

GAO

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21<sup>ST</sup> CENTURY  
CHALLENGES

Performance Budgeting  
Could Help Promote  
Necessary Reexamination

Statement of David M. Walker  
Comptroller General of the United States





Highlights of [GAO-05-709T](#), a testimony before the Chairman, Subcommittee on Federal Financial Management, Government Information, and International Security, Committee on Homeland Security and Governmental Affairs, U.S. Senate

## Why GAO Did This Study

As part of its work to improve the management and performance of the federal government, GAO monitors progress and continuing challenges in performance budgeting and the Administration's related initiatives, such as the Program Assessment Rating Tool (PART). In light of the nation's long-term fiscal imbalance and other emerging 21<sup>st</sup> century challenges, we have also reported that performance budgeting can help facilitate a needed reexamination of what the federal government does, how it does it, who does it, and how it is financed in the future. GAO remains committed to working with Congress and the Administration to help address these important and complex issues.

## What GAO Recommends

GAO is not making new recommendations in this testimony. However, as we have reported, governmentwide strategic and performance plans could provide a framework for reexamining existing federal programs and policies. This could help decision makers articulate the role, goals, objectives, and effectiveness of the federal government. Obtaining congressional buy-in on what to measure is important given Congress's constitutional budgeting role. GAO has also suggested that Congress consider the need to develop a more systematic vehicle for communicating its top performance concerns.

[www.gao.gov/cgi-bin/getrpt?GAO-05-709T](http://www.gao.gov/cgi-bin/getrpt?GAO-05-709T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Paul L. Posner at (202) 512-9573 or [posnerp@gao.gov](mailto:posnerp@gao.gov).

# 21ST CENTURY CHALLENGES

## Performance Budgeting Could Help Promote Necessary Reexamination

### What GAO Found

The federal government is in a period of profound transition and faces an array of challenges and opportunities to enhance performance, ensure accountability, and position the nation for the future. A number of overarching trends—including the nation's long-term fiscal imbalance—drive the need to reexamine what the federal government does, how it does it, who does it, and how it gets financed. This will mean bringing a variety of tools and approaches to bear on the situation.

Performance budgeting holds promise as a means for facilitating a reexamination effort. It can help enhance the government's capacity to assess competing claims for federal dollars by arming decision makers with better information both on the results of individual programs as well as on entire portfolios of tools and programs addressing common goals. However, it is important to remember that in a political process, performance information should be one, but will not be the only, factor in decision making.

Existing performance budgeting efforts, such as PART, provide a means for facilitating a baseline review of certain federal policies, programs, functions, and activities. Successful application of these initiatives in this reexamination process rests on

- building a supply of credible and reliable performance information,
- encouraging demand for that information by garnering congressional buy-in on what is measured and how it is presented, and
- developing a comprehensive and crosscutting approach to assessing the performance of all major federal programs and policies encompassing spending, tax expenditures, and regulatory actions.

Through the President's Management Agenda and its related initiatives, including PART, the Administration has taken important steps in the right direction by calling attention to successes and needed improvements in federal management and performance. However, it is not clear that PART has had any significant impact on authorization, appropriations, and oversight activities to date. It will only be through the continued attention of the executive branch and Congress that progress can be accelerated and sustained. Such an effort can strengthen the budget process itself and provide a valuable tool to facilitate a fundamental reexamination of the base of government. We recognize that this process will not be easy. Furthermore, given the wide range of programs and issues covered, the process of rethinking government programs and activities could take a generation or more to complete.

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Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss performance budgeting and the Office of Management and Budget's (OMB) Program Assessment Rating Tool (PART).<sup>1</sup> Given current trends and challenges facing the nation—including the federal government's long-term fiscal imbalance—it is critical to reexamine the relevancy of federal programs and their fit with national priorities, while maximizing program performance within current and expected resource levels. The implementation of performance budgeting approaches can be an important step to help achieve this goal.

