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BEFORE THE
SUBCOMMITTEE ON GOVERNMENT EFFICIENCY
AND FINANCIAL MANAGEMENT
COMMITTEE ON GOVERNMENT REFORM
UNITED STATES HOUSE OF REPRESENTATIVES
APRIL 1, 2003

Thank you for the opportunity to meet with you today. My testimony will address the Budget and Performance Integration Initiative and will provide an update on the Administration's overall efforts to date to integrate budget and performance. I will explain how the five government-wide initiatives help us improve our review of Federal budgets and programs including a discussion on the Program Assessment Rating Tool (PART). Although my testimony will focus on the government-wide activities in support of the budget and performance integration initiative, I have included some observations from my perspective as the person responsible for implementing this initiative at the Department of Transportation.

I understand that at last week's hearing you received an update on the President's Management Agenda overall and the use of the Executive Branch Scorecard to rate agency performance each quarter. In summary, the Administration has seen strong progress, but there is much work to be done. Many of the problems we are working to correct will require years of sustained effort, but we remain committed to the Agenda and we know that we can achieve its goals. As OMB staff reported at last week's hearing, the President's Management Initiatives Scorecard is working. I can tell you from my perspective at the Department of Transportation, the scorecard with its clear goals, specific work plans, and regular feedback is driving improvements in our programs. At DOT, we take our scorecard ratings very seriously and Secretary Mineta expects that his managers will achieve results. This tool is helping us to achieve identified results in an effective way while creating a culture of accountability for Federal program managers.

Background

The Budget and Performance Integration Initiative is intended to build the results-oriented government envisioned by the President by ensuring that Federal resources are directed to programs that work and that programs that do not perform are either reformed or ended. The Administration has developed a “traffic light” grading system to track how well Federal departments and agencies are executing the President’s Management agenda. While no “green scores” have been achieved in this initiative, nine agencies, including Transportation, have earned “yellow” status scores. Although we’ve seen strong improvement in this area throughout the Executive Branch, the Budget and Performance Integration initiative in some ways represents a departure from the way the government has typically operated. In the past, discussions about program funding levels have presumed an automatic annual increase, as if obtaining additional funding itself were a measure of performance. Through the Budget and Performance Integration initiative, we are working to change the dialogue about funding to focus on what can be *achieved* with the funding a program receives. Agencies are increasingly using performance information and anticipated results to justify their budget requests – and not just requests for additional funding -- but their *total* budget requests. As a result, the process encourages innovative thinking, program restructuring and realignment, and redirection of funds within current budget levels.

Performance-Based Budgets

In an effort to make the relationship between funding and performance more transparent and understandable, several agencies have begun to modify the preparation and presentation of their budgets to make clear how proposed funding relates to performance goals and outcomes. For example, at the Department of Transportation we have organized our budget submissions in such a way that the link between additional resources and improved performance is apparent. This was accomplished by redesigning both the budget preparation process and presentation of budget submissions so that information on performance goals and targets for each program could be cross-walked directly into traditional budget account formats. This new format provided an opportunity for us to consider how requested budget increases for DOT Operating Administrations would impact DOT’s performance goals and Strategic Plan. We found that by changing our review process in this way, we could identify ways to enhance the effectiveness of existing programs without necessarily requesting additional resources.

For example, in reviewing the FY 2004 budget request for the Federal Transit Administration, the performance data information played a significant role in restructuring FTA programs in ways that we believe will improve the programs performance without requesting additional resources. By consolidating a myriad of transit programs in order to give the States and localities additional flexibility to better meet the mobility needs in their communities, the President’s Budget request reflects an FTA program that tracks more closely to its core missions. At the same

time this consolidation has the added benefit of reducing the administrative burden on grantees, since fewer separate grant applications would be required. As a result, we expect FTA to be able to deliver an improved program without a major funding increase.

Similarly, during the FY 2004 budget process, the Federal Motor Carrier Safety Administration's budget presentation was restructured from three accounts into two so that performance goals and budget resources related to highway safety goals were clearly distinguished.

These are just two examples within the President's request for Transportation programs where a stronger link between budget and performance data has improved our assessment of programs. While my comments have focused on our experience at the Department of Transportation, other agencies are taking comparable steps to improve their budget presentations.

Program Rating Assessment Tool – the “PART”

Although we have made significant strides in integrating budget and performance data, we also acknowledge that program performance measures for some Federal programs are still unclear or not measured. Some of these programs have performance measures that do not support the intended program outcomes. Some are only measuring their programs' outputs and have never examined whether those outputs actually result in or support the intended program outcome. The effective use of performance information to drive budget decision-making requires informative and credible performance measures. To address these concerns, the Administration has developed a Program Assessment Rating Tool -- the PART -- to improve the quality of performance information overall, inform program decision-making, and most importantly, to improve program performance.

The PART is essentially a questionnaire that is applied to a program to assess its purpose and design, strategic planning, management, and results and accountability. The PART uses a consistent approach to rate the performance of Federal programs against a high “good government” standard while providing some flexibility to allow for the unique aspects of programs. The tool was developed to generate impartial findings that are easy to understand, credible, and useful. The detailed analysis that supports the ratings is publicly available on the OMB website so that interested parties may review it and bring other relevant information to bear.

The PART is designed so that the burden is on the program to demonstrate performance. Absent solid evidence to support a positive answer, the answer is deemed not favorable and the program receives a lower rating. The requirement for evidence supports the principle that federal managers must be accountable for justifying that their programs are well designed and well managed.

The PART was developed through an open, consultative process. An initial version of the PART was released for public comment in May 2002. It was reviewed by a number of independent groups including the Performance Measurement Advisory Council, chaired by former Deputy Secretary of Transportation Mortimer Downey; a group from the President's Council on Integrity and Efficiency; and the National Academy of Public Administration. The President's Management Council approved the final version this past July.

