. KOSKINEN. Mr. Chairman, as you know, you and I go round and round about this. First, I would like to disagree that the two agencies in question are a basket case, and I would certainly disagree that there has been a complete lack of management at the IRS for a long time. IRS clearly has systems problems in tax systems modernization, but it is a leader in a number of ways in inter-

nal management. So I think it doesn't treat them well or fairly to say that they have had an absence of management. I would not say that they have not had an absence of problems, particularly in the information technology area, but I don't think we further the dialog that way.

Let me now then say also that in the list of pilots, there were five other pilots at the Department of Defense, although Defense Logistics was one of the most successful, and the entire IRS volunteered to be a pilot program agency to take a look at what were appropriate measures, how they could measure them. And it showed, as I say, 3 years ago, 4 years ago when these pilots were designated, their interest. We didn't require them to do it. They volunteered and said they wanted to be a pilot, they wanted to see if they could begin to develop a better performance matrix, which, again, as I say is not quite consistent with an agency with no interest in these areas or a lack of management.

Mr. HORN. What have we learned from what the IRS pilot at this point? What have you learned?

Mr. KOSKINEN. What we have learned from the IRS—again, as Mr. Mihm said, it is a lot like GAO. They in some ways are closer to a private sector analogue because they have measurable outputs and they are focused on things like customer service. How long does it take you to get in contact with someone? How long does the response come?

There are difficulties in fact, their abilities to improve their customer service have fed back into their development of systems. What we have been focusing with them on, and GAO has for some time and the Congress has, is that the fundamental problem with their systems approach was to try to solve all the problems that they knew that were out there all at once in what we call the "big bang theory." And the private experience, as well as the Government experience, is anybody who tries to solve a problem in the IT area with a 5 to 8 year big bang, usually ends up with a big failure. But they have been increasingly focused on what are the appropriate and most important priorities in dealing with the public in terms of customer service? How can they get a handle on compliance statistics? One of the issues we have with them is, how do you collect information to determine what the compliance rate is? Do you have to, in fact, go through these systemic analyses of individual taxpayers from beginning to end?

So I think that we did learn a lot there. They are focused on, in effect, how they can use performance information to better serve the public. But I would be happy to hear GAO's views as well.

Mr. STEVENS. Well, IRS, their major problem, Mr. Chairman, as I think you have hinted at, is they really don't know what the tax gap is and therefore what their goal should be for closing it and what annual progress they should be making toward it. I would agree with Mr. Koskinen in that they do have major customer service objectives. They phrase those in their strategic plan. I think one of the things we think is worth investigating there is the extent to which this gets down to the front line tax examiners and agents. And if IRS has a goal, as I think they have, of improving customer service to a world class level, if the front line examiner still finds

that he is being—he or she is being judged on how many taxes get brought in, there is a disconnect there.

So one of GPRA's real challenges is to spread that kind of consciousness throughout the organization and not just prepare a plan that says this is our goal, but have the working people unaware of it.

Mr. KOSKINEN. And I might put a pitch in now for the Clinger-Cohen Act as it relates to this. One of the issues we have been trying to get the agencies to understand, and it is a fundamental principle of that act which this committee, again, was a strong supporter of, is that as you look at any acquisition, any procurement, the fundamental question you ought to be asking is, how will this help me in the achievement of my mission, of my goals and objectives? That it is not just a question of, well, this would be nice to have or it will make things run faster. What it really causes you to ask, we hope, is OK if I buy this system, if I make this improvement, if I make this acquisition, what does that have to do with the achievement of my goals and mission? How will that improve my agency performance?

Too often we have looked at IT systems in terms of a major challenge of did they come in on time and at cost, which are important process performance measures. But we have ignored saying, but what did we get for it in the long run in terms of improved performance? And getting back to the IRS, one of the things that I think they are going to be able to do a much better job of, we have disaggregated their IT acquisitions, is tying the actual development of an individual IT system to an improved performance under one of their goals and one of their measures rather than simply in terms of processing.

Mr. HORN. Since you brought up the IT system at IRS, which has gone to the $4 billion mark and apparently been a failure from all we read in the newspapers, what sort of management oversight does OMB provide here when that type of situation can occur?

I might add, it was also $4 billion with the Federal Aviation Administration. Apparently, they can't find out anything until they hit the $4 billion mark, and I worry about that.

Mr. KOSKINEN. And you have to. As we have explained, one of the reasons, we actually, with then Senator Cohen, worked very hard to develop the legislation that passed, because we were concerned as well as you as to what were the lessons we could learn. GAO had done a marvelous study of the private sector. They had isolated 10 of the best private sector companies in using IT. They could also. My own experience is there are a lot of companies in the private sector that have large scale failures in IT in their history and background as well.

But what the GAO found, what our analysis of the agencies found, that there are a fundamental set of principles that agencies needed to understand. The first was that they needed to take a look at IT questions not as technical issues, but as management issues. They had to understand that the right and most important questions about an IT system were managerial, not about bits and bites. And therefore, we said they had to take a look at, when they were automating a process, why do we do the work at all? Couldn't we just stop doing this work rather than automating it? The ques-

tion we wanted them to ask is, is there somebody else who does this better than we do, either in the private sector or some other agency, so we don't have to do it?

The third thing was, before they even got to this, was, are we doing the work in the most efficient way of process? Have we changed the way we do the work so we can both buy off the shelf, if it is possible, but also get the best benefit from it?

The next thing we learned, and the most fundamentally important thing was, you had to buy in modules. The best private sector companies designed systems that produced deliverables in 12 to 18 months. If it couldn't be a freestanding, operating result at the end of 12 to 18 months, they didn't go forward.

The FAA, the tax systems modernization, a number of other large Federal systems, as I say, were at the other end of the spectrum. Their judgment was, we will design a system and in over 6 to 8 years, we will solve all of our problems. We will push the button at the end of the 8 years and, magically, we will have a new system. Nobody in the private sector has been able to make that work either.

Mr. HORN. But we learned that from the FAA and we knew it in 1993 and 1994. I was then on the Aviation Subcommittee of what was Transportation and Public Works Committee. If we have learned that in Congress and we could walk in and know something was screwy the minute we put our heads through the door when we went out to see the operation, there was no management. It seems to me the institutional memory of the President, namely OMB, and its management section in particular, should have said, hey, GAO has written on this. FAA has been a failure. We knew why. Why did we let IRS get out of control to do exactly what FAA did?

Mr. KOSKINEN. Well, IRS was up and running at that time. In fact, in 1994 we did sit down with—we started this process in the fall of 1994 reviewing what were the statutory framework—what was the statutory framework and the requirements that caused us to, in fact, keep reinventing the wheel? Ultimately, what we did was blow up the Brooks Act with IMTRA. It was not only an administrative process that was driving us. We had a statutory system that was a great system in the 1960's and 1970's, but didn't reflect, again, the changes in time which contemplated that we could put all the expertise in one area, GSA; have all systems approved by GSA, or through delegated procurement authority, and then the budget process would operate as a secondary issue.

What the act says now is each agency is individually responsible and the head of the agency is responsible for its systems. There is only one level of approval, and it is in the budget process. And we now have what we call the "Raines Rules" we have distributed far and wide saying we are going to judge your systems by whether they meet these eight criteria. And as the Director has said recently, we are on the hunt for a large system out there and we are going to try to kill them all, to the extent that we can.

Mr. HORN. I can appreciate that, but I just still don't understand it, where the institutional memory is that we should have learned from these experiences?

Mr. KOSKINEN. Well, I am not sure, as you say, that there was much institutional agreement about what this was about before 1993 or 1994. As I say, if you went to the private sector, I could show you, today, systems that don't work.

The last study I saw, in the last year or two, showed that over half of all private sector systems come in over budget and underperforming. And that's in the private sector.

Mr. HORN. Well, if it is only half, right now can we make that statement that we are at the halfway mark; that only half of ours are going bad just like the private sector?

Mr. KOSKINEN. Oh, I think we have a large number of systems and a large amount of money that's being well spent now. And we are, in fact, unwinding and coming to grips with the remaining two or three major targets of opportunity, I would call them.

