Mr. Chairman, I am honored to present testimony before your committee on this issue. According to recent analysis by the GAO, the department (USDA) has a history of falling short in the same areas year after year. I would like to provide meaningful commentary on these management challenges, but to do so I need current, high quality, accurate information provided by USDA. Unfortunately, such information is not easily obtainable. That is a serious management issue in itself, because transparency and full disclosure are features normally found in high-performance organizations; they tend to reinforce one another.

Perhaps I can clarify this by asking, “What new incentives might be created that would influence USDA to master these challenges?” A study of the behavior of organizations shows that open disclosure of results serves as an incentive to master performance.
challenges. If this information is fully transparent to the public and affects future revenue streams, then the incentives to improve performance are even stronger.

The Government Performance and Results Act (GPRA) creates just such an incentive. Theoretically, Annual Performance Reports required by the Government Performance and Results Act should contain all the information Congress needs to assess the performance of a government organization. However, an examination of USDA’s FY 1999 report would not be very enlightening because at this stage, the department does not meet the test of full disclosure and transparency in its reporting. Therefore, it is avoiding one of the most important requirements of the GPRA.

This particular problem is not unique to USDA. At the Mercatus Center at George Mason University, my colleagues and I have been concerned about the quality of agencies’ performance reporting. Transparent disclosure of public benefits and agency outcomes allows Congress to accurately review performance and make informed decisions about future funding allocations. To help establish standards and expectations for reporting under GPRA, we conducted a study of the FY 1999 performance reports and published our findings in May of this year. Not surprisingly, in this very first effort, many agencies struggled with the task and the general quality of reporting was mediocre.

Congress’ introduction of this reporting requirement has two significant impacts. First, there is disclosure of the organization’s performance to the public, and the range of possible reactions that invites. Second, but less recognized, is the internal process of organizational review necessary to produce the performance information for the report. This process is important because it reveals to the organization its own strengths and weaknesses, and provokes strategies to address its shortcomings. Current analysis of USDA’s report indicates that it has not responded to the two incentives referred to above, as much of its data appears to process-oriented rather than outcome-oriented.

To use a private sector analogy, this process can be compared to preparation of an annual report of a publicly listed company. The administration acts as the board of directors, the department is the company, and you, the legislature, act on behalf of the owners: the American people. This process should not be a game of “hide and seek,” as you are entitled to full knowledge and full disclosure of the performance of the organization you own. In fact, you have an obligation to the shareholders, the American people, to assure them that this organization can deliver its outcomes before you reinvest shareholders’ money each year.

In the grading of departments’ first strategic plans (1997) by the House Majority Leader, Congressman Dick Armey, the USDA finished 17th out of 24 agencies. In the study of the same agencies’ first performance reports (for FY 1999) by the Mercatus Center in May, USDA ranked 22nd out of 24 agencies. Herein might lie a clue to the problems Agriculture is experiencing. If there is not a clear, commonly-held view of the “public good” produced by its programs, and measures that clearly reflect progress towards the
achievement of that “public good,” then it is almost impossible to have high quality managerial practices.

In order for management to make sound judgments on mission critical issues, there must be a clear view of the goal. Without the ability to accurately identify mission critical factors, prioritization of resources becomes, at best, a problematic affair. Typically, the response to such a situation is to assume that managerial problems can only be rectified by additional resources, rather than recognizing that reallocation of current resources to mission critical areas could begin to solve the problem.

I will now use a couple of strategic goals from USDA’s Annual Performance Report to pose questions that highlight strengths and weaknesses in the performance of this organization. I am going to take literally the information provided, and examine the claims and implications of the report. This exercise is designed to stress the importance of high quality outcome measures – one important component of responsible disclosure.

**Strategic Result Area**

**The Forest Service**

The Mission of the Forest Service is first and foremost a custodial one. They are charged with managing the nation’s forest estate in perpetuity for the best interests of the American people. As this is their primary responsibility, the first planning question they should ask is: What are the risks that might destroy the forest? Answer: Fire, high winds, disease, animals and excessive timber extraction. The next question should be: How can we diminish these risks? Answer: Lower the fire risk; improve wind filtration through the forest; control disease; remove damaging animals; control extraction inside sound ecological limits. The next question then is: Which of these risks currently has the highest probability? That risk has first call on resources.

In order to assess USDA’s progress towards the heart of their mission, the committee might ask USDA: How long have you been aware of the build up of fuel in the forest? Who did you tell of this increasing risk? What did you do to diminish that risk?

Note: It is not sufficient to presume that because an agency is active in a particular area that any improvement is a result of their involvement. Often there is improvement that cannot be attributed to the agency. Agencies need to prove that there is a causal link between their activity and the improved result.

**Strategic Result Area**

**Reduce Hunger and Ensure Food for the Hungry.**

The key indicator in this result area should be: By how much has hunger been reduced? The measures given should reflect how much each program was able to reduce hunger. Only when there is a clear cause and effect linkage is it possible to be effective in producing public benefits in these social policy areas. I know these are more difficult measures to develop, but the mission is to reduce hunger. Unless there are measures that
show a linkage between program activity and reduction in hunger, it is not acceptable to claim success.

In the area of nutrition, the only acceptable measure is how much nutritional levels were improved by program activity. Measuring the level of educative activity does not provide evidence that there is improvement to nutritional levels. It just presumes these educational programs provide benefit. A much more valuable measure would be to track a sample group of clients and measure nutritional improvement. That would make it possible to determine with much greater accuracy which programs produced the greatest benefits and concentrate resources on those programs.

Note: In this outcome area, it is important for Congress to be reasonably certain that the current mix of programs and the level of resource allocation to those programs will produce the greatest public benefit. In my view, the current data provided by USDA does not allow that judgment to be made with any certainty. Unless an agency like USDA can produce that quality information, it is almost impossible to meet the first test of good management: the organization’s resources are being allocated in the best possible way to maximize the public benefit.

Conclusions

In conducting this review of managerial performance at the USDA, the committee should first establish whether or not USDA is able to provide evidence of their progress towards various missions. Using their current annual report, it is impossible to make that judgment with certainty. This indicates a data problem that needs to be addressed. For example, when looking at their funds management programs, transfer payment or loans programs, there is a high emphasis on recoveries. That is an after-the-fact strategy and should only be a back up to the more important prevention strategy. Lowering or eliminating the error rate does not seem to be getting the same emphasis. To achieve significant improvement, USDA should devise a prevention strategy.

The information most useful to Congress is that which indicates success or failure of an agency in achieving required outcomes. USDA needs to do better in focusing on a particular outcome and choosing measures that reflect progress towards that goal. I would be the first to admit this is not easy; particularly where USDA has to work through second and third parties, and in many instances has little control over the outputs produced. However, that does not excuse the absence of outcome data from their performance report.

A useful tool in clearly defining the outcome is a very simple process of answering the following questions: What is the public evil being eliminated? What is the public good being enhanced? What measure would clearly show progress toward this goal? Good management then makes sure that all programs move that measure in the correct direction. Good congressional oversight ensures that funds are taken away from
ineffective programs and are reallocated to those programs that demonstrate progress toward appropriate outcomes. I hope that this information is useful to your committee in its oversight of USDA. Thank you for the opportunity to testify.

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