As Congress is well aware, our nation is currently on an unsustainable fiscal path. Long-term budget simulations by GAO,<sup>2</sup> the Congressional Budget Office (CBO), and others show that we face a large and growing long-term structural deficit due primarily to known demographic trends and rising health care costs. Continuing on this unsustainable fiscal path will gradually erode, if not suddenly damage, our economy, our standard of living, and ultimately our national security. All reasonable simulations indicate that the problem is too big to be solved by economic growth alone or by making modest changes to existing spending and tax policies. Rather, a fundamental reexamination of major spending and tax policies and priorities will be important to recapture our fiscal flexibility and ensure that our programs and priorities respond to key emerging social, economic, and security changes and challenges.

Performance budgeting holds promise as part of a process of reexamining the base of the federal government. It can help enhance the government's capacity to assess competing claims for federal dollars by arming decision makers with better information both on the results of individual programs as well as on entire portfolios of policies, programs, and other tools designed to address common goals. However, it is also important to remember that in a political process performance information is likely to be one, but not the only, factor in budgetary decision making. In other words, performance information can change the terms of debate but it will not necessarily determine the ultimate decision.

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<sup>1</sup>In this testimony, the term performance budgeting refers to any linkage between budgeting and expected or actual evidence-based performance information.

<sup>2</sup>For more information see GAO's Web site "Our Nation's Fiscal Outlook: The Federal Government's Long-Term Budget Imbalance," <http://www.gao.gov/special.pubs/longterm>.

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Existing performance budgeting efforts, such as the Government Performance and Results Act of 1993 (GPRA)<sup>3</sup> and PART, provide a foundation for a baseline review of existing federal policies, programs, functions, and activities. We recognize that this will not be easy. Reforming programs and activities leads to winners and losers, notwithstanding demonstrated shortfalls in performance and design. Given prior experiences and political realities, there is little real “low-hanging fruit” in the federal budget.

Today I will touch first on the need for a fundamental reexamination of government given our nation’s long-term fiscal challenge. Then I will turn to and discuss the important role of performance budgeting in any such reexamination. The successful application of performance budgeting in this reexamination process rests on

- continuing to build on the legacy of GPRA by improving the reliability and credibility of performance information and increasing program evaluation capacity;
- encouraging demand for that information by garnering stakeholder buy-in—particularly from Congress—on what to measure and how to present this information, since only then will it be linked to the congressional authorization, appropriations, and oversight processes; and
- developing a comprehensive, crosscutting approach to assessing the performance of all programs—including tax expenditures—relevant to common goals.

This testimony draws upon our wide-ranging work on GPRA and federal budget and performance integration and on information in the President’s *Budget of the U.S. Government, Fiscal Year 2006*, specifically the budget and performance integration initiative of the President’s Management Agenda (PMA). We conducted our work in accordance with generally accepted government auditing standards.

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<sup>3</sup>Pub. L. No. 103-62 (1993).

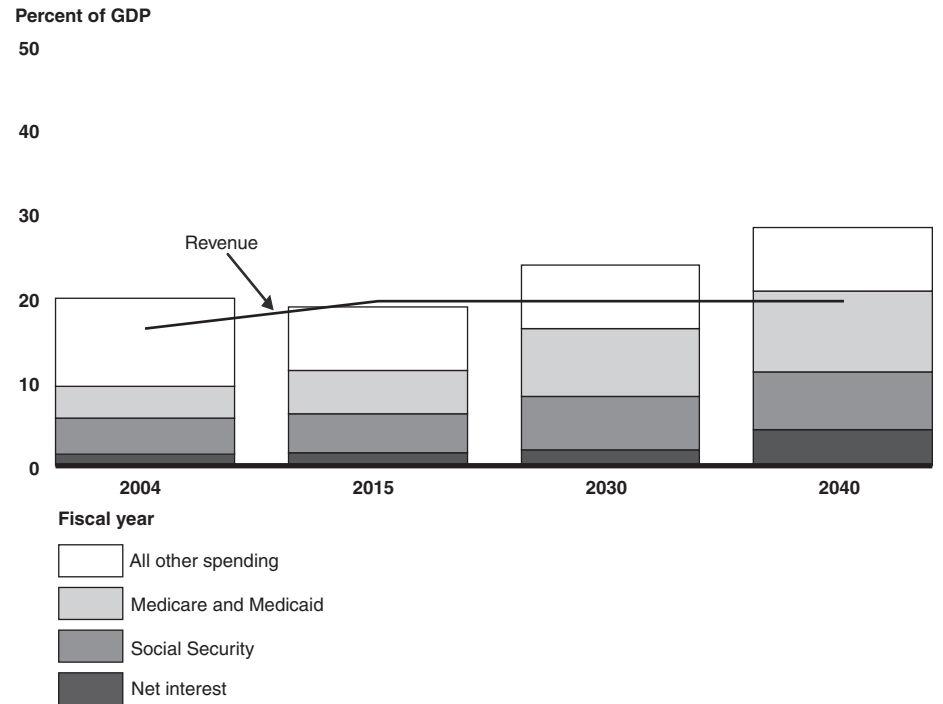
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## Long-term Fiscal Challenge Provides Reexamination Impetus