Mr. HORN. I think with Congress mandating chief information officers, that's a help. We have got somebody that knows something about technology presumably reporting to the two principal operating officers of the Cabinet department.

Mr. KOSKINEN. Yes, although, again, that comes out of the act. And I would stress one thing because I don't want to go the wrong way with that, and that is the CIO is important not because they understand technology, but the CIO is important and we are selecting them because they understand the process by which technology decisions ought to be made.

Mr. HORN. Well, I think we assume that.

We are going to have a hearing next week on total quality management in the executive branch, various types of programs. What role did total quality management play, if any, in the pilots that were developed to look and move us toward results-oriented Government?

Mr. KOSKINEN. Well, total quality management is a useful concept. It is, in fact, one of those issues a little like management by exceptions, or zero-based budgeting. It, in effect, is an attempt to try to pull together a concept of saying we need to get front line workers understanding and dealing with headquarters about the fact that we ought to be doing—everything we ought to do ought to have quality, it all ought to relate to the mission and the operation of what we are trying to achieve. There are various permutations on it.

The Japanese quality circles that Deming trained the Japanese on in the forties or fifties is a kind of a total quality management issue. In effect, as I say, GPRA is focused on that. It is saying, we ought to be involved with basic issues about the operation of an agency. We ought to be looking at what it is trying to accomplish. We ought to know what its effectiveness is. And ultimately, if we do that, we will, in fact, end up with total quality performance if you want.

There is nothing magic in the words. As we noted, we are, in fact, in the pilots and across the board, looking at things like customer service. We are looking at things like empowering front line workers. There is a lot of these concepts out there. The ultimate goal is to—in fact, as GAO was saying earlier, to make sure that all of these concepts get out of the concept stage and get into the

operational stage and not just at headquarters, not just among all of us in Washington.

The real question is: Do we have improved customer service? Do we have improved performance out in the front lines, in the fields where people come into contact with Federal agencies?

Mr. HORN. When we looked at the Oregon situation, which is probably the best example in the United States of an effective results-oriented government, they had met with their constituency and their citizens. To what degree do all of these pilots relate to a constituency that was not simply the bureaucratic constituency, important as that is?

In other words, was there constituent work? A lot of these agencies have advisory committees. That might be one, to involve them although often they are captives of the agency or in similar fields as opposed to the average citizen. Did we do any average citizen relating in these pilots?

Mr. KOSKINEN. Yes. The pilots that focused on customer service and their service delivery to the citizens, a number of them, in fact, have surveyed—either surveyed their citizens before that—a number of them do surveys as a regular matter—in terms of customer satisfaction. We now have over 2,000 customer service standards across the agencies that we have put in place in the last 3 or 4 years.

I can't take you through the 70 pilots and say which of them——

Mr. HORN. Those were used, you are saying, in some of the pilots?

Mr. KOSKINEN. Right, and some of the pilots were focused on——

Mr. HORN. You might want to file it for the record. I don't want to belabor this. I am just curious to the degree to which real people were contacted as part of this results goal setting.

Mr. KOSKINEN. Good.

Mr. HORN. So let's just file it at this point in the record.

Mr. MIHM. Mr. Horn, may I add something on that?

Mr. HORN. Yes.

Mr. MIHM. In our reviews, I would say it was very uneven. In some cases agencies, as Mr. Koskinen mentioned, had customer service standards or, as a result of the National Performance Review, had a pretty aggressive effort underway to survey the results of their customers. In other cases, though, it has been somewhat disappointing. The agencies seem to be under the impression that the requirement in the Results Act that they solicit the views of other interested parties can be satisfied just by a notice in the Federal Register, "Hey, by the way, we are issuing a strategic plan, if you have any comments, get back to us in 30 days," type of approach.

We have been working with the House teams that have been formed or through the House teams trying to encourage the agencies that the Results Act is about a different form of interaction between not only agencies and Congress, but agencies and the American people, and that type of approach to soliciting views isn't going to be successful.

The second thing that we have found where it has been quite inconsistent is actually embedding routinely customer views and stakeholder views into the daily operations of agencies. So even

those that have been fairly good, and there are quite a few that have been fairly good in going out and asking customers about what do you want. However, there still needs, in many cases, to be the next step to actually embed those views into the daily operations.

Finally, the third thing that has to happen that we haven't seen happen in many cases, if at all, which would get them very close to what's being done over in the United Kingdom, is actually assign consequences to the failure to meet a customer service standard. In the United Kingdom, if the mail doesn't get there on time you get a subsidy on first class mail. If the train doesn't run on time, you get part of the rebate of your train ticket.

We don't do that routinely in the United States and say if we don't meet a customer service standard, a published standard, something is going to happen that we are trying to make the citizen whole. So there is plenty of room that agencies can move on to improve on their focus on customers.

Mr. HORN. Well, I appreciate that response. You are absolutely correct.

I now am delighted to yield to the gentleman from Illinois, Mr. Davis, for 10 minutes.

Mr. DAVIS OF ILLINOIS. Thank you very much, Mr. Chairman.

Mr. Stevens, OMB was required by statute to make recommendations on changes to the GPRA and I would like to hear what the GAO would have to say about that. So based upon your monitoring, are there any areas that you think we ought to be considering some change in?

Mr. STEVENS. No, Mr. Davis, we don't. I don't think we disagree with OMB here. The act still has a long way—it is a work in progress and has a long way to go until it is fully implemented. We didn't come across any killing defects in the law, either in concept or implementation. And in our view, we should continue implementing what we have rather than think about changes at this point.

Mr. DAVIS OF ILLINOIS. One of the goals of the GPRA is to help Federal agencies address fragmentation and overlap in their programs. Could you comment on how well you think this is taking place?

Mr. STEVENS. Mr. Mihm can probably say more than I can on it, but I would note that there is certainly a congressional role in this, too. An individual agency has a very difficult time, I think, comparing itself to other agencies. There is a role for OMB in doing this, because they cross many functions. I think there is a role for Congress, also, in making these comparisons.

Not much has been done yet. The last strategic plans that I have seen do spell out what an agency does. They don't spell out that other agencies do very much the same thing and what the coordinated relationships between them are.

Would you like to add on that?

Mr. MIHM. Just to add on that, as you know, Mr. Davis, our work has shown in program area after program area, there is overlap and duplication. We have talked already about the problems in economic development programs. Mr. Stevens, in his prepared statement, talked about education programs, employment training pro-

grams. There appears to be at the Federal level, which is replete with it, overlap and duplication.

What the Results Act allows Congress to do, if you put a consistent focus on it and require it from the agencies, is to over time compare goals across agencies to see if we have the consistency in goals and thereby attempt to identify some of this overlap.

Mr. Koskinen mentioned in his statement about the Office of National Drug Control Policy. That shows an example of an organization of a statutory basis for trying to pull together overlap. It has been there a number of years and has made in recent years some substantial progress, issued the President's drug control strategic plan and is now working on performance measures, which shows how long and how difficult this can be to identify and address this overlap even when you have a statutory mechanism in place. And for many of these program areas we don't have that statutory mechanism in place, so it is really going to require the Congress—and the House teams that have been formed on the consultations are focusing on this an awful lot—to really go after the agencies and ask about who they are coordinating with in other agencies, how they are ensuring that their goals are consistent with the goals of other agencies.

Mr. DAVIS OF ILLINOIS. Do you think that some of this overlap, though, is in reality necessary and essential? I mean, can we refine the activity in such a way that we take out—I mean, can an agency actually fulfill its mission without getting into some of the activity in which another agency would in all probability be involved?

Mr. STEVENS. I think the Results Act provides the process for making decisions like that. Right now, we are assuming that is the case because nobody is really examining these cross-agency relationships. I am not saying a case can't be made. It is just—that in very few cases it has been.

Mr. KOSKINEN. Let me chime in, if I might, on that. If you take the ONDCP, I think it is a great example of the point you are getting to. I think of what the experience ONDCP establishes is that you have got as many as 50 agencies involved in some form of drug policy, either education or eradication enforcement. And the argument isn't as a result of that that, well, what we ought to do is put all of those in one place. It wouldn't take what the Defense Department is doing and HHS is doing and the Treasury is doing and necessarily say they ought to be in one place.

