

**Testimony of
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before

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

February 4, 2004

Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to discuss the topic of performance budgeting and the use of the Office of Management and Budget's Program Assessment Rating Tool (PART).

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

Government Performance and Results Act

The United States federal government is one of the largest, most complex and diverse organizations in the world. It faces a wide range of challenges in responding to a number of key trends, such as globalization, changing security threats, and demographic changes. Especially in light of the terrorist attacks on September 11, 2001, federal agencies need to work more effectively. Accountable, results-oriented management can help the federal government deliver economical, efficient, and effective programs and services to the American people.

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

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

Performance Budgeting

Good government advocates have called for performance budgeting for decades. First championed in 1949 by the Hoover Commission, a federal “performance budget” was intended to shift the focus away from the inputs of government to its function, activities, costs and accomplishments.

According to an October 2003 report from the IBM Center for The Business of Government, there is ample opportunity to use performance information at each stage of the budget process – that is, not only in the Office of Management and Budget (OMB) and the Congress, but in the agencies and by the audit community as well. The report, *Performance Budgeting: Opportunities in the Federal Budget Process*, by Philip G. Joyce, associate professor of public administration at The George Washington University, presents a comprehensive view of how performance information can be used at various stages and provides a number of specific recommendations designed to sustain progress to date and to further the use of performance information in the federal budget.

Program Assessment Rating Tool

The current Administration has made linking resources to results one of the top five priorities in the President’s Management Agenda, using the PART to explicitly fuse performance information into the budget formulation process at a funding decision level. PART takes the form of a diagnostic questionnaire used to rate selected programs. It contains general questions about each of four broad topics to which all programs will be subjected:

- Program purpose and design,
- Strategic planning,
- Program management, and
- Program results (i.e. whether a program is achieving its long-term and annual goals).

While budget reviews have always involved discussions of program performance, such discussions have not always been conducted in such a rigorous, systematic or transparent fashion. Beginning with the FY 2004 budget cycle, OMB applied this tool to 234 programs. This review gathered information and assessed a program’s purpose, performance measures, alignment with budget and results, and planning and management to determine its overall effectiveness.

OMB evaluated an additional 20 percent of agency programs in preparing the FY 2005 Budget. This year, most departments and agencies will be submitting a performance budget justification to Congress. The department overviews will be structured by strategic goals. Each bureau within a department will explain its contribution with reference to the goals. The justification for each program contributing to a strategic goal will include information on performance, budgetary resources, effectiveness, and any recommendations from the PART.

Draft General Accounting Office report

The draft report by the General Accounting Office (GAO), *Performance Budgeting, Observations on the Use of OMB's Program Assessment Rating Tool for the Fiscal Year 2004 Budget*, acknowledges that OMB's FY 2004 PART review was an unprecedented effort to assess the effectiveness of specific federal programs.

The draft GAO report documents two important actions that move departments and agencies toward performance budgeting by building upon the performance goals and measures developed under GPRA. First, the PART renders a *judgement* whether programs are effective, by systematically and transparently assessing program management and actual results (what happened). Second, the PART enables decision makers to attach budgetary and management *consequences* to those programs that cannot demonstrate their effectiveness.

Reviewing government operations at the program level

Linking funding decisions to program performance was a key purpose of GPRA. Past initiatives (such as President Johnson's Planning-Programming-Budgeting-System, or PPBS) devised unique structures to capture performance information. These unique structures ultimately proved difficult to link to congressional budget presentations. GPRA, on the other hand, requires agencies to plan and measure performance using the same structures which form the basis for the agency's budget request: program activities. This critical design feature of GPRA aims at assuring a simple, straightforward link among plans, budgets and performance information and the related congressional oversight and resource allocation process.

GPRA's required use of program activities appearing in the President's Budget as the basis for performance planning and measurement is intended to establish the direct budgetary link absent in earlier initiatives. But this goal is dependent on the capacity of the current program activity structures to meet GPRA's needs. Subject to clearance by OMB, and generally resulting from negotiations between agencies and their appropriations subcommittees, program activity structures differ from agency to agency and, within an agency, from budget account to budget account. Program activities, like budget accounts, may represent

programmatic, process, organizational, or other orientations. Consequently, their suitability for GPRA planning and measurement purposes also varies.

Strategies for improving the PART

The PART instrument, and the entire endeavor of budgeting for results, is still very much a work in progress. It is far from perfect. Yet the PART remains an important step in changing the way federal managers think about their responsibilities. It places the burden of proving effectiveness squarely on their shoulders. With further improvement and use, it can provide incentives for federal managers to make their programs more effective. It can also provide meaningful evidence to the Congress and other decision-makers to help inform funding decisions, and identify flaws in underlying statutes that undermine effectiveness.

Departments and agencies are making important progress with their underlying data and management systems. The integration or “matching” of costs and performance information is fast becoming the standard to achieve in federal budgeting and accounting. Documents that show cost or performance are giving way to documents that show cost and performance. Databases that show cost in budgetary or accounting measures are giving way to databases that match cost with program outputs and outcomes, and aggregate to strategic outcomes.

To make further progress, agencies must prepare the way for performance budgets with their appropriators, other Congressional contacts and stakeholders. They need to fully understand the advantages for themselves and external users. Agencies must consult their appropriators about the outline and sample justifications. They should reassure their appropriators that all of the information and tables they use will still be included and show them where it can easily be found. Any proposed changes in accounts or sub-accounts must be discussed in advance, with technical support to show that the intent of appropriations language will be fully carried out and tracked in Treasury accounts.

No need for legislative changes.

You have asked about possible changes to GPRA. I see no need at the moment to amend the statute. Indeed, GPRA will be proven successful only when it disappears as a separate activity and separate set of documents – becoming fully integrated day-to-day management and decision making.

Conclusion

Performance budgeting is the next logical step in the implementation of results-oriented government. It will not be the answer to the vexing resource trade-offs involving political choice. It does, however, have the promise to modify and

inform policy decisions and resource allocation by shifting the focus of debates from inputs to outcomes and results. Technology-enabled performance budgeting tools are also now available to support agency decision-makers and the development, presentation and execution of the budget. Pursuing a systematic use of strategic and performance planning, budgeting, and financial information is essential to achieving a more result-oriented and accountable federal government.