For the FY 2004 Budget, the PART was used to rate the performance of 234 Federal programs, covering approximately 20 percent of the total Federal budget. The burden of proof is based on program results. Programs without demonstrated results, because they have failed to establish adequate performance measures or have no supportive performance data, received a rating of "Results Not Demonstrated". Other possible ratings were "Effective", "Moderately Effective", "Adequate", and "Ineffective".

This first use of PART confirmed a longstanding suspicion – more than half of the programs assessed were unable to demonstrate results. Despite the fact that agencies have been reporting their performance under the Government Performance and Results (GPRA) Act since 1999, many still do not have performance measures that relate program goals to outcomes the public would expect the programs to generate. In implementing GPRA, the government has not fully met the spirit of the law. While GPRA has resulted in the generation of many reports, few have been useful to policy makers. In addition, we do not have evidence that GPRA has resulted in improved performance. Through the use of the PART, the Administration aims to improve performance reporting by making it more focused, credible and useful. We also aim to make performance really matter, as Congress intended when it passed the GPRA in 1993.

As I mentioned at the outset, one goal of the Budget and Performance Integration Initiative is to have performance drive budget decisions. The purpose of the PART, however, is to enrich budget analysis, not supplant it. The relationship between a program's PART rating and its funding level is not formulaic. Lower ratings do not automatically translate into funding cuts just as higher ratings do not always result in increased funding. Numerous factors are considered when developing a budget – policy goals, economic conditions, external factors, and other variables – and they will continue to be considered *along with* performance. There may be a case when a high performing program could not achieve improved results with additional funding so that there is no justifiable reason to increase funding. It is also important to remember that efficiency improvements can increase productivity, that improved performance can be achieved through other means besides increasing funding. As a result, the PART encourages the use of measures to assess and improve program performance.

During the FY 2004 budget process, information provided in the PART was used to support funding decisions for many programs. The National Weather Service,

which received an “Effective” rating during the PART assessment, received a \$48 million increase over the President’s FY 2003 request. Similarly, the Department of Health and Human Services’ Health Centers program received an effective rating during its PART assessment that resulted in an additional \$169 million in additional funding above the President’s FY 2003 request for this program.

The PART also aided in addressing deficiencies in several programs. The Department of Agriculture’s Wildland Fire Management program was an example of a program for which current program results could not be rated. The President’s FY 2004 Budget request included \$173 million to improve accountability for firefighting costs, and to assist the program in allocating resources more effectively.

Finally, the PART process also assisted in making decisions to reduce funding because of poor performance. The Department of Education’s Vocational Education State Grants program was reduced by \$180 million and the Department of Education was directed to reform the program to make grant funding contingent on a rigorous assessment of student outcomes.

In addition to supporting funding decisions, the use of the PART also informed numerous management actions and legislative proposals described in the President’s Budget. For example, the PART review of the Federal Aviation Administration’s Airport Improvement Program, supported the view that the program’s structure should be reviewed and possibly restructured to direct more funds to small and medium airports. As a result of the PART evaluation, the Department’s recently transmitted aviation reauthorization bill “Centennial of Flight Aviation Authorization Act” is seeking to restructure the AIP program along the line of the PART recommendation and strengthen the program’s ability to focus Federal resources where they will have the greatest impact. There are similar examples relating to other agencies throughout the budget.

In addition to these achievements, the PART has successfully reinvigorated discussions about performance and accountability. The process of completing the PART, with agencies and OMB staff working together to gather and analyze the data, was probably more valuable than the initial results. Through this process, the Administration critically examined programs and not only identified strengths and weaknesses, but tried to understand why certain programs are performing and others are not. As this effort matures, it will provide a wealth of information on best practices that can be shared throughout the government to improve performance overall.

PART reviews will be conducted earlier this year so that agencies can use the information provided through PART to frame their budget submissions to OMB. To support and enhance the PART analysis, the Administration is working to develop cross-cutting performance measures for programs that work toward shared goals. One area where this has been implemented is job training; cross-cutting performance measures were used to assess the number of program participants who entered

employment, retained employment, and increased their earnings. These measures were used in the PART review of programs in both the Departments of Labor and Education. The resulting data will facilitate comparisons between programs to help understand differences in performance and the root causes with the goal of improving program performance overall.

The PART has its shortcomings, but based on the first year's experience, we believe this process is beginning to work and over time will boost the quality of Federal programs and get the taxpayers more and better results for their tax dollars.

While PART has already made significant contributions towards integrating budget and performance, it is still a work in progress. The Administration is currently identifying the next set of programs that will be rated using the PART for the FY 2005 President's Budget and we welcome your suggestions for programs to review using this tool. The overall goal is to rate an additional 20 percent of Federal programs each year until we are rating all programs by FY 2008.

Conclusion

The Administration has already begun to see the differences motivated by the Budget and Performance Integration Initiative. In addition to including information on PART ratings and explaining how they support proposals throughout the Budget, the FY 2004 President's Budget includes a new volume that provides summaries of all PART program assessments and the detail supporting these summaries is available at OMB's website.

While the Budget and Performance Integration Initiative focuses on improving performance reporting and supporting performance-based budgeting, these are only means to an end. The greater goal is to improve program performance and give the American taxpayers a better value for their tax dollar. Through the PART we have another means to identify effective programs. Central to this effort is establishing a culture of accountability where programs demonstrate their results.

Thank you Mr. Chairman for inviting me to discuss the Administration's effort to improve budget and performance integration and how the PART process is helping us make improvements in the review of Federal programs.