

LINKING PROGRAM FUNDING TO PERFORMANCE RESULTS

Statement For The Record
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Financial Management and Intergovernmental Relations,
House Committee on Government Reform

and the
Subcommittee on Legislative and Budget Process
House Committee on Rules

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Chairman Horn, Chairman Pryce, and Members of the Subcommittees:

I regret not being able to join you this afternoon to discuss this very important – yet often overlooked – issue of measuring government performance. After looking at the impressive list of witnesses that you have lined up, however, I trust that the discussion is in good hands. Thank you for giving me the opportunity to submit some of my thoughts for the hearing record.

Chairman Horn, you and I have worked hard over the past few years to increase awareness of the importance of strong government management and initiatives to promote efficiency and effectiveness in government, and I like to think that some of our work has paid off. Just this past Tuesday, for example, eight agencies were recognized for submitting clear, comprehensive and timely fiscal year 2001 accountability reports. While an outsider might be appalled that agencies are being rewarded for what they should have been doing all along, such a feat was beyond the realm of possibility less than a decade ago. In addition, agencies are slowly but surely improving their ability to establish annual performance goals and develop strategies to achieve those goals.

In addition, I have been impressed with this Administration's unprecedented focus on improving the federal government's efficiency and accountability. The "President's Management Agenda" is an integral component of the President's fiscal year 2003 budget, focusing on human capital, competitive sourcing, financial management, e-government, and budget and performance integration. It gives me reassurance that our efforts will be continued on after we depart these chambers, Mr. Chairman.

Today's hearing focuses on the fifth element of the President's Management Agenda: budget and performance integration. While I applaud the Administration's focus on this initiative, it is not a new concept. Policymakers have been attempting to link budget decisions to program performance for over 50 years. The Results Act, enacted almost 10 years ago, represents the most recent attempt. However, this is the first time, to my knowledge, that the concept has been embraced at such a high level of government, and I look forward to seeing what kind of impact this new focus will yield.

The Results Act, of course, requires federal agencies to develop five-year strategic plans that explain what outcomes they are trying to accomplish and set long-term goals for achieving them. The Act then requires agencies to issue annual performance plans that break down their long-range goals into specific performance goals and strategies and resources to achieve those goals for each fiscal year. Finally agencies are required to submit annual performance reports that tell Congress and the American public the specific progress they made toward achieving their goals for the applicable fiscal year.

As the name indicates, the Results Act is intended to shift the focus of accountability from process to results. It gets away from focusing on how many regulations agencies issue, how many grants they award, or how many investigations they conduct. What matters is what these activities actually accomplish in real results that are important to the American people such as fewer transportation accidents, less crime, better education and health care, and a safer homeland.

All of this sounds like basic common sense, and it is. Setting results-oriented performance goals and then using them to track progress, make resource decisions, and to manage day-to-day operations should come as second nature. Many state and local governments operate in this manner as does much of the private sector. However, these concepts represent a fundamental "cultural change" for Washington. Moving the federal government in this direction has been a real struggle.

The federal government has now prepared five years of performance plans under the Results Act, covering Fiscal Years 1999 through 2003 and completed three years of performance reports, covering Fiscal Years 1999, 2000, and 2001. Agencies are in the second cycle of updating their strategic plans which the Results Act requires agencies do at least every three years. All of this experience has shown that the federal government is moving toward being more results-oriented and performance-based. However, the progress has been uneven among the agencies and even within some agencies. The federal government still has a long way to go. There are three areas that I see as challenges that must be overcome to change the focus of government from the things it does to the results it achieves, and then ultimately to be able to integrate performance results into the budget process:

1. assessing results;
2. addressing crosscutting programs; and
3. producing credible performance data.

Assessing results

As Chairman of the Governmental Affairs Committee, I asked GAO to determine from the Fiscal Year 1999 and 2000 performance reports how well agencies were achieving selected key outcomes. In all, GAO looked at over 90 key outcomes across the federal government's 24 largest departments and agencies for each of the fiscal years. Unfortunately, GAO was unable to determine what progress was made in achieving many of the key outcomes based on the reports submitted by the agencies.

In addition, over the last three years, George Mason University's Mercatus Center analyzed the fiscal years 1999 through 2001 performance reports produced by the 24 departments and agencies. Although the Center's analyses focused on the quality of the reports themselves rather than the quality of results within the reports, Mercatus provides a helpful picture of the state of performance reporting. Unfortunately, Mercatus found that agencies still have a long ways to go in reporting on their performance. In fact, almost all of the fiscal year 2001 performance reports scored lower than their prior year reports, with two departments deciding not to issue performance reports for the fiscal year.