As I noted, known demographic trends and rising health care costs are major drivers of the nation's large and growing structural deficits. The nation cannot ignore this fiscal pressure—it is not a matter of whether the nation deals with the fiscal gap, but how and when. GAO's long-term budget simulations illustrate the magnitude of this fiscal challenge. Figures 1 and 2 show these simulations under two different sets of assumptions. Figure 1 uses the CBO January 2005 baseline through 2015. As required by law, that baseline assumes no changes in current law, that discretionary spending grows with inflation through 2015, and that all tax cuts currently scheduled to expire are permitted to expire. In Figure 2, two assumptions about that first 10 years are changed: (1) discretionary spending grows with the economy rather than with inflation and (2) all tax cuts currently scheduled to expire are made permanent. In both simulations discretionary spending is assumed to grow with the economy after 2015 and revenue is held constant as a share of Gross Domestic Product (GDP) at the 2015 level. Also in both simulations long-term Social Security and Medicare spending are based on the 2005 trustee's intermediate projections, and we assume that benefits continue to be paid in full after the trust funds are exhausted. Long-term Medicaid spending is based on CBO's December 2003 long-term projections under midrange assumptions.

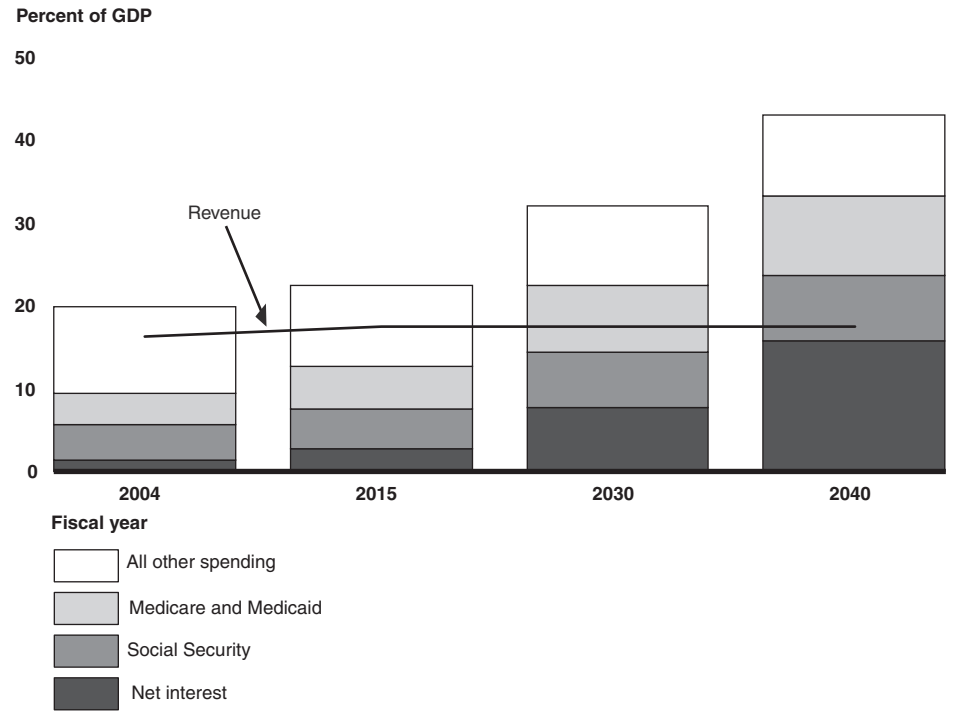
**Figure 1: Composition of Spending as a Share of GDP under Baseline Extended**



Source: GAO's March 2005 analysis.