What you would say is that they ought to be coordinating, they ought to be collaborating, they ought to be, in fact, working together toward a common set of goals. But I think you are absolutely right, their effectiveness is, in fact, because they are tied to programs in HHS, in Education, in the Defense Department, and those are integrated.

So in some ways, I think Mr. Stevens is right. One of the things the statute will do is begin to cause us to, in fact, more effectively look at the way agencies are cooperating and working together toward a common set of goals, while recognizing that those goals are best achieved where the programs are. Not in all cases. There are some cases where we ought to be consolidating.

Secretary Reich tried, as everybody recalls, to in fact consolidate a lot of training programs to in fact create a more efficient training program, and then we ran into a lot of congressional difficulties.

But I think those issues are the ones that will be very important for us. I have told the agencies, as we go forward, one of the major challenges will be in this area. That is, to make sure that we are effectively coordinating, communicating, and working together across agency lines where it is appropriate for programs to be lodged where they are, but it is important for them to be working in concert with other agencies who are engaged in the same activities.

Mr. DAVIS OF ILLINOIS. And finally, Mr. Chairman, and either one or all, as we continue to refine our systems, really analyze what we are doing, look at it as well as we possibly can, really understand the capacity that we have to produce in certain instances, do we have any outside targets in terms of what increased efficiencies and effectiveness we might think is out there? I am saying like an athlete might say, if I train 20 more hours a week, if I shoot another 100 jump shots, maybe I will increase my effectiveness by four more points a game, or whatever.

Mr. STEVENS. In results-oriented management, Mr. Davis, I believe there are some countries that are certainly way ahead of the United States and that provide an exemplary benchmark of experience that has worked over a long period of time, in which major changes have been made and which it has become, I believe, even a political benefit. Those include Great Britain, Australia, New Zealand, Canada to some extent, Sweden to some extent. Within particular program measures, which I think is also incorporated within your question, yes, there are outside standards that can be used.

A very good example of this is the Social Security Administration. We singled them out for favorable comment because of their experience in improving their 800 number for answering the telephone requests for information they get. And, in fact, they have improved it so much that they have been recognized along—in the same scale as some very good mail order operations like L.L. Bean for having done extremely well in terms of responsiveness and customer satisfaction to them.

So, yes, and I think using that outside measure has been therapeutic to them and also instructive as to what an agency can do if the motivations and rewards are there.

Mr. KOSKINEN. As a general matter, I think that our goal is, in fact, to be the best in class, to benchmark against who can do this—who does this the best around and we should do as well?

As the Vice President has said on numerous occasions, if we are really good at this, "good enough for government work" will be a standard of the highest performance, not a way of dismissing a standard. And that is where we really ought to be going—across the board. I think this statute is a great vehicle and catalyst for us to get there.

Mr. DAVIS OF ILLINOIS. Thank you very much. I have no further questions, Mr. Chairman.

Mr. HORN. I thank the gentleman. I now yield 10 minutes to the gentleman from Texas, Mr. Sessions.

Mr. SESSIONS. Thank you.

Mr. Koskinen, have you had an opportunity to see this?

Mr. KOSKINEN. Well, my glasses are off so I don't know what that is.

Mr. SESSIONS. It is that same book just to the left.

Mr. KOSKINEN. It is this. Yes.

Mr. SESSIONS. Have you had an opportunity to see that at all?

Mr. KOSKINEN. I have scanned it.

Mr. SESSIONS. Well, I must confess, you are ahead of me. I have been trying to go through this.

Without opening it up, I would like to just ask you a question. We are sitting here talking about the application of GPRA and all of these things and the plans, and we are hopefully going to have them go down to the lowest level of manager and worker within the Government to where they feel like that not only do they comply with the mission statement, but that what they are doing is of great benefit. And we have, I think, generally said that we think this will help improve not only the performance, but the measurements and the effectiveness of an agency.

How well do you think or to what extent do you think that the Federal managers would respond if they said that this work that they are doing has had an impact on their agency up to now?

Mr. KOSKINEN. Before I came to the Government, I spent 20 years managing large-scale failures in the private sector, where you would have thought people would have been—and they were—in great shock, large enterprises like the Penn Central or Mutual Benefit Life Insurance had failed. Our experience in those most difficult circumstances were that when people felt that they were part of the solution, not part of the problem, where they understood your point, that what—how what they were doing related to the ultimate mission and success of the enterprise, they responded with great enthusiasm and worked a lot harder and longer than you could have asked them or made them work.

My experience in the 3 years I have been in the Government is that Federal employees are at least as motivated as those in the private sector. People came to the Government because they were committed and dedicated to the mission and roles of their agencies. And that if we can accomplish just the paradigm that you describe, I think we will find a tremendous increase in the level of enthusiasm and morale, as well as productivity and effectiveness of our work force.

But it is a great challenge because we have to, in fact, beyond everything else we are doing, change our concept of management. We have to catch up with the private sector. We have to understand that top down hierarchical control no longer works, whether it ever did in the past.

As I have said in the past, General Motors went from 13,000 people at headquarters to 1,300 not just to reduce costs, but as a way of, in fact, eliminating unnecessary layers between the people actually doing the work and the people running the companies.

We need to reach out more to our employees, not just to energize them, but ultimately to recognize that they really know what is going on in our organizations. They know what the obstacles are. They know what unnecessary rules and regulations there are that

interfere with their ability to perform with their job. So they have the information we need if we are going to continue to adjust and improve our performance.

I think your question is exactly right. They represent a great resource for us, and I think that they would respond enthusiastically and effectively.

Mr. SESSIONS. Do you perceive that up to now that this has been an exercise by headquarters in each of these agencies or that it has gone down within—permeated the agency to where some of those regional managers have gotten involved in this process?

Mr. KOSKINEN. Like the answer to all of these general questions, I have decided all of life is a bell-shaped curve. You have some agencies that have reached out and actually brought in regional managers, tried to bring in front-line employees. We have encouraged that.

There are clearly no other agencies, very large agencies, where they have, in fact, done it more than headquarters. As I noted, my concern is that we not in this process create the expertise in a small few people who are the GPRA experts; that we need to have these be operating documents. So we continue to push the agencies to understand that, ultimately, they can manage effectively only if they have support at the top, but if they involve people on the front lines at the same time.

We won't succeed without leadership from the top of the agencies, but we will not be successful if we do not involve and energize people at the very bottom of the agencies at the same time. That is basically the kind of Zen conundrum that challenges people trying to make management change, and we need to work both ends. I think at this stage it is the minority of agencies that have done that, but we are continuing to encourage them, and I hope over time more of them will do that.

Mr. MIHM. Mr. Sessions, we have some data that can speak directly to that.

Mr. SESSIONS. Absolutely, and I am going to get to that.

Mr. MIHM. OK. I am sorry.

Mr. SESSIONS. I will get to that in just a minute.

I want to pat you on the back. I think what you said is not only exactly correct about people wanting to have and be a part of the process and have a process and make their jobs better. But several months ago I was down in Dallas visiting an FAA installation, and if you are in Washington for even small periods of time, you have heard about the FAA and their management structure and some of the decisions that they make and perhaps they are one of the most, I will be careful here without picking on any of the management, perhaps their decisionmaking process and the things that they buy are not leading edge.

That is trying to be very polite, Mr. Chairman. But when you go down to Dallas, TX, and you talk with a front-line manager, they are completely—the two I talked with were unaware that there was even a problem; that someone even made an accusation that their agency was not in complete compliance and that they weren't leading edge. In other words, it was kind of like they didn't even know about the disagreement.

And I, as I look on page 87, I would like to draw your attention to—and you answered what would be on page 88, I believe. But page 87, is the distribution of Federal managers expressing an opinion on the extent to which implementing GPRA to date had improved their agencies' programs. And that is why I asked are these lower level, where the rubber meets the road, are those people involved in GPRA to where they feel like they are being asked and being heard from? Because if you look, it says—it looks like to me that about 1 percent, very great extent, and 9 percent, a great extent. So that is about 10 percent.

