

# Testimony for the U.S. Senate Budget Committee Task Force on Government Performance Senator Mark Warner, Virginia, Chair

"Modernizing Performance: Using the New Framework"

by John D. Podesta, President and CEO, The Center for American Progress Action Fund 10:00 a.m., March 16, 2011

Mr. Chairman, members of the task force, I am pleased to be here today to celebrate enactment of the GPRA Modernization Act of 2010 and talk about the implementation challenges ahead. But first I want to talk about the broader government performance agenda, of which the new law is an important piece, and how it relates to our fiscal troubles.

As you know, the Congressional Budget Office is projecting a nearly \$1.5 trillion federal deficit this year. The record-breaking size of this year's deficit is mostly a product of past fiscal mismanagement combined with the enormous impact of the Great Recession. But that is behind us now. Virtually everyone agrees that we must return to balance over the long term.

That will be difficult under any circumstances, and more so if we act rashly. Economic recovery is underway, but it remains fragile. Harsh "austerity measures" in the United Kingdom may be pushing that country back into recession.

Nevertheless, we need to consider all of our options for deficit reduction. And though spending is only one side of the equation, we are facing hard choices and cuts are part of the solution.

Congress and the executive branch will have to make smart decisions about where to make cuts so that we continue to see growth and job creation while bringing down our long-term deficits. This requires, as President Obama has said, a scalpel, not a hatchet.

We should immediately cut programs and efforts that are ineffective, redundant, or low priorities. And we should support efforts that are working well, that boost American competitiveness and create jobs, and help us reach our goals on critical priorities such as education, health care, and energy.

This is not just rhetoric for us. The Center for American Progress has put forward a plan to bring the federal budget into "primary balance" by 2015,¹ which includes nearly \$130 billion in spending cuts.² We are also pleased that President Obama is undertaking an effort to consolidate related federal agencies to strengthen American competitiveness, something CAP recommended in a December report.³ Similarly, the Government Accountability Office recently released a report on duplicative federal programs that identified opportunities for consolidation. These echo a number of similar recommendations we have made in recent months.⁴

Improving government performance is not always about cutting budgets, of course. It's about getting better results for the public. For example, like the GAO, we have recommended combining and streamlining the confusing array of federal nutrition assistance programs. The goal here should not be to reduce the deficit by taking food away from hungry people, but to redirect the savings into a more effective way to serve needy families. At a time when unemployment is just under 9 percent and millions more Americans are living in poverty, we must squeeze every ounce of benefit from the limited money we invest in helping our needlest fellow citizens.

Indeed, with fewer resources available generally, it's more important than ever to maximize returns on spending, whether that spending comes in the form of direct outlays or as tax expenditures (which include special tax credits, deductions, exclusions, exemptions, and preferential rates).

To demonstrate how the government can use performance data to guide policy decisions, CAP in January launched a groundbreaking website that provides return-on-investment data for nearly every public school district in the country. We commend the president for proposing in his budget to allocate more funding to evaluate the returns on education spending achieved by states and local school districts. That kind of data will prove crucial for smarter budgeting.

The administration intends to use such information to help implement "pay for success bonds," a public-private financing innovation that will ensure taxpayers only pay for social programs that meet performance targets and generate good outcomes. The White House plans to test these bonds in seven areas, including education, job training, and juvenile justice. CAP published last month the first detailed U.S. analysis of this model, which we believe can accelerate social innovation and improve government performance, while protecting taxpayers from the risk of wasteful spending.<sup>7</sup>

We also have targeted inefficient and ineffective tax expenditures—many of which are giveaways to special interests such as big oil companies—that could save hundreds of billions of dollars a year if eliminated. Spending through the tax code totals roughly \$1.2 trillion every year, more than twice as much as all nondefense discretionary spending.

In a CAP report this week, we identify the most wasteful tax expenditures and provide a blueprint to saving tens of billions every year by rooting out the lowest-performing tax "earmarks" to special interests.

Still more savings are possible by boosting government productivity and cutting operational waste. The federal government could save \$400 billion over 10 years by improving the way it buys goods and services, according to a CAP report released in November. The Obama administration has also set an ambitious goal of reducing improper payments in programs such as Medicare by at least \$50 billion by 2012.

