Center for American Progress has developed a performance review process that helps the government to undertake a systematic review of spending programs and tax expenditures.

Candidate Barack Obama promised that if elected president he would “go through our federal budget—page by page, line by line—eliminating those programs we don’t need, and insisting that those we do need operate in a sensible cost-effective way.”

Since the 2009 inauguration, there has been some progress in this important direction. The Obama Administration proposed $20 billion in program terminations, reductions, or consolidations in its first two budgets, and Congress has enacted about 60 percent of those savings. This year’s budget includes an additional $33 billion of savings.

Of course, we need to do more. The United States is on an unsustainable fiscal course in the long-term that will require a redoubling of budget discipline. But we can’t sacrifice investments that are creating jobs and helping the economy recover and grow. Bottom line: It’s never been more important to spend every public dollar wisely.

Yet there is no systematic and effective review process that looks at all programs across federal agencies to establish what’s working. Which of the 110 programs in the 14 agencies that promote science, technology, or
engineering education are the most effective, and which ones should be reformed or eliminated? Of the more than 100 programs across 13 agencies on youth mentoring, which ones demonstrate the most cost-effective use of taxpayer dollars?

While legislation such as the Government Performance and Results Act has ensured there is considerably more information available on programs, little of this information is of value in ascertaining the relative effectiveness of programs. The consequence of this information deficit is that when the budgets axe falls, politically popular programs often survive even if they are relatively ineffective—and those that are effective but lack powerful sponsors become vulnerable.

And it’s not just traditional spending programs that need better performance reviews. There is $1 trillion in annual federal spending that goes almost entirely unreviewed for effectiveness from year to year. Money that the federal government spends through the tax code through special breaks, credits, and loopholes. The largest ones are familiar, such as the deduction for home mortgage interest. But many are relatively unknown, buried in the tax code, and directed at certain industries.

But most tax expenditures are permanent fixtures of the tax code that do not need to be renewed so they are exempt from the congressional appropriations process and the scrutiny that comes with annual budgeting. As a result, many tax expenditures have grown out of all proportion to their original purpose. Out of view and insulated from the budget process, ineffective tax expenditures tend to continue while the budget axe falls on discretionary spending programs, effective and ineffective alike.

To address these problems, the Center for American Progress has developed a performance review process it calls “Reviewing What Works” that would enable the government to undertake a systematic review of spending programs and tax expenditures.

The Reviewing What Works Approach

Working with some 200 experts from government and beyond, the Center for American Progress developed a set of tools that allow for a systematic analysis of which government funded programs are most effective and which ones merit reform. This process can be extended to cover tax expenditures as well.

The Reviewing What Works toolkit includes a set of evaluation forms and a formal process for using them. The approach examines families of programs across a policy area, such as homelessness or youth mentoring, rather than focusing on individual programs.

This sort of overview enables comparisons of effectiveness of programs. It also addresses a key weakness in Washington: the inability of the administration or Congress to draw conclusions about the relative effectiveness of different programs, whether direct spending programs or tax expenditures.

Here’s a summary of the process the Center for American Progress recommends.
### Reviewing What Works—The Process

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| **Identify Policy Areas and Form Interagency Panels**
The Office of Management and Budget (OMB) and other federal agencies should identify policy areas where programs and tax expenditures can be evaluated for effectiveness. For instance, a recent General Accountability Office report on duplication sets out a number of areas that would be strong candidates for this kind of approach, including domestic food assistance, homelessness, and job training.

For each policy area, interagency panels should be formed to lead the program review process. Panelists should include program managers from relevant agencies, performance and budget officers, and officials from the U.S. Treasury Department and OMB.

| **Define Goals and List Programs**
The interagency panels develop a set of goals for a particular policy area. The goals define key outcomes that programs and tax measures across the policy area are trying to achieve. Where possible, these should be coordinated with agency High Priority Performance Goals, which define key outcomes the administration is targeting.

The goals for each policy area would be captured on the Policy Strategy tool. Interagency panels also would create an inventory of programs and tax expenditures that contribute to these goals. This list of spending and tax programs defines the scope of the exercise to evaluate effectiveness of programs.

Federal energy programs illustrate the importance of including tax expenditures in government-wide review.

| **Evaluate Programs**
Each program or tax expenditure that appears on the inventory is now subject to the evaluation process. Program managers, as well as designees from Treasury in the case of tax expenditures, should complete the Program Evaluation Tool (see Figure 1), which captures the answers to 25 questions under five categories:

- **Impact.** What impact is the program or tax measure having on the goals across government in the particular policy area? Often, this will be a difficult question to answer, but it is absolutely essential.

- **Duplication and collaboration.** What’s the relationship between the program or tax expenditure and other similar programs? Is the program duplicative or...
complementary with related efforts?

- **Benchmarking.** How effective is the program or tax expenditure under review, as measured against benchmarks?
- **Operational excellence.** Is the program well run? Have there been delays or cost overruns?
- **Learning from experience.** To what extent does the program or tax measure regularly assess progress toward goals, learn from experience, and make necessary changes.

**Step 4| Judge Programs and Tax Expenditures for Effectiveness**

Once the program effectiveness form for each program or tax measure has been completed, the process returns to the interagency panel to complete the Program Effectiveness Tool (see Figure 2). This form captures the panel's views on the efficacy of the program or tax measure for each of the five categories. The panel might ask the program managers to appear before the panel and answer questions in order to reach their own judgments.

**A Way Forward**

The Reviewing What Works approach will enable agencies to assess the relative effectiveness of programs across a policy area through a collaborative interagency process. Without such an assessment, decisions are likely to be based on incomplete information or merely relative political clout. The use of interagency panels provides an opportunity to inject evidence of whether a program works into the decision-making process about the future of programs and tax expenditures.

Once each program has been assessed, the interagency panel can advise the budgeting process. They might

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**Figure 1: Program Evaluation Tool**

Source: Excerpted from Reviewing What Works, Center for American Progress

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**Figure 2: Program Effectiveness Tool**

Source: Excerpted from Reviewing What Works, Center for American Progress

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consider which programs merit expansion, or whether aligning programs more closely in the same policy area could yield more effectiveness.

And of course, they could consider how to make difficult budget decisions. For instance, if budgets were 10 percent tighter, would they recommend an across-the-board cut, or target particular programs while preserving or even expanding high-performing ones?

In the end, political considerations will remain relevant for decisions. Neither the administration nor Congress will find it easy to cut funds from a politically popular but ineffective program. But our belief is that if there was better evidence available on programs’ effectiveness, it would better inform the budget debate.

The process for the Reviewing What Works approach is a basic template for evaluating the performance of government programs, including both direct spending programs and the even larger universe of tax expenditures—finally integrating $1 trillion in tax breaks into the performance review processes. Doing so will help policymakers make wise public investments at a time of budget scarcity.

For the first time, policymakers would be able to assess the relative effectiveness of related initiatives, such as the 110 programs on science, technology, engineering, and math education, or overlapping spending and tax expenditures for higher education. That should not only free up public dollars, it makes a great deal of sense.

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