And then if you flip the page, you will find that it goes up, that they want to be involved and feel like if they were part of the process, it then goes to some 36 percent from 10 percent. And so my—I don't know whether I take this to a conclusion, but I would like for you to hear me say I wonder how well it is being sold throughout all the way down to that bottom line person.

Let me end with this: About a year ago, and I am not taking advantage of anybody who is from Chicago, Mr. Davis, at all, or from Illinois in any of this, there was a huge flood that came in the wintertime in Chicago. In fact, it was not a surprise to the people who had known about the problem. They simply did not want to spend $10,000 to fix the flood—the problem before the flood came and it cost over $1 billion.

This is the kind of thing that we could tell the stories over and over about how lower level management people being in touch with whatever their job is and that should reflect not just from an agency's perspective of what they are about, but all the way down to their performance appraisal.

So I hope that—not to take advantage of you or anyone else, but I hope that we see that this flips over with what they see the current standard can be and how it can impact them. Thank you.

Mr. HORN. I thank the gentleman.

Let me just pursue a number of questions here, and then I'll turn to Mr. Davis again.

Was the Cabinet ever briefed on the results-oriented government effort? Did you have a chance or the Director of OMB have a chance to brief the Cabinet on it?

Mr. KOSKINEN. Yes. Actually, in either January or February the director spent some time in the Cabinet briefing describing the act—we had a number of new Cabinet members at that time—their responsibilities; the fact that, as we told them, there were a couple of things that they ought to be aware of. One is, these were agency plans that they were responsible for and that, at a minimum, they ought not to be embarrassed in the fall and have a plan out that they didn't understand or didn't know; and, even worse, they ought not to have a plan out there that they disagreed with that ultimately the people were going to expect that the Cabinet Secretaries understood and had been involved with the strategic plans that had been produced.

We've spent a lot of time at the President's Management Council, which I chair, which is the deputy secretaries of the agencies and the chief operating officers, over the last 3 years, talking about the challenges and opportunities in turning their organizations into performance-based organizations.

Mr. HORN. On your early returns, as you look at the various pilots, do most of the problems that exist on not having perhaps as results-oriented a government as we would all like to have; to what extent is that related to the current personnel policies of the Federal Government?

What I'm getting to is one category that comes to mind, and I don't know if there is any pilot that relates to it. It seems to me when people are given responsibility for millions, tens of millions, hundreds of millions, and billions of dollars in some agencies on procurement, that we ought to make sure those people are happy, they see a progression, and they get constant training on improved methods. What I'm thinking of is sort of a special class within the civil service that would reward procurement officers for this type of responsibility. I just wonder what you're getting out of the pilots that you've had a chance to go through that says we better do better by a lot of our public servants and procurement than we are doing?

Mr. KOSKINEN. Well, I think you're exactly right. It applies across the board, obviously.

Again, one of the great presentations we had at the President's Management Council about a year, year and a half ago, was from the interagency training leaders who said that their biggest challenge was making sure the people asked the strategic question: What were we training people for? Their concern was that people kept being sent to training, it was their training, but without an understanding of, again, how did that relate to improving their agency performance.

But part of our problem with the personnel system isn't that we haven't held people accountable or isn't that we haven't, in fact, looked at their performance. The problem has been performance focused on process. We have been a compliance-oriented system, for understandable reasons. Every time there has been a problem or failure, or something popped out up in procurement or other areas, we had a new rule that we would say, this is the way to do it, so that we have been a very process-oriented personnel system and have not necessarily been a results-oriented, other than the result of, don't violate any of these rules.

So that we need to do exactly what you're talking about, and procurement, we've worked with it. Steve Kelman and the head of the Office of Procurement Policy are working on it. We look to look at training. We need to look at positive reinforcement in terms of performance appraisals and compensation, in terms of achieving the goals and objectives of the procurement system. But those goals and objectives also have to be more than complying with the rules. Everybody ought to comply with the rules. But the goals and objectives of the procurement system ought to be furthering the performance and effectiveness of the agency.

Mr. HORN. In the pilots, the three approaches you had, you stressed performance, planning, and reporting in some pilots, managerial accountability and flexibility, and then performance budgeting.

Now, the second pilot on managerial accountability and flexibility, I gather, really never got off the ground. And I guess what I would ask is, of both GAO and OMB, if we could go back to 1993,

what sort of pilots and in what sequence would they occur to be most helpful in providing the experience and the lessons agencies would need to have had earlier in order to get more consistent success with the results-oriented government approach?

Mr. KOSKINEN. I'm not sure, if we've done anything differently, we would get farther along than we are. I think we made good progress.

I think had we known or the authors known when drafting the statute with regard to flexibility all that was going to happen in terms of procurement reform, personnel reform, and regulatory reform, we might have spent a little less time focusing on flexibility from administrative rules and we might have actually developed flexibility pilots that would have provided flexibility from statutory limitations, which I think was the biggest need the agencies felt they wanted to experiment with; that we had no authority under the statute to grant. So I think it might have been very helpful to have that pilot.

As I noted in the past, our performance-based organization concepts, in effect, are flexibility pilots with flexibility from statutory requirements and limitations. I think we might also have early on had a few pilots, although we had experience, in the area of strategic planning. We produced case studies. There are 22 of them now on the Internet that we produced with the American Political Science Association of—from agencies on strategic planning, performance planning, and performance measurement. We produced those case studies to give people object lessons on what actually did work or didn't work.

We encouraged the agencies to include in those studies the problems they had, the failures they had, where they went wrong. And a couple of the best case studies had been about strategic planning, where the agencies talked about blind alleys they went down, the difficulty of pulling plans to go together. And I think, in my own view, we might have had a strategic planning pilot at the front end where we might have had a few more case studies to demonstrate the difficulty of this as we move forward.

But I would be interested in the GAO response.

Mr. MIHM. Well, one thing on the strategic planning, just to remind you, Mr. Chairman, under the performance plans, agencies were to have had a strategic plan in place for at least 1 of the 3 years that they were doing the performance plans; that would be either fiscal year 1994, 1995, or fiscal year 1996. So there was at least some effort there within—by the authors of the Results Act to have a strategic planning component, although that strategic plan didn't have to be GPRA compliant, meaning they didn't have to consult with the Congress.

In terms of the managerial flexibilities, I think one of the—even though none of the pilots were chosen ultimately by OMB, we learned some very valuable lessons there, and that is, when we went to—when OMB went to the agencies asking them for waivers, what they came back with was a lot of statutory waivers or requests, as Mr. Koskinen mentioned. They also came back fundamentally with answers that agencies were finding that the—fundamentally, the constraints that confront agencies are of the agencies' own creation, it's not something that's based in regulation. It's

not ultimately something that's often based in statute, although, as I mentioned, they did have some problems with those. But agencies have imposed requirements upon themselves.

Mr. Sessions was asking earlier about the extent to which this has penetrated down to field locations. Some of the most interesting requests for waivers came in from field locations to their headquarters units.

It was interesting being in those meetings where the headquarters units had to admit, well, gee, OMB wasn't doing that to you, we in headquarters are doing that to you. There was some agitation, to put it nicely, and, as a result of that, we've reported on one of those over at the Corps of Engineers that they made some substantial changes in the procurement area that were requirements that were imposed upon field locations because of requirements from headquarters.

And it's not real clear to us that we would need to have—in retrospect, that we should have changed the sequence of the pilot phase, because I think we learned some pretty good lessons all along.

Mr. HORN. I'm sort of amused and completely agree with your comment, having been in State government for a long time, exactly the same problem, where agencies were blaming the control agencies in Sacramento, the equivalent of OMB in California being the Department of Finance, which is the Governor's management arm and budget arm. And the problem was within their own agency, and these things just crept up, and the people who were around that started 30 years ago aren't around anymore, and the newcomers take it as gospel out of the capitol. So I'm glad to see those things are rushing to the surface and we're dealing with them.