Finally, as you may know Chairman Horn, we sent a letter to the Secretary of Education expressing our concern and disappointment about the Department's failure to issue a performance report for fiscal year 2001. As a result of this non-reporting by the Department, congressional decision-makers and the American public are deprived of important information on the Department's performance and indicators of where the Department needs to make improvements and the strategies to address those improvements. I look forward to working with the Secretary to ensure that this does not happen again in the future.

Addressing crosscutting programs

Many federal efforts to achieve outcomes are typically dependent upon one or more programs or agencies. Efforts to reduce drug trafficking, for example, involve a variety of federal agencies, not to mention the coordination with state and local entities, and the federal government's responsibility to protect our Nation's food supply involves multiple agencies as well, just to name a couple. The overlapping responsibilities can often lead to overlap and duplication among federal programs if these crosscutting programs are not well coordinated. Redundant federal programs are wasteful and inefficient.

The Governmental Affairs Committee's 2001 report called "Government at the Brink" describes the extent of overlap and duplication that exists at the federal level. These multiple programs hardly ever use consistent goals and measures that allow for comparisons among them. Nor do agencies' performance plans typically include goals and measures that cut across more than one agency. Nobody could seriously argue that all these programs are equally effective and necessary. Also, agencies' performance reports don't tell decision-makers or the public what's working and what's not working within the mass of overlapping programs that exist in virtually every area of federal activity. As a result, we lack the performance information to make rational

choices among the programs and allocate resources where they do the most good.

I think that one of the most important next steps in the evolution of results-oriented government at the federal level is to focus on the planned and actual progress toward achieving the outcomes associated with national issues through crosscutting programs. This is why Senator Lieberman and I asked GAO to assess the actual progress made in Fiscal Year 2001 and progress planned in Fiscal Year 2003 in a variety of crosscutting programs including financial institution regulation, public health systems, family poverty, and drug control. GAO is expected to complete its work on these crosscutting programs over the next several weeks.

Producing credible performance information

While I think it is important to use performance information in budget decisions, I'm concerned about the usefulness of this information. One fundamental barrier to the usefulness of the performance reports is the lack of reliable and timely performance data. This is the data that shows whether they are meeting their stated goals. Several GAO reports have questioned the credibility of the data agencies use to assess their performance. As part of the Reports Consolidation Act of 2000, Congress required the heads of agencies to attest to the completeness and reliability of the agency's performance data. It was intended that this law would get agencies to pay attention to their data problems and explain what they are doing to solve them.

Unfortunately, it appears that few agencies took this mandate seriously. I asked GAO to review the Fiscal Year 2000 performance reports of the 24 largest departments and agencies to see how well agencies complied with this law. GAO found that only 5 of the 24 agencies included statements attesting to the completeness and reliability of their data. If agencies cannot attest to the reliability and credibility of their own performance data, how can we possibly measure their results with confidence?

The Mercatus Center's assessment of the 24 departments and agencies' Fiscal Year 2001 performance reports included comments on the limited quality of the performance data of at least 13 departments and agencies. For example, the Department of Health and Human Services did not have performance data for 68 percent of its performance goals. The Center stated that Environmental Protection Agency "recognized that the timeliness and quality of its data remain disappointing."

What the future holds

We still have a long way to go in implementing the Results Act and in making the federal government more results-oriented and performance-based. We are at the point after all these years of implementing the Results Act where we need to start using performance information to make decisions or we might as well give up on the Act. However, I am encouraged by the President's unprecedented interest in, and the Office of Management and Budget's new focus on, integrating performance review with budget decisions. The long-range goal of this effort is using information about program results in making decisions about which programs should continue

and which to terminate or reform. Over the last few months, OMB has been hard at work developing a Program Assessment Rating Tool. As I understand this Tool, it helps analysts examine different parts of program performance to identify the strengths and weaknesses of a given program. The Tool consists of a set of questions and focuses on four critical program areas: (1) Purpose , (2) Strategic Planning, (3) Program Management, and (4) Program Results. I think this Tool will be an incentive for agencies to have sound goals and measures, reasonable strategies to achieve those goals, and credible performance information. This Tool could be the last, best effort to bring a results-oriented focus to the federal government.

The test for the President's initiative will come in a few months when his Fiscal Year 2004 budget request is submitted to Congress. I'm hoping that members of Congress, especially the members who serve on the Appropriations Committees, will be able to see that program results drove some of the budget decisions by the Administration.

Thank you again for the opportunity to submit testimony for the record. I look forward to working with you to highlight the importance of good government management during my remaining time here in Congress, and I look forward to monitoring the progress made in these areas in future years. And of course, Chairman Horn, thank you for your leadership on these issues.