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GEORGE MASON UNIVERSITY

**TESTIMONY**

From

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For

**Subcommittee on Government Efficiency, Financial  
Management and Intergovernmental Relations**

**Committee on Government Reform  
United States House of Representatives**

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On

**“The Results Act: Has It Met Congressional Expectations?”**

Mr. Chairman, I am honored to have been invited to testify before you on the status of progress towards the full implementation of The Government Performance and Results Act of 1993 (GPRA).

First, let me point out that when Congress passed GPRA in 1993, it called for full implementation by government agencies *six years later*; the first year of compliance throughout the government would be Fiscal Year 1999. Consequently, as of today, we

(Congress and the public) have received results information on only two fiscal years. The first year established the baseline. The second year tells us only if performance exceeded or fell short of the previous year. It is only when year three and subsequent years are added that trend lines will begin to appear.

I point this out because I frequently hear comments that the results Act is failing because it was passed in 1993 and there is little to show for the last eight years. This judgment is premature, since there are only two years of reports. Expectations of GPRA's effectiveness should keep in mind its actual length of service. Otherwise, a valuable tool for improved accountability will be damaged in the eyes of Congress and the public.

From my experience as a member of the government in my native country of New Zealand and from what I have seen so far in the United States government, GPRA is potentially the most powerful tool for bringing about productive change and meaningful accountability that has been introduced in the U.S. in the last 50 years.

Having made the plea for GPRA, I would like to address what I see as the current status in the evolution of GPRA: What should be the next steps, and how can the federal government – Congress and the Executive branch together – maximize the incentives GPRA is capable of producing?

### GPRA Today

There are four distinct stages to the implementation of this Act:

The first is the planning stage, carried out in 1997, which required the preparing of long term strategic plans for government agencies. The purpose here was to identify all government activity and identify the priority of each of those activities - hence the use of the word "strategic". Although goals were identified and included in the plans, the setting of strategic priorities has not as yet begun in earnest for most agencies.

The second stage is implementation – putting the strategic plan to work – which commenced with fiscal year 1999. The novelty of this stage is that for the first time agencies are required to measure the results of their efforts in terms of *outcomes*. Clearly, this measuring process has posed major challenges for many agencies, but gradually, meaningful results information is beginning to appear. I would estimate that it would probably be fiscal year 2005 before this process has matured to the point where quality outcome information is available across government.

The third stage is disclosure; it is at this point that the effectiveness of government activity in producing clear public benefits should become transparent. At the Mercatus Center at George Mason University, we have conducted an analysis in each of the two years reported to date. We decided to compare agencies' performance reports to each other, highlighting best and worst practices, because we believe the quality of the reporting and the completeness of the disclosure is crucial to the success of changing government accountability from accounting for money spent to accounting for public benefits produced. Our study ranks government organizations against each other based not on their performance but on the quality of the disclosure of the results of their performance. In the two years examined, there has been an appreciable improvement in the quality of disclosure. (Current report submitted for the record.)

The fourth stage is the utilization of the information produced by GPRA. Progress here has been disappointing. Unless the results information agencies produce is used to make future management and resource allocation decisions, then GPRA becomes only a paper exercise.

#### Congress and The Administration

The actions taken by these two bodies can create powerful incentives that could change the entire culture of government agencies. Congress and the Administration must demonstrate that results information will be a major influence in future decision-making.

The Administration must send a powerful message by explicitly considering performance information as they develop the government's budget. Congress should cite the prior fiscal year's results as major factors in appropriation decisions.

It is very encouraging to see that President Bush and the Office of Management and Budget Director Mitch Daniels are going to link performance to funding in the 2003 budget. This will have an immediate and profound effect on agencies. This single action should turn around the disappointing statistics revealed in the May 2001 GAO Survey of the use of performance information in decision-making in agencies. In my opinion, the limited use of performance information is due to the fact that there has been no consequence for either using or not using the information. With OMB's powerful incentives to maximize performance, all the aids to improved performance - including the use of performance information - are going to be used more extensively.

Congress now needs to address its strategy to hold agencies accountable for high performance. The work of authorizing and oversight committees could be used as research that informs appropriation committees, allowing them to pass a budget that constitutes the best possible allocation of resources. The goal would shift from an emphasis on appropriate spending, to maximizing the benefit to the public. This will complete the tight and visible connection between performance and appropriations.

### Removing Barriers

In order to carry out the theory above most effectively, a few housekeeping issues must be addressed. Our study of the annual reports of agencies has identified the lack of quality financial information on the costs of programmatic activity. While it seems that eventually, activity-based costing will become widespread throughout government, it is outcome-based costs that are most useful to political decision-makers. The cost per unit of success is possible to determine in many instances, and having this would serve the purposes discussed above until more sophisticated systems are in place. For example, it is possible to give a fairly accurate cost per person placed into work for employment

programs. FEMA is able to quote a benefit of \$2 saved for every \$1 spent on risk mitigation in disasters and other examples exist that allow at least some cost information to be used in the decision-making process.

### Accountability Processes

Traditionally Congress and the Administration has used an accountability process based upon assessing the performance of individual departments or agencies. We would recommend that in a results - oriented accountability environment, a better approach would be to select particular outcomes and then examine all activities designed to impact that outcome.

The purpose of this approach is that decision-making would then be advantaged by having results information on all activities impacting an outcome available to the decision maker – regardless of which agency delivered the program. The process of comparing programs across outcomes creates competition for what would appear to be a common pool of money, where the best would clearly get the major share of the resource. Such competition would create strong incentives to continually improve performance by discovering innovative and creative ways of maximizing program achievement. It is the absence of these incentives that is currently limiting progress in much of government.

Finally the ability to be able to make comparative assessments of different activities that address a common goal provides a unique new opportunity to assess opportunity costs. With the information on the various performance levels of different programs it is a relatively simple exercise to look at what level of public benefit could be produced if the existing resources were redeployed to the most effective programs. This exercise then tells decision-makers what the public benefit cost of the status quo allocation is.

In recent months at Mercatus Center we have developed a process that can be used equally effectively by Congress or the Administration to achieve the above results.

This process, which we call “Outcome - Based Scrutiny”, can easily be adapted to look at outcomes across many agencies or inside a single agency depending on the needs of the examiner.

I trust this testimony, Mr. Chairman, will be helpful to the Committee in its deliberations on the progress and potential of the Government Performance and Results Act.

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