You mentioned in your testimony on GAO five key challenges to successfully implementing the act. And there are many challenges to instilling a results oriented mind-set, let's face it. However, I would like to know what are the factors you think are the key to better goal setting, better measurement, better information, and the use of that information to make real improvements? When you look through all these different filings, does something stand out there that, if we could do nothing else, we ought to do that?

And I'm sort of using an analogy when I've got an academic Senate to agree to the student evaluation of the faculty. You could ask 50 questions; you could ask 10 questions. It really boils down if you just asked one question.

Mr. STEVENS. Yes.

Mr. HORN. The data return would be exactly the same.

Mr. STEVENS. My response to that, Mr. Chairman, would be something that is, in large part, under congressional control. That is, what will determine the success or failure of the Results Act is the extent to which the volumes of information that the act will require agencies to produce and the extent to which that information is actually used in decisions that matter to the agency—budget decisions, oversight decisions, and legislative decisions.

The surest way to ensure that the act does not succeed will be for this information to be produced, to be available at some cost, great cost in some cases, and to find that the people making the real decisions affecting the agency, many of whom are right here,

ignore it. Assuring that this really becomes the basis for decision-making is, to me, the sine qua non for success of the act.

Mr. HORN. I now yield 10 minutes to the gentleman from Illinois, Mr. Davis.

Mr. DAVIS OF ILLINOIS. Thank you very much, Mr. Chairman.

Mr. Koskinen, the chairman touched upon the Defense Department in an earlier sequence, and we know that it represents almost half of the discretionary spending. DOD has stated that its Quadrennial Defense Review, the QDR, will be used to satisfy the requirements of GPRA's strategic plan. And even though the QDR does not seem to contain all of the elements required of the GPRA strategic plan, do we know if DOD will submit a GPRA-compliant strategic plan by this deadline of September 30th?

Mr. KOSKINEN. It's our expectation that they will. The QDR just came out in the last couple weeks. We are reviewing that with the Department in the face of this question, which we have as well, which is, does the QDR meet the requirements of the act?

The Department's view, appropriately, is the QDR is based on a statement of the mission of where we're going with our armed forces, what the challenges are over the next several years, a set of goals and objectives, performance measures, and strategies. So that a substantial volume of the information that one would expect one would have from an agency in terms of its strategic plan for the next several years is contained in that.

The real question over that we're all looking at is, does it portray that in a way that provides measures against which a performance, annual performance plan, can be held accountable? Does it describe some of the issues that the act requires to be described in a way that are appropriate?

I think the bottom line is that, to the extent that additional information is needed, it should be easily provided, I think, because the QDR does provide the most difficult parts of the strategic plan, which is the statement mission, the goals, the objectives of the Department and the external forces that the Department faces over the next several years. But the bottom line is that we are focused within the Department that ensuring that in September they produce an acceptable strategic plan.

Mr. DAVIS OF ILLINOIS. And they have not indicated that there might be any unusual difficulty or circumstances or that——

Mr. KOSKINEN. No. Actually, the Department at large has done over the years probably as good a job as by far most of the agencies in terms of looking at longer-term strategic and planning objectives. When they have a 4- to 5-year budget horizon, those aren't just spreadsheets, they actually have meaning and policy behind them. So that there is a fairly good history of development of performance measures, and in a budgetary sense as well as in a programmatic sense. So I think that to the extent that decisions need to be made to the QDR to provide a full-fledged strategic plan, that should not be the problem.

Mr. MIHM. Mr. Davis, the challenge all agencies are facing, but particularly pointed at DOD, is being able to draw a linkage between the broad strategic goals or statements that may be in the QDR or will be in a strategic plan and the daily operations that are taking place throughout the Department. This is something Mr.

Koskinen mentioned was a crosscutting issue that OMB had with most agencies' strategic planning efforts. It's going particularly a challenge within DOD.

We've done some work recently and wrote to the Secretary of Defense on this, identifying problems and linking logistic strategic plans to the overall logistic plan for the Department, information technology at various component levels to information technology strategy for the whole Department, and, in fact, when we went and spoke with the key GPRA officials in various defense components, this was one of their real concerns. It wasn't real clear to them what the Results Act would mean to them down at a component level or within the military service or defense agencies.

Again, getting back to Mr. Sessions' point of making sure that the strategic decisions that are being made at a departmental level and in consultation with the Congress really mean something in terms of the wheels turning back within an organization is something that DOD and other organizations will be challenged by.

Mr. DAVIS OF ILLINOIS. OK. The GPRA requires agencies also to consult with their stakeholders as the strategic plan is being developed. Who does DOD consider to be its stakeholders, and how are they going about consulting with them?

Mr. KOSKINEN. That's a good question. They obviously have a major consultation process that inevitably will occur around the QDR with the Congress as they go forward. Many of the agencies are consulting with each other. As we discussed earlier, they in effect provide services to or receive services from or work, hopefully collaboratively, with agencies in a range of areas. So we've been encouraging agencies to in fact share their plans as appropriately across the lines. And I think the Defense obviously provides a range of services in other areas as it goes forward.

The more difficult question to analyze, and I don't have the answer off the top of my head, is who outside the Government are stakeholders for the defense strategic plan, who should they be discussing their plan with. And that really in a lot of ways rises to the level of international policy and treaty and the relationships we have with security organizations and treaty operations around the world. And I'm not sure anybody has really dealt with yet whether, and to what extent, those are stakeholders that should be consulted.

Mr. DAVIS OF ILLINOIS. So in all probability I guess we could say that they're still being defined.

Mr. KOSKINEN. I think that's a very felicitous way to phrase it.

Mr. DAVIS OF ILLINOIS. That as we keep looking, I mean we keep finding and we keep finding out, I would assume.

Mr. KOSKINEN. Yes.

Mr. DAVIS OF ILLINOIS. My final question, Mr. Chairman: GPRA attempts to force the Government to focus on results and may require significant congressional oversight if it's to be effective. Do we think that implementation of the GPRA process in Congress may strengthen the case of those who advocate a 2-year budget cycle, focusing 1 year on appropriations and oversight on the next?

Mr. KOSKINEN. And your question is, would that be helpful?

Mr. DAVIS OF ILLINOIS. [Indicating in the affirmative.]

Mr. KOSKINEN. I think it's always hard to know for sure what will happen when you make process changes. But I think to the extent that our recent experience anyway over the last several years is that most of the time has been spent on inputs or the budget process, how many—where are the resources going to be allocated, as I say, in the last 3 or 4 years it's sort of been an endless process which has left less time for oversight.

I think to that extent we would have, I think, perhaps the opportunity in the budget process to focus on results and in the off year, as it were, to spend time looking at internal structural and organizational issues.

We've provided to those supporting the biannual budget the necessary technical adjustments to GPRA to make it consistent with that, and, as a general matter, we've supported the biannual budget process for the reasons you suggest, which is, we think we would end up with a more constructive dialog about a wider range of issues.

Mr. DAVIS OF ILLINOIS. Is there an increase in multiyear budgeting, I mean across the board, I don't mean the Government but outside government?

Mr. KOSKINEN. I think most organizations that I'm familiar with still budget on an annual basis. The best organizations run against a longer-term plan, business plan, strategic plan that has generally no longer than a 5-year horizon where people understand the real effective timeframe is probably 3 years, and done well. And we've been through a number of organizations that have never done it before; done well.

The way people view it is, the budget is the first year of the next plan, and the plan becomes a rolling plan that gets redone every 3 or 4 years in total, but you continue to measure against those objectives as you go forward, which means that each year you do not de novo start with the budget process again.

To some extent, the congressional budget process seems to have elements on occasion as if we didn't know anything from last year and we're going to start this year with the same arguments and same debates.

So one of the hopes would be out of GPRA and strategic planning in the 5-year budget agreement to get to balance in 2002—is that we would have more of an idea and a shared expectation as to where we're going to be, and we can measure ourselves and debate within those frameworks rather than sort of starting de novo each year and saying, "OK, this is a new year, a new budget, let's start all over again." Most companies don't do it that way.

Mr. DAVIS OF ILLINOIS. Thank you very much.