Better use of information technology is a key part of the solution in combating waste, fraud, and abuse. The Veterans Administration, for example, used the administration's new IT Dashboard to identify \$200 million in overdue or overbudget IT projects. And Recovery.gov transparency is credited for significantly reducing fraud complaints, down to less than 2 percent of contracts and grants.

The federal government, unfortunately, has not always been so smart about information technology. As former administration officials Peter Orszag and Rahm Emanuel put it, "Too many government IT projects cost hundreds of millions of dollars more than they should, take years longer than necessary to deploy, and deliver technologies that are obsolete by the time they are completed." As a result, government has failed to match the dramatic productivity gains achieved by the private sector. The good news is that we have significant room for improvement—and savings.

The administration's move toward cloud computing holds much promise in this respect. The federal government now operates about 1,100 data centers. Networking these data centers in a shared "cloud" would allow us to reduce their number and save money on electricity and storage. The British government predicts it could cut its IT budget by 20 percent by adopting cloud computing and other related IT improvements. The U.S. government would save \$16 billion a year if it did the same. 13

I believe the GPRA Modernization Act, if implemented well, can help us root out ineffective spending, cut operational waste, and improve results for the American people.

I'll go into more detail later about how to best implement this important law, but first I want to draw your attention to the act's emphasis on setting goals—because if agencies don't get their goals right, nothing else will work.

Under the Government Performance and Results Act of 1993, agencies have been setting myriad goals covering almost every area of work. The current administration wisely asked agencies to narrow their number of goals. But there are still too many so-called "High Priority Performance Goals"—128, to be exact—and many are decipherable only

to people inside government. Fewer, more resonant goals would raise their profile and better communicate government priorities to the public.

The GPRA Modernization Act gives us another chance to get this right. I think each agency should set no more than five high-priority goals—and that one of them should target operational savings and be assigned to the chief operating officer, who should have the necessary budget and decision-making authority to make it happen.

These goals should state in clear, quantifiable terms what the agency will achieve for the American people and how much money it will save by cutting waste in procurement, information technology, and other operations.

There's good reason to believe the public will respond enthusiastically. Eighty-two percent of Americans believe requiring federal agencies "to set clear goals measured by real-world results" would be an effective or highly effective way to improve Washington, according to a CAP poll this past summer that surveyed public attitudes on potential government performance reforms. The goal-setting requirement rated highest out of the 16 possible reforms we tested.

The new law also asks for cross-government goals, which I believe is its most important feature. President Obama should use this opportunity to communicate what his entire administration is trying to accomplish, setting no more than five goals that are presented as a contract between himself and the American people. Goals "owned" by the president would capture public attention and provide direction and motivation for the entire administration.

Former British Prime Minister Tony Blair did something similar to great effect. He distributed credit card-size "pledge cards" that listed five easy-to-understand goals, with his signature underneath. He met his goals and earned his public's trust in the process.

Finally, let's note that these are not partisan issues. We all want a government that operates efficiently and effectively, that is guided by credible performance information, and that sets ambitious goals and is able to achieve them. CAP was pleased to work closely with my fellow witness, Robert Shea, who oversaw performance management in the Bush administration, in improving and supporting the GPRA Modernization Act. The fact that this legislation passed the Senate through unanimous consent shows the opportunity we have to make real progress—even in a divided Congress.

This task force can help make sure we seize this opportunity.

## Key benefits of the GPRA Modernization Act

The GPRA Modernization Act provides a strong framework for moving forward. In particular:

