Written Testimony Of

Eileen Norcross, M.A.
Senior Research Fellow for the Government Accountability Project
The Mercatus Center at George Mason University

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Mr. Chairman and Members of the Subcommittee:

Thank you Chairman Coburn, Senator Carper, and Members of the Committee on Homeland Security and Governmental Affairs for inviting me to testify today on "Autopilot Budgeting: Will Congress Ever Respond to Government Performance Data?"

Our work in the Government Accountability Project at the Mercatus Center at George Mason University focuses closely on the use of performance information in government. I note that the views expressed in my testimony are not an official position of the University.

Before beginning I would like to submit for the record our paper on the results of the FY07 PART for your reference.

I.   The importance of performance information

According to the Office of Management and Budget the federal government has created over 1000 programs to address a range of policy issues from alleviating poverty to curing dreaded diseases and protecting the nation from attack. Some programs have been in existence for decades and spend billions of dollars towards achieving their goals.

In many cases we do not know if they are working.

A program is a tool to achieve a policy goal. Do economic development programs result in prosperous communities? Do job training programs lead to increased employment? Are homeland security programs protecting the nation from attack?

Unless Congress knows the answers to these questions, it cannot make informed decisions about how to spend resources. More importantly, Congress cannot accomplish its policy aims.

Without information on program performance, agencies cannot meet their missions and goals. The public is left in the dark about whether the government is solving the problems Congress has identified as important.

Not knowing has several consequences:

   a) Program duplication

   Over the years Congress has created hundreds of programs addressing a single outcome. There are anywhere between 180 and 342 programs dealing with economic development in over 24 agencies. There are 44

job training programs in nine agencies; 130 programs serving at-risk youth, and 72 safe water programs, to name a few. Program duplication on this scale implies that Congress isn't sure which programs are reaching their goals. It has no way of comparing programs with common outcomes.

b) Fewer Public Benefits

Not knowing whether a program is performing means possibly not reaching those who are supposed to benefit. The real cost of an under-performing job training program is not merely the amount of money spent on the program; it is the lost opportunity to spend those funds on programs that are working. It is the number of people left unemployed by ineffectively spent dollars.

c) A barrier to the agency

When programs are not required to produce performance information they cannot know if their activities meet the program's ultimate policy objective. Not evaluating programs on a regular basis means that the program's statute may be preventing the program from properly targeting grantees, or delivering results. Performance information permits dialog between Congress and agencies on common grounds and a common understanding of joint objectives.

II.   The state of performance information: PART and GPRA

Congress took the initiative in getting agencies to develop performance measures in 1993 when it passed the Government Performance and Results Act (GPRA) (P.L.103-62). GPRA requires that agencies produce three types of reports: strategic plans, annual performance plans, and annual reports on program performance.

The annual report is supposed to give the American people accurate, timely information and let them assess the extent to which agencies are producing tangible public benefits. GPRA has encouraged the development of performance measures and data. But it was not until the development of the Bush Administration's Program Assessment Rating Tool (PART), that real progress towards developing measures was made. Programs are now creating outcome measures because PART is holding them accountable for showing results.

Requiring the information is the first step. It helps agencies articulate goals. It identifies weaknesses in the statute or management of the program. It informs the Executive in making budget recommendations. Unless Congress uses performance information, attempts at holding programs accountable for results are merely a paper exercise.

<u>Has PART played a role in the President's proposed budget or in Congress?</u>
For two years in a row the president has issued a "Major Savings and Reform Report" to accompany the proposed budget.

For FY 2006, the president recommended that 154 programs be either terminated or reduced. Congress accepted 89 of the proposals partially, or in full, for a total savings of $6.5 billion.

Of the 99 programs recommended for termination, Congress agreed to terminate 24 of them; and reduce funding for 28.

Of the 55 programs proposed for reduction, Congress reduced funding for 37 of them.

Of the 154 programs, 54 were PARTed. The president's document indicates where PART played a role in the recommendation. Other factors were also taken into account: lack of a federal role, obsolescence, completion of mission, duplication with public or private efforts, policy priorities, and earmarking. The administration uses PART in conjunction with other information and does not limit itself to the evaluations. It does not automatically cancel programs with poor ratings; nor does it automatically reward satisfactory ones.

By contrast, Congress issued its own report on which programs it terminated in FY 2006. The "On Time and Under Budget" report from the House Committee on Appropriations lists 53 programs that were terminated. We could only identify three programs that were PARTed: Tech-Prep Education State Grants, Occupational and Employment Information, and Community Oriented Policing Services (COPS). We do not know if PART played a role in Congress's decisions to terminate these three programs**.**

The House Appropriation Committee report only offers explanations for three of its terminations: Jobs-in-the-Woods (obsolete or completed mission), National Youth Sports (activity performed by private sector), and U.S. Capitol Mounted Police (no clear benefit or need.)

We do not know why the remaining 50 were terminated. Were they underperformers, or politically easy choices?

It is useful to compare the two reports. In the Executive's we are given a rationale for each recommendation. The House report merely provides a list. Ultimately, the goal is not to randomly kill programs. The process of making judgments about how to fund activities should be constructive and based on solid evidence, not destructive. If programs managers do not know why their program had it funding reduced, then no one has learned anything.

Performance information is not about how to kill programs. It is about how to make them effective. We have a stake in knowing what works and what doesn't, and why. It is about delivering public benefits in a transparent manner, and ensuring that agencies know to what standards and expectations they are performing.

The only way to give Congress' budgetary decisions credibility is to base them, in part, or in full, on a reliable evaluation of their performance. Congress should use performance information in conjunction with other criteria: e.g., is there a federal role for the activity? Has the program completed its mission or become obsolete? Is this activity a national

priority? Does this program do the best job of addressing a particular problem versus similar programs across the government?