I have no other questions, Mr. Chairman. I've always wondered what would happen if we were to collect our money first and then spend it as opposed to spending it and then collecting it.

Mr. HORN. You mean we might keep some?

Let me ask both of you this question. We've talked about the agencies, and the ones that have adequate data bases where they can use some of that data in the performance sense of the word. And we've talked about accounting systems. I mentioned the 49 different ones in the Pentagon. We didn't get into the hundreds of dif-

ferent computer systems that can't relate to each other and need some linkage to do that.

And I guess that I've learned this is usually the agency Inspector General is sort of an invaluable source to find out if there's adequacy to an agency's data base and its various systems. And I guess I would ask both the executive and the GAO, in your opinion, is that a proper role for Inspectors General to play? And to what degree have we involved the Inspectors General in this process? Is it strictly a matter of agency judgment, or are we getting the benefit of their somewhat objective view as they look at the agency and its weaknesses and its strengths?

Mr. KOSKINEN. One of the large number of speaker agency groups I chair is the two groups—or are the two groups that composed of the—or comprised of the Inspectors General from across the Government. And over the last 2, 2½ years, we have spent a significant amount of time discussing GPRA and the appropriate role of the Inspectors General to it. And their consensus is that they do have an important role to play defined really as you describe it. They view that their role has focused on the integrity of the data collection process, whether systems are appropriate for delivering it.

They are careful to note that they do not have the resources and don't think it's appropriate to even consider having them. That they will be—are not going to be auditing every piece of performance information since there will be a substantial amount of volume, but, on the other hand, they think it is appropriate for them to provide the agencies and the Congress and us, their view in terms of the adequacy of the data collection process, the integrity of the data as it's provided over time.

They also have decided and noted that they do not think it is their role to define for the agency performance measures. They think that's an appropriate political judgment for the Congress and the agencies to, in fact, discuss in terms of mission goals and objectives. Those are set legislatively as they go forward. But as a result, I expect that across the Government, the Inspectors General are prepared to play a role in ensuring that the performance information itself is valid, has been collected in an appropriate way, and in fact is being accurately presented.

Mr. HORN. Would GAO like to——

Mr. STEVENS. I think that corresponds with our view of the Inspector General's approach to the Results Act, too.

Mr. HORN. It's been mentioned several times by many members that were into the bit of consultation at this point between some of the agencies and some of the appropriate congressional committees. Is it your reading that we will be able to do this in a timely manner, according to the act? Or are we going to have dropoffs off the wagon as consultation goes on? What's it look like?

Mr. KOSKINEN. No, I think we're making good progress. I think, in 80 percent of the cases, there's meaningful and constructive dialog going on. I think we will be able to identify, with the Hill, the agency or two that may be having difficulty and work jointly to ensure that the consultation process has meaning.

As I've noted in several cases in the past, we at OMB feel very strongly that the consultation process is an important part of the

act, and we are anxious to make sure that it gets done on an agency-by-agency basis. And I am confident that, with our joint efforts, everyone will participate in that process.

Mr. HORN. In other words, you're saying with the majority leader having a major role, at least in-house consultation, there shouldn't be a problem in getting the executive agency in touch with the appropriate committees?

Mr. KOSKINEN. That's correct.

Mr. HORN. And you on your side will certainly be sure that the executive agency is prepared to consult and has most of their ducks in a row before they come up here?

Mr. KOSKINEN. Yes.

Mr. HORN. OK. So we don't have to worry about that one.

I guess what I'd ask is a very broad question. We go through these phases of management reform in the private sector, we go through them in graduate schools of public administration and business, and we go through them in Government. And I guess I'd ask you, John, what do you expect from a strategic plan? What's strategic about it, in your judgment?

Mr. KOSKINEN. Well, again, just to sort of repeat where I've been earlier, I think a strategic plan, and probably the important thing about a strategic plan is a process by which you get it, that if you can involve the agency leadership, if you can involve frontline workers, if you can involve the Congress, and ultimately if you can involve the public over time in a discussion about the roles, goals, and missions of an agency and its objectives. How is it going to hold itself accountable, what are its goals, what is its performance, that you will create, in effect, a management document.

And I think Mr. Stevens is exactly right. We need this report and the active involvement in the Congress to justify the time and effort the agencies are putting into this in terms of the dialog. Although I have been pushing to the agencies that the information they're collecting is important, if it's done correctly and if it's in the context of goals and missions and objectives, and that they ought to be doing that even if nobody on the outside asked about it, because it's important for them to be able to manage more effectively.

As I said at the start of my testimony, our resources are clearly going to be constrained over the next several years. Therefore, the only way we're going to expand the effectiveness of programs and of Government is, in fact, to be more productive in the way we do our work. The only way to do that is to get information back on a regular basis about what impact we're having, how effective are the programs, what can we do to increase that effectiveness, and, at least half the time, what we can do to increase the effectiveness is not spend more money?

What we can do to increase the effectiveness is to change the way we manage, but we won't know that and we won't know the implications of that if we're not collecting performance information in the context of an overall strategic plan.

Mr. HORN. Does GAO have a comment?

Mr. STEVENS. I would respond, Mr. Chairman, that there was a hearing not long ago in which Mr. Armey, the majority leader, sat in this very chair, I believe, and provided what I believe was an answer to that question. He tied it to the opinion of the American

people and pointed to the low confidence of Government and the perception that many people have, that they are not getting very much for the tax dollars they're sending to Washington.

And I think the discipline of the Results Act will provide the knowledge of what that money is going for. It still may not be satisfactory information. It may lead to changes, but it's knowledge that we really just now do not have: What are we getting for that tax dollar?

Mr. HORN. Well, it's an interesting comment, because many Members of both parties and all ideologies do a survey often of their constituency. It isn't a legitimate random sample or anything, it's just, you send out the newsletter and there's a coupon attached to where you are to make certain judgments, and we tote them up, and see what it does.

It so happens I've also done legitimate random samples, and it's my universe that responds is exactly in accord with the legitimate random sample. And here's what they sort of feel, and other Members have confirmed this in their constituency: You ask them at what level is governmental money wasted, the Federal, the State, or the local? And it's amazing around the country that 50 percent of the Government's money is wasted at the Federal level; maybe 35, 30 percent is wasted at the State level; and maybe 15 percent or so or 10 percent is wasted at the local level.

Now one obvious observation on that subject is, when they're close to the Government at home and they can go down to city hall and harangue the mayor and the council members or they can wake the councilmen up or the councilwoman up at 2 a.m., and say, hey, the garbage truck hasn't come yet, it's a little hard to find Members of the Congress, it's a little hard to find the Cabinet officers, and at the local level you can find them.

So I would think that when visible Government is there to listen, that we get a better reaction out of it. I don't know, you've looked at a lot of surveys, I'm sure, in the administration.

Mr. KOSKINEN. Well, I think that's right. And it's not inconsistent with Mr. Stevens' point, which I support, which I would say would be a corollary to those numbers, which is that the closer you are to the delivery of the service and the Government providing it, the more you understand and oftentimes support that service. The farther away you are from the organization, the harder it is to bear in mind what it is that the organization is trying to achieve.

So that, as Mr. Stevens said—and I was here with Mr. Armey—I think it is correct that one of the things we've gotten away from over the time is continually reminding and explaining to the American public where we do what we do, what are we trying to accomplish with each of these specific programs and activities, which is part of that explanation, so people will understand why we're spending this money. Because part of the assumption of waste that we've seen in those surveys is waste not because we're ineffective, but it's waste because it's a program that they don't particularly support or understand why it is that it runs.

To the extent we can better articulate what our mission is and our goals and objectives, that will help. But the corollary is that to the extent we can also say that we're holding ourselves account-

able for achieving a result, I think we will increase significantly the confidence in people that we're not wasting the money.

The experience in Britain and other countries has been that rather than having people object to the inability of the Government to achieve its performance standard, there's been a tremendous outpouring of support for organizations that care enough to even point to a goal and are actually striving to meet it. I think what we need to do, and what this act will allow us to do in a lot of areas, is to explain to people not only what we're trying to accomplish, but to tell them that we actually have goals for what the results are and that we're actually going to every year try to get better at it. If we can convince people that we're legitimately and honestly trying to do that, I think the level of confidence in the Government and the level of support for it will increase.