- The act forces federal agencies and new political appointees to own their goals by aligning the timing of the strategic planning process with the presidential cycle. No longer can plans be written off as products of a previous administration.
- The act requires each agency to set clear goals over a two-year timeframe. Political appointees typically hold their positions for a short time. The two-year timeframe helps ensure that appointees will be accountable for achieving agency goals.
- The act requires goals to be set across government as well as within agencies. This
  provision will help make sure that agencies work together in setting and achieving
  overlapping goals. The administration's High Priority Performance Goals initiative
  lacks this feature.
- The act requires agencies to seek Congress's input in setting goals. Under your leadership as Virginia's governor, Mr. Chairman, the commonwealth's executive and legislative branches worked together to set "goals for government" as part of the Virginia Performs initiative. The act does not go this far, but it does encourage a more collaborative approach.
- The act requires agencies to identify, for each high-priority goal, the programs, tax
  expenditures, and regulations that contribute to the goal and what they contribute.
  This process will help identify programs and approaches that are most effective. It will
  also help make sure federal agencies are focused on delivering results, and not just
  administering programs.
- The act requires agencies and the Office of Management and Budget to conduct
  performance reviews at least once a quarter to track progress toward goals. The hope
  is that agencies will use these reviews to adjust programs and approaches as they go
  along. Such a process helps make sure decision-makers see and use performance data,
  increasing the chances that a goal will be accomplished.
- The act requires OMB to make key performance data available online in a single place.
   Such transparency can empower the public and provide a powerful incentive for agencies to improve their performance.
- The act codifies President Clinton's designation of deputy agency heads as chief operating officers who are responsible for management and performance issues. This statutory responsibility will help ensure that nuts-and-bolts operations are not ignored.

# Implementation challenges ahead

Now comes the hard part. The following are what I see as the key implementation questions. How we answer them will determine the new law's success.

## Does the new law reduce or add to agency burdens?

Performance measurement and reporting can, if overdone, actually hurt agency performance. You noted this problem, Mr. Chairman, at CAP's Doing What Works conference in July, saying, "All we do, particularly from Congress's standpoint, is be additive and we never take away." The GPRA Modernization Act intends to reduce burdens on agencies by focusing measurement on what matters most and where it can make the most difference.

This does not mean, however, agencies will implement it this way. There is a risk they will focus on the act's new requirements without reducing the voluminous reporting now done under GPRA. This task force will have to watch how this plays out, to make sure performance reporting itself delivers bang for the buck. Key in this oversight is the act's requirement that OMB and agencies recommend ways to reduce the reporting burden.

## How do we make sure agencies set meaningful goals?

The new law pushes agencies to set measurable, outcome-focused goals. But so did the administration's High Priority Performance initiative. As I'm sure you know, Mr. Chairman, most agency high-priority goals leave much to be desired. Many are too technical and focus on activities over results.

Goals should be ambitious and connect to the American people: How is government improving our lives and advancing the national interest? Each agency should be able to point to a small number of goals—I recommend no more than five, as discussed earlier—that communicate quantifiable, results-focused objectives that anyone can understand. At least one of these goals should commit the agency to save taxpayers' money through more efficient operations. And the chief operating officer created under the act should own this goal and have the budget authority to reach it.

This task force should identify and credit agencies that set strong goals and push others to follow their example.

#### How are cross-agency goals set and met?

There are at least processes in place for setting goals within agencies, whatever the quality of these goals. The executive branch has far less experience setting cross-agency goals. Agencies will also have to work together to achieve these goals. From my experience in the White House, I know how difficult it can be to coordinate action across government. Indeed, this requirement for cross-agency goals is probably the most difficult in the entire act—and yet one of the most important. This task force should track whether agencies and OMB are working well together to set and meet these goals.

## What are the characteristics of good performance reviews?

Sir Michael Barber set up the world's most renowned performance review system under former British Prime Minister Tony Blair. CAP Senior Fellow and former U.K. official Jitinder Kohli saw firsthand the benefits of this system. He has shared his experience with the Office of Management and Budget and federal agencies through a series of training sessions.

CAP also released a paper yesterday that looked for lessons at NASA, the FAA, the VA, and the IRS, which each have successful performance review processes that have survived transitions in political leadership. <sup>14</sup> We hope this work will help agencies answer a number of important questions they now face. Among them: Are quarterly reviews sufficient, or should they be more frequent? Who should attend? What kind of incentives (such as linking employee pay to performance) should be built into a review's design? Who should lead the review? And what kind of metrics should be used to track progress? This task force should look at what agencies decide, see what works, and help make sure agencies learn from each other.

