TESTIMONY

From

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Mr. Chairman, since I served as an elected member of the Parliament of New Zealand for nine years and as a member of Cabinet during a period of unprecedented reform, my experience may be of value to you in your deliberations. A major driving force in the success of the New Zealand reform process was the impact of the process of identifying and quantifying the public benefit of the activities of government agencies – in other words: accountability for results. It was the dramatically improved knowledge of programs’ effectiveness that allowed the government to make informed choices about which ones to expand and which to discard.

As associate Minister of Finance and Chairman of Cabinet's Expenditure Control Committee, I had oversight of the reform process and first hand experience of the change process. During that period our Parliament rewrote its “Standing Orders” (the equivalent of your rules) and rewrote our financial reporting and accountability laws. We did this to give absolute clarity to the requirements and to further empower Parliament’s role in oversight.

At George Mason University's Mercatus Center, over the last two and a half years we have studied the progress of federal government agencies in moving toward accountability based on results, as required by the Government Performance and Results Act.
Mr. Chairman, I am honored by your invitation to give testimony before your subcommittee on the first annual performance reports. The intent of GPRA, which I totally support, is to expand the requirement of accountability from evidence of compliance with the appropriation to include evidence of benefits to the public from the expenditure.

The GPRA implementation process can be divided into four distinct phases of activity:

1. **Planning**: presentation of Strategic Plans (first in 1997) and annual Performance Plans. This could be paraphrased as the prediction of what will be achieved and should be expressed as outcomes or public benefits.

2. **Implementation**: production of the outputs that are designed to produce the desired outcome.

3. **Disclosure**: annual performance reports should give the public a clear description of what was achieved (or not) during the year.

4. **Oversight Scrutiny**: Congress’s use of the information provided by the process of disclosure.

Arguably the most important stages of GPRA are the disclosure and Congressional oversight processes. Clearly, the capacity of Congress to make informed decisions about future priorities for funding allocations will be directly proportional to the quality and completeness of the information included in the Annual Performance Reports. In this first year, it is unreasonable to expect perfection in the quality of reporting. However, at this early stage Congress must send a clear message about its expectation for complete
disclosure and for improvement in the quality of the information provided through the reporting process.

My colleagues and I at the Mercatus Center, in the spirit of shining a spotlight on the disclosure process, conducted a study of the annual performance reports of the 24 CFO Act agencies. Our intent was to examine the quality of reporting and disclosure but not the actual performance of each agency. The findings, which rank these agencies according to the quality of the reporting, show need for significant improvement. To assist the Committee, I have appended a copy of that report to this testimony.

Another important principle to preserve is that reporting should focus on the outcomes achieved. When addressing the impact of this new interpretation of accountability, I always found it useful to think about outcomes (results) in the following framework: In theory at least, government’s activity serves only two purposes, the enhancement of an existing public good or the diminishing of a current or potential public evil. If government activity is not serving one or the other of these ends, then it should be terminated.

The application of this rather simple thought process should bring into sharp relief the desired outcome (benefit) of a particular program. It was clearly the intention of Congress and the Administration through the passage of GPRA to focus future judgment of success or failure of government programs on this concept of community benefit. It is therefore most appropriate in my view, Mr. Chairman, for your committee to undertake this review
to ensure that the House’s procedures do, indeed, focus scrutiny and decision-making on outcome assessments.

Prior to GPRA, there was a tendency for Government to “manage activities and hope for results.” Post GPRA, with open disclosure and transparency, it is possible for Congress to “choose to do only those programs that will produce results.” The power of this concept would dramatically change the impact of the oversight and review process of Congress.

If public confidence and respect for the procedures of government are to increase, we can expect that will only happen when there is clear evidence that the activities of government produce material benefit for communities. A positive step in this direction is provided by focusing accountability on measurable benefit to the public, as a result of government programs. For this process to win the confidence of the public and improve the quality of government performance, the scrutiny provided by Congress must be:

- robust,
- focused on results,
- committed to rewarding superior activity, and
- equally committed to punishing poor performance.

The above rationale exposes the first area this review process might consider: the linkage between the work of oversight and appropriation. In a theoretical model, the process of oversight might be considered a research function in which specific activities are
reviewed in depth. The knowledge acquired in this process would be passed on to the appropriators, who would use that knowledge along with other considerations to inform their decisions. This cooperative approach to House procedures would substantially enhance the reputation and respect for both Oversight and Appropriation functions.