Mr. HORN. Could you describe the type of group you have on your staff that is imbued with results-oriented government, that is knowledgeable about the British, Australian, New Zealand, Canadian, and Oregon experiments. Where's the institutional memory in the executive branch that can go out and help a Cabinet officer understand how this works so he or she gets imbued with the spirit?

Mr. KOSKINEN. Well, I spent 3 years, with the support of two different directors and the strong support of two different directors, in effect, trying to turn the entire organization of OMB into that organization.

I think that the one thing to remember, as we all know, is the Government is a very large enterprise. When you have almost 2 million employees, we need to have that expertise in more than a handful of people.

We have over 500 people at OMB. We have a significant amount of our time spent looking at resource questions. And I think we've been very successful over the last 3 years training and engaging those people in a dialog about why a fundamental part of the resource question is, what do we get for those resources, so that the institutional memory, if we're successful, and we're working on it, will be that the entire organization will be results oriented. The entire organization will be in communication with the agencies about these matters.

I've talked about the reviews we've done in 1995 and 1996 and this year. Those reviews aren't being done by a handful of my people who aren't very knowledgeable; those reviews are being done by the agency, OMB. The dialog going on with the Cabinet Secretaries, budget officers, and managers are dialogs with their normal program examiners. We've done a lot of training and a lot of dialog to get our end of the group up to speed. But I think that's the only way it starts, and even that won't be sufficient.

The real goal, obviously, is to get people in the agencies who understand this and themselves to, even if we quit talking to them about it, which we don't plan to do, but that's the only way it's going to work. It won't work, as you and I have discussed in the past, if I had 10 more really great GPRA people. That's not the way it's going to work. The way it's going to work is if we at OMB and in the executive branch, and as, Mr. Stevens said ultimately, you in the Congress in your decisions continually resonating back asking questions about: What are the results? How much did it cost

to get those results? What do we need to do differently to improve those results? Only then will we actually see the successful implementation of this act.

Mr. HORN. Where do you find the budget examiners fitting in this process?

Mr. KOSKINEN. Where do I find——

Mr. HORN. Are the budget examiners going to still go about reviewing the budget as they always have?

Mr. KOSKINEN. I know actually——

Mr. HORN. OMB, frankly, hasn't been thinking much about management or results or performance or anything else, just, how much do you need? And we only have so much to give you.

Mr. KOSKINEN. Right. We actually call them program examiners now. And one of the reasons we've changed that name, and changed the structure of the organization through OMB 2000, is to ensure that the budget dialog and process is not just about inputs, that it is, in fact, about structure and organization and outcomes.

Many of the program examiners or budget examiners in the past asked those questions. We're very focused on education programs and other programs, what were the results of what we got for the money, and what we're trying to do now is institutionalize that, not only within OMB but within the agencies, so that they understand that resources are not a question just about inputs, they are a question about outcomes.

Mr. HORN. When will we get a budget submitted by the President that looks at the outcomes on the budget page as well as the budget numbers past, present, and proposed?

Mr. KOSKINEN. Well, the great joy of the statute is, it requires us to produce a governmentwide performance plan with the next budget, and we plan on doing that.

Mr. HORN. So in February of next year we'll see it for the next fiscal year?

Mr. KOSKINEN. Yes, and in fact as we've discussed this internally, I have an agency-wide implementation group for GPRA drawn from all the program examining divisions, increasingly done well. The budget ought to be, in effect, a performance-based document, and to a large extent it already is. There is a lot of performance information in the budget.

But again, the focus on the Hill and in the dialog has probably been on the input side. So we don't think it's a major change for us to turn the budget document into a results-oriented document. And we plan to do that.

Mr. HORN. Does GAO have a comment on this discussion?

Mr. STEVENS. Not yet, Mr. Chairman. We will.

Mr. KOSKINEN. Forewarned is forearmed.

Mr. HORN. You want to see who survives; is that it?

I'm curious about the consultation so far, in your judgment and also GAO's judgment. As you've said, if we're simply going to have this dialog go on up here, and it isn't translated into how we make decisions and you make decisions, and there isn't agreement, let's say, on the performance standard and what they ought to look like if we're going to take them seriously up here and not just fluff, and we can count that so we gave you that—and I guess that's where

I'm curious, what's your feel for the consultation thus far as you hear about it?

Mr. KOSKINEN. I think we have room for improvement—on both sides. We have some agencies—a small number—that need to be responsive promptly to the interest in having strategic plans.

From the congressional side, we've had very good and strong support from the majority leader's office, the Speaker, and from this committee. But we need in some areas, for specific areas, we need more involvement from appropriators and authorizers.

The House in this area of consultation generally is the head of the Senate. Some specific Senate subcommittees or committees have engaged in very important consultations, but a lot of them have not yet. There are indications that more are starting. But again, I think that we need to broaden the base of consultation from the congressional side at the same time as we're encouraging the agencies to hold up their end of the bargain.

Mr. HORN. Does GAO want to add anything to this?

Mr. MIHM. Yes, Mr. Chairman. Mr. Koskinen spoke quite a while ago about, we all agree there's a bell curve, we just argue a little bit over the slope, or disagree a little bit over the slope. I think this might be one of the areas where we take a little bit different perspective on the slope of the curve. That is, based primarily on the discussions of congressional staff that have been leading the consultation effort and the 25 or so teams that have been formed here on the House side, our sense is, the consultations aren't going nearly as well as they could have.

And there's a couple of things to keep in mind here. First is that the number of agencies that have not produced strategic plans is still, in our view, a little bit high. We're still dealing with half a dozen or so agencies that haven't been able to produce a strategic plan. For example, the Environmental Protection Agency, although it's produced parts of it, says it won't be able to get the Hill a complete plan until July, which doesn't leave an awful lot of time for consultations.

The thing to keep in mind is that the strategic planning requirement and the consultation requirement does not sneak up on agencies. GPRA was passed in July 1993. They've known for 3½ years that this requirement was going to be coming on board and, clearly, probably wouldn't have made an awful lot of sense to get up there, you know, 2 weeks after the act was passed. But it's a little bit of concern that there's such a rush to complete here within the final weeks before Congress goes out on the August recess in order to get these consultations completed.

The other thing that's a bit of concern for us, and Mr. Stevens touched on this in the testimony that he had before your subcommittee back in March, when we talked about how there is a—based on the views that—of agency staff and congressional staff that we were finding some very different perspectives and what the consultation process ought to entail.

The congressional staff and Congress generally was looking for a much deeper, much more innervative, much more give-and-take process in consultations. We're not seeing yet an awful lot of that understanding penetrating within the agencies. There seems to be too much still of a view, if we come up and have a couple of brief-

ings, then, well, we've checked that off, let's go to the next box on the mark.

By no means is this universal. Some of the agencies—and we're hearing that they're having some real good consultations both from the agency's perspective and the Hill perspective, but there's just too much still, I think, in that category of where there's going to be a rush to complete, and we're not going to get the full effect that we could have gotten from the consultation process.

Mr. HORN. I remember that old adage that the only difference between an A student and an F student is that the F student forgot it before the exam. And I expect that some are going back and saying, well, we've done that, and, as you say, check it off; we don't have to see those people for another 6 months or another year. And that isn't the way it should be. There ought to be an open door and not, "I gotcha."

But, hey, you've got problems, we've got problems. The Constitution makes sure we have those problems to some degree. And the question is, how do we get this system to work more effectively for the average system? And that's what our aim is.

Now, in closing, I would like to ask, is there anything either side would like to say here that we haven't asked you or you felt you didn't get a chance to make that point? This is your chance to make the point.

Mr. KOSKINEN. No. I would just say again that we genuinely appreciate the interest this committee generally and this subcommittee have had on this subject over time. I think it's an important matter.