## How do we change the way agencies think?

The GPRA Modernization Act wants agencies to change the way they think—to put the focus on evidence and results over process, to be fast and creative in solving problems, and to look beyond narrow silos. This requires a culture change. The act will change what agencies do, but culture is more stubborn. Leaders in the administration and in Congress must stay vigilant and reinforce this culture change every day.

This can be as simple as asking the right questions. CAP yesterday released a major report that offers practical tools for the design and evaluation of programs. These tools ask decision-makers to answer a series of questions that force them to think about on-the-ground results. If these questions are asked enough, it should begin to feel less forced and more natural. When this happens, culture change may take hold.

#### How do we keep Congress engaged?

Congress passed the Government Performance and Results Act in 1994 and then acted as if the job was done. There was little interest in implementation or the performance information that was subsequently generated. The expression "use it or lose it" applies here. If Congress does not seek better performance information, agencies will not deliver it. And no fix in the new law will change this.

To be sure, there should be more opportunity for Congress to get involved. The executive branch must seek Congress's input in setting goals. But Congress still has to use this opportunity.

I believe this task force has a critical role in making sure that Congress plays its full part in shaping goals and ensuring the act is implemented in a way that is relevant to congressional decision-making. As part of this, it will be important to reach out to other members and bring their input to agencies.

# How is performance information connected to budgeting?

It doesn't get more relevant than the budget process. GPRA intended to connect performance information to budgeting. Instead, agency performance shops would "feed the GPRA beast," generating so much data that it overwhelmed rather than illuminated. OMB and congressional budget makers found no use in the information generated and threw up their hands.

What we have is a chicken-and-the-egg scenario. Budget makers won't take performance information seriously if it is not packaged in a way that is useful to them. And agencies won't take it seriously if budget makers don't care.

The chief operating officer created by the act should be responsible and accountable for making sure performance information is useful to budget decisions. I believe budget makers must be more insistent this time around—especially given the imperative to address our budget deficit. We are trying to do more than generate data. We are trying to make decisions. If the information doesn't help us do this, agencies should be sent back to the drawing board.

## How do we enlist the public?

New information technologies provide government the opportunity to engage and interact with the public as never before. Thousands of extra eyes can be employed to spot problems, offer solutions, and bring fresh perspective. But for this to happen, we need tools to enlist the public in evaluating performance and providing input into the decision-making process.

There is great potential in the new law's requirement for OMB to set up a central website for performance information. Careful thinking must be done, however, about what we want this website to deliver.

Just two weeks ago, the Center for American Progress released an interactive website that maps return-on-investment data for nearly every school district in the country. We did this by bringing together achievement data, spending data, student population data, and applying a return-on-investment formula.

I believe this tool provides a useful model for agencies and OMB. It shows how powerful performance information can be when it answers a relevant question and is presented in a clear, compelling way. The administration has started moving in this direction, beginning with Recovery.gov. This task force should work with the administration to make sure OMB's new website provides more and better tools for public engagement.

# How do we get the most out of the Chief Operating Officer?

Deputy agency heads, as chief operating officers, will be responsible for implementing the new law and for management and performance issues generally. This is a broad mandate that needs further discussion. I believe these COOs can help link the management side with the budget side. Above, I identified two ways to do this: First, COOs should be responsible for making sure performance information is useful to budget decisions, and second, they should have the necessary budget and decision-making authority to meet goals for operational savings.

Consider the opportunity on procurement. CAP Visiting Fellow Raj Sharma released a report in November estimating that federal spending could be cut by as much as \$54 billion a year just by improving how government buys goods and services. <sup>16</sup> He notes that procurement officials with no control of budgets or decisions that lead to waste are in charge of reform efforts. This is not good enough. Each agency's COO should lead a procurement-reform SWAT-style team that is accountable for achieving the savings we know are there. <sup>17</sup>

#### Conclusion

The administration is fortunate to have you, Mr. Chairman, and other members of this task force as partners in building a more efficient, effective government. Government reform efforts fail when Congress is not invested and we lose focus. That's why your leadership and the work of this task force are so important. And that's why the passage of the GPRA Modernization Act is so significant.