The next area that might provide fertile ground for review by committees is consideration of whether a program addresses causal issues of a particular problem or whether the program addresses only the consequences of that problem. Around the world, the custom for many governments has been to enact law that gives immediate relief to an existing problem, e.g. feeding the hungry. This activity is meritorious in its own right, but only relieves the consequences of an existing problem. Consideration of such an issue should also invoke examination of the causal factors of hunger and seek the means to remove those causal factors, so that ultimately there are less hungry people to feed or (ideally) the problem is eliminated.

My somewhat clumsy illustration above is meant to focus attention on seeking solutions to problems rather than being satisfied with treatment of the consequences. With all new legislation, the empowering part of the Statute should clearly identify the particular problem it proposes to solve and what would be appropriate indicators of success. It may indeed have to deal with existing or developing consequences of the problem being addressed but it should also seek to provide lasting solutions. This requires clearly identifying the desired outcome in the legislation. Congress’s role in overseeing the effectiveness of government performance would certainly be reinforced by incorporating
a requirement for agencies to express progress towards goals as a measure of achievement.

Congress, when giving consideration to re-authorizing existing laws or programs, should examine the intent of the original legislation and ask the following questions.

- What progress has been made on this issue since the first enactment of this law?
- Does this law/program seek a clear outcome?
- What progress has been made on resolving that problem?
- Is this law/program appropriate to contemporary society?
- What detrimental effect would the removal of this law/program have on society?
- What changes need to be made to allow this law/program to successfully resolve the issue in question?
- When can we anticipate that we might be relieved of the need to support the consequences of this problem?

Having gathered this information, the committee should make its findings on the efficacy of the activities available to the public. For activities that are not accomplishing their goals or that lack clear goals, the Administration should be informed immediately and asked to provide solutions. Alternatively, Congress might decide to provide the solution itself. The point at issue here is that no program or activity should receive a new appropriation unless a clear goal is proposed with measures that will allow public assessment of the level of success of that activity.
Another area of consideration for the committee might be *the requirements to report* clauses of the GPRA Act. It is clear that the intent of the Act was to make the process and activities of government much more transparent. This transparency was intended to allow all the interested parties—Congress, special interests, media and the general public—to be informed about the results of government utilization of tax dollars. It would therefore be helpful to this process if committees were encouraged to place high transparency requirements on those agencies subject to their oversight.

Congress should consider establishing criteria that would encompass the following standards for reporting performance.

- That the report be readily available to all interested groups.
- That the format of the publication make it possible for everyone to readily make a quick and accurate assessment from reading the document of the performance of the agency.
- That the report identifies outcomes and describes progress towards those outcomes.
- That the report predict progress in the future, the barriers to that progress, and how those barriers might be removed.

Congress might consider its role similar to the stock exchange’s relationship with listed corporations and shareholders. In this case, Congress is the rule maker, agencies are the corporations and citizens are shareholders. The standard set by the “Stock Exchange” for annual reporting is extremely high and requires the utmost integrity and transparency.
Why, then, should government not be required to meet the same standard – given the compulsory nature of taxation?

Changing the law

Mr. Chairman, there may be some who would like to consider making changes to the GPRA. I would recommend caution. There is a false perception that the Act has been around for a long time. What must be taken into account is that while the Act was passed in 1993, Congress stipulated that it not take effect until the 1999 fiscal year. So in considering change, there is only one year’s experience upon which to base any decisions for change.

I feel quite strongly that the success of the Results Act is tied to its clear focus on one issue — accountability. It would be a mistake to encumber it with other issues in an attempt to make it a magic formula for all the ills of government.

If, however, changes are made, I would counsel in the following way:

- There could be some clarification around the requirements for Strategic Plans with more emphasis on outcomes expressed as measurable benefits to the public.
- The other area where some clarification would be appropriate is in the transparency and disclosure requirements. Some further emphasis on the “public right to know” principle could be advantageous.

Mr. Chairman, once again I thank you for the opportunity to present testimony to this committee on these far-reaching issues. I extend my congratulations to you, Sir, and to
the other members of the Committee on your visionary role in placing these forward-looking ideas under the spotlight. In my view, great good could come from this timely consideration.

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