As Mr. Stevens noted, no matter what we tell the agencies, we, by ourselves, aren't going to be able to move the ball forward as far as we need to. We need your continued involvement. We need the broadest involvement from the Congress that we can in a bipartisan way, and I think thus far we're comforted by the bipartisan nature of the dialog.

But I think this is a joint venture we're engaged in, and I would just close with the same point I've made several times, and that is that we need to drive to as much perfection as we can get in September, but it's a little like your A student/F student notation, we shouldn't all bet on October 1st and figure, oh, we'll go on to the next issue. This is part of a dialog that needs to be held on a regular basis over a long period of time.

Mr. HORN. Yes. I suspect you've got a lot of people in Government who were around with Jimmy Carter and his budgeting proposal, and some even with McNamara and PPBS and those budgeting proposals, they're saying this too shall pass. But this, too, isn't going to pass; it's written into law. There's certainly a commitment in both parties—in both Houses that this shall be the law, and it isn't because it's some punitive thing, it's because it makes sense, and the New Zealanders and the Oregonians have already proved that it works. So we'll see what Canada does in its elections, and we'll see what Britain is now going to do. Maybe even the French are going to get on board.

Does GAO have any closing comments?

Mr. STEVENS. Just that we stand ready, Mr. Chairman, to assist not only this committee, which has had a long and very productive

history and concern about the Results Act, but also the authorizing and appropriations committees that are now beginning to take notice of it. Our interest, concern, and involvement is not limited to the Federal management issues group here, but throughout GAO. In all of our issue areas are people concerned about what executive agencies are producing and are ready to help Congress evaluate that.

Mr. HORN. Well, you've done an excellent job in your report, as you always do, and we thank you and your staff for preparing that. It's been immensely helpful.

Let me just—and I might say to the gentleman who is deputy director for management, your Duke education has survived you through another congressional hearing. I congratulate you.

I want to thank the following people that helped prepare this hearing, starting with Russell George, against the wall there, staff director and counsel for the Government Management Information, and Technology Subcommittee; Jane Cobb we're delighted to have with us, the professional staff member of the full committee and specialist on management issues; Matt Ryan, professional staff member on our subcommittee; John Hynes, professional staff member on our subcommittee; and Andrea Miller, our clerk that makes sure these hearings work.

And then on the Democratic side Mark Stephenson, professional staff member; Jean Gosa, the clerk for the minority, our two committee reporters of debates, Vicky Stallsworth and Mindi Colchico. And we have three interns working on this hearing: Melissa Holder, Grant Newman, and Michael Presicci. So we thank the interns. This is the time Congress gets free labor in violation of all the laws.

So thank you all, and the meeting is adjourned.

[Whereupon, at 12 noon, the subcommittee was adjourned.]

[Additional information submitted for the hearing record follows:]

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June 17, 1997

The Honorable Steve Horn
Chairman
Subcommittee on Government Management,
Information and Technology
United States House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Enclosed is a statement for the record submitted on behalf of the Professional Services Council (PSC). We would ask that this statement be included with the proceedings of the June 3, 1997 hearing -- "Government Performance and Results Act: The Status and Prospects of the Results Act" -- held before the Subcommittee on Government Management, Information and Technology. PSC appreciates the opportunity to submit these views on an important example of government improvement policy gone awry in the area of public-private competition.

Should you or members of your subcommittee have questions concerning our statement, we would be happy to respond further.

Sincerely,

Charles H. Cantus
Vice President, Government Relations

Enclosure

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Statement for the Record

"ICE-MAN" and the Implications of Federal Entrepreneurial Government

The federal government is embarked on a pattern of so-called "entrepreneurism" which has profound negative implications for both the mission performance of government and the historically constructive balance between public and private-sector roles. The recent award of an information technology contract to the Department of Agriculture (DOA) by the Federal Aviation Administration (FAA) represents the worst form of federal entrepreneurism because it is predicated on fair and equitable competition between federal agencies and private, for-profit, contractors which in reality does not and cannot exist.

In questioning the current form of federal entrepreneurism, we wish to very carefully distinguish between the public and private-sector implications of that word. In the private sector, entrepreneurial behavior has everything to do with starting and growing a business, taking major personal and financial risks, attracting stakeholders who are willing to take financial risks, opportunistically developing new products and entering new markets, and generally engaging in very competitive expansionist practices. In the public sector, the same meaning does not attach to entrepreneurism. The imperatives in the public sector are different and have to do much more with planning and executing a well-defined mission (i.e., collect taxes, manage federal lands, secure the national defense, regulate business practices) in a competent, professional, open, fair and responsive fashion. Therefore, in challenging the government's newly embraced entrepreneurism, we are not saying that federal agencies should not aspire to be world-class agencies, but rather that they should adopt the values and behaviors (suggested above) which are appropriate to the public sector. Conversely, they should not attempt to mimic the entrepreneurial behavior of the private sector - for example, the notion that growth and expansion into new products/services and markets is appropriate. In short, federal

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agencies cannot afford to be distracted from their missions by engaging in this sort of activity.

To fully understand the substantive and symbolic implications of the type of federal entrepreneurism represented by ICE-MAN, it is important to understand the political and policy dynamics which have accelerated the unfair competition between the public and private sectors:

- First and foremost, the Administration has embraced the erroneous notion that competition between federal organizations and private-sector contractors is the best strategy for upgrading the mission performance of government.

- Second, the historic recognition of what functions are truly inherently governmental and non-inherently governmental has been largely abandoned in favor of a notion that any function of government should be performed by government if government can do it "cheaper" (and, in the process, forego the benefits of best-value contracting).

- Third, the Administration's support of public-private competition makes the false assumption that there can be an apples-to-apples comparison of public and private-sector costs - a literal impossibility until such time as the government installs an activity-based accounting system and submits to disciplined accounting rules and audit practices.

- Fourth, specific policies such as the "A-76" commercial activities program, "franchising," and interagency service support agreements (ISSAs) are being aggressively pursued in ways that promote entrepreneurial government and result in the government expanding its role by displacing private-sector contractors from performing non-inherently governmental functions.

Against this background of creeping federal entrepreneurism, ICE-MAN contains many of the most serious defects inherent in current policies. ICE-MAN introduces public-private competition in the highly sophisticated area of information technology, an area where the private sector is leading the nation and the world with superior products and services. Secondly, the "competition" is largely predicated on a cost-comparison methodology which does not afford an even playing field. Further, the notion that the government can be both customer and competitor and retain trust and credibility is not realistic. This is especially true in an era when most government agencies are faced with continuous budget pressures and downsizing which gives rise to a natural tendency to create new "markets and services" as a means of avoiding job loss. Finally, applying public-private competition to a federal requirement such as ICE-MAN makes a mockery of the whole notion of best-value procurement. This occurs because while private-sector contractors are rigorously evaluated on the basis of their past performance,

technical capabilities and problem-solving approaches, management and financial infrastructures and key personnel, public-sector bidders are evaluated primarily based on their (apparent) cost - thus creating an inequitable and unbalanced source-selection process.

If the executive branch is permitted to continue public-private competitions such as ICE-MAN, there will be major negative consequences over time. The government will fall even further behind in key performance areas such as information technology by losing access to the most productive, contemporary technology solutions. This loss will occur because the best companies will vacate a federal market which does not afford an even, fair, and equitable playing field - that is, these companies will not be able to justify remaining in the market where they are forced to compete with their customers and submit to a set of rules which give the government bidder unfair advantages.

Public-private competition is a complicated and controversial area of public policy. While simple solutions are not easily achieved, we strongly believe that certain prudent steps should be taken now to avoid further deterioration in the environment.

- First, recompete the ICE-MAN contract as a conventional private-sector procurement.
- Second, discontinue public-private competition in all information technology areas to assure continued viability of its contractor infrastructure base. Similar action should be taken in other high-technology areas.
- Third, use the current OMB definition of inherently governmental functions (see OMB Policy Letter 92-1 attached) as the principle means of determining what federal requirements can be privatized.
- Finally, abandon the illusory benefits of public-private competition and focus federal agencies directly on the critical business of improving their mission performance through such initiatives as creating financial accountability, pursuing performance-based government, and fundamental reform of the personnel system, among others.

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