To be sure, many challenges remain—and I've listed some critical ones in this testimony. But I believe with your leadership and the commitment of others in Congress and the administration, we can rise to meet these challenges.

Thank you for the opportunity to testify.

#### **Endnotes**

- 1 Primary balance is when total government revenues are equal to total government spending, with the exception of interest on the debt.
- 2 Michael Ettlinger and Michael Linden, Center for American Progress, "A Thousand Cuts: What Reducing the Federal Budget Deficit Through Spending Cuts Could Really Look Like" (Sept. 21, 2010), available at http://www.americanprogress.org/issues/2010/09/thousand\_cuts.html.
- 3 John Podesta, Sarah Rosen Wartell, and Jitinder Kohli, "A Focus on Competitiveness" (Dec. 1, 2010), available at http://www.ameri-canprogress.org/issues/2010/12/focus\_on\_competitiveness.html.
- 4 Government Accountability Office, "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue" (2011), available at http://www.gao.gov/products/GAO-11-318SP.
- 5 Joel Berg, "Doing What Works to End U.S. Hunger" (Washington: Center for American Progress, 2010), available at http://www.americanprogress.org/issues/2010/03/dww\_hunger.html.
- 6 This website can be viewed at http://www.americanprogress.org/issues/2011/01/educational\_productivity/report.html.
- 7 Jeffrey Liebman, "Social Impact Bonds: A Promising New Finance Model to Accelerate Social Innovation and Improve Government Performance" (Washington: Center for American Progress, 2011), available at http://www.americanprogress.org/issues/2011/02/social\_impact\_bonds.html.
- 8 See, for example, Lily Batchelder and Eric Toder, Center for American Progress, "Government Spending Under Cover" (April 13, 2010), available at http://www.americanprogress.org/issues/2010/04/government\_spending\_undercover.html, and Seth Hanlon, "Tax Expenditure of the Week" (ongoing), available at http://www.americanprogress.org/issues/2011/01/te\_intro.html.
- 9 For more discussion, see Michael Ettlinger, Michael Linden, and Reece Rushing, "The First Step: A Progressive Plan for Meaningful Deficit Reduction by 2015," page 28 (Dec. 10, 2010), available at http://www.americanprogress.org/issues/2010/12/first\_step.html.
- 10 Raj Sharma, Center for American Progress, "A \$400 Billion Opportunity" (Nov. 16, 2010), available at http://www.americanprogress.org/issues/2010/11/federal\_procurement.html.
- 11 Memorandum for the senior executive service from Jeffrey D. Zients, Federal Chief Performance Officer and Deputy Director for Management, Office of Management and Budget, Sept. 14, 2010, available at http://www.whitehouse.gov/the-press-office/2010/09/14/presidential-memorandum-accountable-government-initiative.
- 12 Memorandum from Peter R. Orszag and Rahm Emanuel to executive departments and agencies, June 28, 2010, available at http://www.whitehouse.gov/sites/default/files/omb/assets/memoranda\_2010/m\_10-25.pdf.
- 13 Ian Millhiser, Center for American Progress, "Improving Government Efficiency," available at http://www.americanprogress.org/issues/2010/03/improving\_efficiency.html.
- 14 John Griffith and Gadi Dechter, "Performance Reviews That Work: Four Case Studies of Successful Performance Review Systems in the Federal Government" (Feb. 2, 2011), available at http://www.americanprogress.org/events/2011/02/design.html.
- 15 Jitinder Kohli, William D. Eggers, and John Griffith, Center for American Progress, "The Secret to Programs That Work: New Tools for Program Design and Evaluation" (Feb. 2, 2011), available at http://www.americanprogress.org/issues/2011/02/programs\_that\_work.html.
- 16 Raj Sharma, Center for American Progress, "A \$400 Billion Opportunity" (Nov. 16, 2010), available at http://www.americanprogress.org/issues/2010/11/federal\_procurement.html.
- 17 See Donna Cooper and Raj Sharma, Center for American Progress, "Procurement Savings of \$400 Billion Are There for the Asking: President Obama and His Team Must Show the Way" (Dec. 3, 2010), available at http://www.americanprogress.org/issues/2010/12/procurement\_savings.html.