

**Statement of
The Honorable Clay Johnson III
Deputy Director for Management
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before the

**Subcommittee on Government Efficiency
of the
Committee on Government Reform
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We can make the Federal Government results-oriented. We know it won't be easy. We are accustomed to focusing on the amount of money we're spending as a validation for how much the Federal Government is committed to an objective. But the better measure of our commitment is not how much we're spending, or even how hard we're working. The better measure is what results we achieve on behalf of the American people. Together we can increase the focus on results and make the Federal Government a results-oriented organization. And all can benefit from this change: citizens, taxpayers, Federal employees, and Congress.

We can assess the performance of every Federal program, and if a program is not working as intended, we can work together to decide what to do about it. We have begun to do this, to evaluate program performance with the agencies and Congress. The Administration has just published its assessment of 40 percent of the government's programs, and will soon complete more assessments so that by this time next year, we will have evaluated the performance of 60 percent of the government's programs. In three more years, we plan to have assessed the programs that account for almost all of the Federal Budget. Based on these assessments, we are making and implementing recommendations regarding the management, structure, and funding of programs to best produce the intended results. I discuss this in greater detail below.

We can review and evaluate the cost of each program and activity, and if the cost is not considered to be satisfactory, we can work to reduce it to more acceptable levels. We have begun this process.

We are working to ensure that agencies have accurate and timely financial information with which to make better cost and performance decisions. Today, most major agencies are getting clean audit opinions and making the audited information available in less time. With a clean audit opinion, agencies can ensure they are responsibly accounting for the people's money. If it takes an agency five months to issue an audited financial statement, however, it is unlikely that the agency has timely and accurate financial information available to them on a regular basis. Eight agencies already issued audited financial reports by mid-November, as part of the overall effort to have agencies produce audited financial statements by November 15th this year.

We are working to eliminate erroneous payments, those payments or services that are diverted from intended recipients. Agencies are taking important steps to measure payments made in an incorrect amount and/or to an ineligible recipient. Information we have about erroneous payments tells us that programs that make almost \$1 trillion in payments annually make erroneous payments that exceed \$35 billion annually. With the enactment of the Improper Payments Information Act, agencies now develop and implement erroneous payment plans that will eventually lead to the review of every dollar the government spends. We are determined, with Congress' help, to provide agencies with the tools they need to accomplish that goal.

We are working to ensure agencies are getting the greatest value for the taxpayer by establishing the infrastructure necessary to conduct public-private competitions, a process known as competitive sourcing. Agencies can identify the positions that are suitable for competition, and can conduct competitions. They are finding the most effective and efficient ways for their employees to perform commercial activities and comparing this to private sector solutions to determine which sector can provide the most effective, cost-efficient results.

We are working to manage our \$60 billion annual investment in IT in a more fiscally responsible fashion. Agencies are doing a better job telling us what we are getting in the way of results from our IT dollars. We are improving information security and preventing more and more duplicative IT investments. For example, because of e-Travel, the new web-based, consolidated Federal travel management system, the government expects to spend nearly \$300 million less over the next 10 years on travel-related activities.

We can assess how government assets are being managed, maintained and deployed, and we have begun this process. Of course, the government's most

important “asset” is its workforce. Agencies are working to ensure that leadership and critical skill needs are being met, that every employee knows how they can most effectively contribute to the accomplishment of the agency’s mission, and that management is focused on helping their employees be most effective and successful.

In addition, we are working to better manage the government’s hundreds of billions of dollars in real property assets. While much of the Federally-owned real and personal property assets are used to support agency missions, it is not clear how many of these properties are actually being used in an efficient manner. Much of the government’s real property no longer serves the needs for which it was originally intended. As a result, there is a great deal of underused and unneeded real property within the Federal Government. We recently launched a new initiative that will take us on the important path to more effective and efficient stewardship of Federal real property assets.

We can assess the service levels we provide our “customers,” our citizens, taxpayers, state and local governments, and businesses, and if the service levels are not considered to be satisfactory, we can work to make them acceptable. We have begun this process. Agencies are investing more than \$250 million in E-Gov projects this year, many of which are specifically designed to provide more customer-oriented service to the American taxpayer. Thanks to the Free File program, most Americans can now file their taxes over the Internet for free. And Grants.gov makes it easier for potential recipients to obtain information about Federal grants by creating a single, online site for all Federal grants.

We *can* create a results-oriented government, one that assesses its performance, controls costs, and manages assets and service levels to better serve the taxpayers and citizens. The President’s Management Agenda, with its Executive Branch Management Scorecard, helps us do this. We are holding agencies accountable for becoming results-oriented. Agencies are better managed and achieving greater results than they were two-plus years ago. They are managing their finances and investments more professionally and efficiently. They are providing better service to the American people. They are better directing and helping the civilian workforce be more effective and successful.

The Scorecard, which is used to assess both agencies’ overall status in achieving the long-term PMA goals, as well as their quarterly efforts in working toward those goals, is included with my testimony and shows that agencies have made real progress towards becoming results-oriented organizations.