<u>Is PART that system?</u>

PART's methodology has been validly criticized. Assigning quantitative scores to groups of question and aggregating the percentages into a single qualitative score may not fully reflect the program's performance. To illustrate, The Screener Training program in the Department of Homeland Security received a rating of adequate. They received a 100% in both the purpose and design category and the planning category, and an 86% in the management category but only a 13% in the results and accountability category. An adequate rating on its face may indicate to the reader that this program is satisfactorily meeting the objective of training airport screeners. However, according to the results section, this program has not acquired sufficient information to evaluate its performance.

Improvements can and should be made to the methodology. What is most important about PART, however is that it asks Management 101 questions of agency activity.

For example:
- "Is the program purpose clear?"
- "Does the program address a specific and existing problem, interest, or need?"
- "Is the program designed so it is not redundant or duplicative of any Federal, state, local, or private effort?"

- "Is the program design free of major design flaws that would limit the program's effectiveness or efficiency?

- "Is the program effectively targeted so program resources reach the intended beneficiaries and/or otherwise address the program's purpose directly?"

- Has it demonstrated adequate progress towards its long-term outcome performance goals?

This kind of logical process of questioning agency activity needs to be continued. Congress should be asking these kinds of questions before allocating resources.

The questions are the substance of PART. The ratings are based on PART's methodology of quantifying the answers to these questions. Improvements can and should be made to the methodology, but we should not disregard the contribution PART is making to getting agencies to critically examine their activities through the lens of outcomes.

PART's virtues are:
1) It has identified and cataloged agency activities, giving us a common unit of analysis.
2) It is transparent and accessible to the public.
3) It is systematically conducted. PART holds all programs accountable to the same standards.
4) By asking Management 101 questions of program performance, PART focuses agencies on measuring outcomes, not outputs.

5) There is one notable strength of PART that is frequently cited as a weakness. PART rates programs on statutory limitations. This is a source of frustration for agencies that are bound to follow statute, even when the statute may be working against the ultimate goals of the program. Here PART has provided a service. It is identifying those aspects of programs that are barriers to success. Congress should take up the work of reviewing program statutes and continually ask if they are designed to achieve the intended aims of the program.

Some limitations and areas for improvement:

1) PART currently rates programs against their own historical performance. It has not advanced to the stage of being able to compare like activities. Though it is attempting to do so through cross-cutting analyses and by asking if the program's objectives are being addressed elsewhere.

2) As we see with the Screener Training program, in some cases, the measures don't fully capture program performance.

3) Different budget examiners may reach different conclusions viewing the same set of data.

Congress is not bound to use PART ratings. But by ignoring what PART is trying to advance, Congress is missing an opportunity to meet the goals of GPRA. The administration can only take the development and usage of performance information so far. Congress has a responsibility to both agencies and the public to provide clear justification for its budgetary decisions. A systematic evaluation of their performance gives credibility and reliability to the budget process.

III. Congress's Opportunity: Advancing GPRA

Recent legislative proposals indicate that Congress is aware of the importance of establishing a system for evaluating programs.

Learning from PART, Congress has an opportunity to implement its own process to systematically review programs, based upon a logical process of questioning programs and holding them accountable for outcomes.

In addition to requiring and paying attention to agency performance evaluations Congress needs to consider the following:

1) Where the statute is a barrier to performance, Congress must work to update and change the statute so programs are able to meet their objectives.

2) Congress should articulate clear expectations of programs in the statute, including specific outcome-based measures of progress.

3) Outcome Based Scrutiny: Congress should be able to compare like programs that serve the same policy goal and ask which are producing results, and which aren't.

There are a few proposals in Congress to codify the systematic review of programs and get Congress to use performance information.

The Federal Agency Performance Review and Sunset Act introduced by Representative Kevin Brady (R-TX) would allow the president to give a list of programs to a Congressionally established Sunset Commission to review. This Commission then gives its findings to the president with its recommendations. And the president replies with his comments on those findings.

Sunset Commissions give Congress the task of reviewing agency data, eliminating concerns of Executive political influence.

One area for improvement is that Sunset Commissions should consider evaluating government activity according to common outcomes across agencies, rather than reviewing the activities of discrete agencies.

For example: if the policy is to alleviate urban blight. What programs or tools across the federal government currently exist? Which ones work best at addressing the problem and achieving results? Where might we move resources towards investing in programs that are successful in eliminating blight?

A second piece of legislation being considered is offered by Representative Todd Platts (R-PA), The Program Assessment and Results Act (H.R. 185). This bill would rely on OMB to conduct assessments of agencies programs at least once every five fiscal years. The legislation would also ensure that review criteria take into account programs performing similar functions. The results of the assessments are to be submitted to Congress.

This legislation identifies the need for comparing like activities and would advance PART as it currently exists.

We believe both of these pieces of legislation are steps in the right direction each with positive aspects.

We do not believe Congress need adopt OMB's PART wholesale. We hope improvements can be made to the methodology. Or alternatively, that Congress might consider using the questions PART asks as the basis for developing its own method of reviewing government performance and use the data to help inform its decisions. It is not beyond Congress' reach to create and administer such a system, building upon the kinds of questions PART is asking.

Indiscriminant cancellation of programs discredits the process. We leave program managers confused about why their program failed. Programs need to deliver according to clear expectations. When they do not meet them, reduction in funding or termination should be the result. It should not be a surprise. They should be given the chance to prove their effectiveness. And we must also recognize that performance information is best used in conjunction with other criteria: lack of a federal role, low-performance, duplicative, completion of mission. All of these form the basis against which Congress should continually scrutinize agency activity. Efforts to advance what PART has set in motion can only aid Congress in the budget process and give confidence to the American people that the problems our nation has identified are being solved.