- Agencies have significantly improved their performance in about half of the 130 scores that are assigned in the five areas that are the focus of the PMA, up from just 15 percent two years ago. (Twenty-six agencies are given quarterly scores of red, yellow, or green in each of five government areas in need of management improvement, for a total of 130 scores.)
- Agencies improved in just 14 areas in 2002, but improved in 28 areas in 2003. Agencies achieved six additional green scores in 2003, up from just two in 2002.

What began as the President's Management Agenda is now becoming the agencies' management agenda. The Budget and Performance Integration Initiative, which we are here to talk about today, is a perfect example. Many agencies are now using meaningful program performance information in their budget and management decision making. In particular, a third of the government's major agencies meet regularly to use performance information to make program management decisions. Agencies are using the information gleaned from program assessments to identify program strengths and weaknesses and take appropriate action. Their assessments have improved program results.

Agencies have now assessed the performance of approximately 400 Federal programs, representing more than one trillion dollars in Federal spending. As I mentioned, in 2004, agencies will complete assessments for an additional 20 percent of government spending. We are working with agencies now to choose the programs we will assess based on a host of factors, including the overall budget impact of a program or whether the program will be up for reauthorization. In addition, we are planning to examine multiple programs across government with similar missions so we can share best practices among like programs. These assessments are causing us to ask consistently whether programs are working and, if not, how we can make them work. For instance:

- Last year, the Administration on Aging, which provides services that benefit the elderly so they can remain in their homes and communities, could not measure its impact. This year, the program was able to show it was moderately effective after demonstrating that its services enable the elderly to remain in their homes and communities and setting goals for increasing the number of people served per each million dollars spent. With level funding, the program plans to increase by 6 percent in 2004 and 8 percent in 2005 the number of people served per million dollars in funding.
- The Broadcasting Board of Governors' efforts to broadcast to Near East Asia and South Asia could not demonstrate that they were achieving results

last year. But following the recommendations in last year's Program Assessment Rating Tool (PART), the program this year set goals for weekly audience, program quality, signal strength, and cost-per-listener. The program dramatically increased its reach to Arab-speaking countries to an estimated 10.5 million listeners each week, up from just 3.9 million in 2002 and reduced the cost-per-listener from \$1.22 in 2002 to just 88 cents in 2003.

PART assessments show that 152 of the more than 400 rated programs cannot demonstrate whether they are achieving results. To first demonstrate and then improve results, agencies are working to adopt clear measures of performance for those programs and/or implement recommendations to improve program performance. For instance, as a result of a PART recommendation, the Davis-Bacon Wage Determination Program, which determines prevailing wage rates for construction-related occupations throughout the United States, has now identified quantifiable measures of its performance. In addition, the program is implementing a multi-year effort to reform the wage determination process and is undergoing an independent review of its own performance. We will continually assess program performance to ensure that remedies like this are put in place and are working to improve results.

One of the most visible factors affecting a program's performance is funding. But I believe far too much attention is devoted to how much we are spending rather than how much we are getting for what we spend. Over time, funding should be targeted to programs that can prove they achieve measurable results. I've included a table with my testimony that shows not only all of the PART ratings, but the funding recommended for each assessed program in the President's 2005 Budget. As you will see, a PART rating does not today, nor should it ever, result in an automatic funding decision. Indeed, a rating of "Ineffective" or "Results Not Demonstrated" may suggest that greater funding is necessary to overcome identified shortcomings, while a program rated "Effective" may be in line for a proposed funding decrease because we have higher priorities. For example:

- Although the Youth Activities program was rated "Ineffective," the program's proposed funding remains relatively stable. The program provides formula grants to States and local areas to provide training to low-income and other disadvantaged youth to help them secure employment, but does not have the authority to target funds to the areas of greatest need. To allow it to be more effective, the Administration proposes to give States and the Secretary of Labor increased authority to reallocate resources to areas of need.

- Despite the Department of Energy’s Distributed Energy Resources Program’s “Moderately Effective” rating, the Administration proposes a small reduction in funding for the program. The program funds research for improved energy efficiency of and reduced emissions from on-site energy production. The decrease in funding is attributable not to the program’s rating, but to relative priorities among Department of Energy programs.

The PART is a vehicle for improving program performance. It builds on the strong foundation laid by the Government Performance and Results Act (GPRA). Without the strategic and performance planning agencies conducted under this important law, there would be no basis on which to judge an agency’s performance management practices or the goals by which it measures success. The PART reinforces the law’s important requirements to set outcome-oriented goals and measure progress against those goals.

We will continue to improve agency and Executive Branch implementation of GPRA by insisting GPRA plans and reports meet the requirements of this important law and the high standards set by the PART. Codification of the requirement to conduct assessments of program performance would be a welcome complement to the statutory management framework laid by GPRA.

As more and more program assessments are conducted, the vast majority of budget and management decisions will be significantly influenced by information about how programs are performing. Agencies will be better able to describe to Congress and the taxpayer what his or her funding is purchasing and will be managing so that each year improvements in efficiency and service delivery can be documented. This is our goal, yours and ours: a results-oriented government. We *can* achieve it.