Note: In addition to the expiration of tax cuts, revenue as a share of GDP increases through 2015 due to (1) real bracket creep, (2) more taxpayers becoming subject to the Alternative Minimum Tax (AMT), and (3) increased revenue from tax-deferred retirement accounts. After 2015, revenue as a share of GDP is held constant.

**Figure 2: Composition of Spending as a Share of GDP Assuming Discretionary Spending Grows with GDP after 2005 and All Expiring Tax Provisions Are Extended**



Source: GAO's March 2005 analysis.

Note: Although expiring tax provisions are extended, revenue as a share of GDP increases through 2015 due to (1) real bracket creep, (2) more taxpayers becoming subject to the AMT, and (3) increased revenue from tax-deferred retirement accounts. After 2015, revenue as a share of GDP is held constant.

As these simulations illustrate, absent policy changes on the spending and/or revenue side of the budget, the growth in spending on federal retirement and health entitlements will encumber an escalating share of the government's resources. Indeed, when we assume that recent tax reductions are made permanent and discretionary spending keeps pace with the economy, our long-term simulations suggest that by 2040 federal revenues may be adequate to pay little more than interest on the federal debt. Neither slowing the growth in discretionary spending nor allowing the tax provisions to expire—nor both together—would eliminate the imbalance. Although federal tax policies will likely be part of any debate about our fiscal future, making no changes to Social Security, Medicare, Medicaid, and other drivers of the long-term fiscal gap would require at

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least a doubling of federal taxes in the future—and that seems both unrealistic and inappropriate.

These challenges would be difficult enough if all we had to do is fund existing commitments. But as the nation continues to change in fundamental ways, a wide range of emerging needs and demands can be expected to compete for a share of the budget pie. Whether national security, transportation, education, or public health, a growing population will generate new claims for federal actions on both the spending and tax sides of the budget.

Although demographic shifts and rising health care costs drive the long-term fiscal outlook, they are not the only forces at work that require the federal government to rethink its role and entire approach to policy design, priorities, and management. Other important forces are working to reshape American society, our place in the world, and the role of the federal government. These include evolving defense and homeland security policies, increasing global interdependence, and advances in science and technology. In addition, the federal government increasingly relies on new networks and partnerships to achieve critical results and develop public policy, often including multiple federal agencies, domestic and international non- or quasi-government organizations, for-profit and not-for-profit contractors, and state and local governments. If government is to effectively address these trends, it cannot accept all of its existing programs, policies, and activities as “givens.” Many of our programs were designed decades ago to address earlier challenges. Outmoded commitments and operations constitute an encumbrance on the future that can erode the capacity of the nation to better align its government with the needs and demands of a changing world and society. Accordingly, reexamining the base of all major existing federal spending and tax programs, policies, and activities by reviewing their results and testing their continued relevance and relative priority for our changing society is an important step in the process of assuring fiscal responsibility and facilitating national renewal.<sup>4</sup>

A periodic reexamination offers the prospect of addressing emerging needs by weeding out programs and policies that are redundant, outdated, or

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<sup>4</sup>For more information on reexamination of federal programs, see GAO, *21<sup>st</sup> Century Challenges: Reexamining the Base of the Federal Government*, [GAO-05-325SP](#) (Washington, D.C.: February 2005).



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ineffective. Those programs and policies that remain relevant could be updated and modernized by improving their targeting and efficiency through such actions as redesigning allocation and cost-sharing provisions, consolidating facilities and programs, and streamlining and reengineering operations and processes. The tax policies and programs financing the federal budget can also be reviewed with an eye toward both the overall level of revenues that should be raised as well as the mix of taxes that are used.

We recognize that taking a hard look at existing programs and carefully reconsidering their goals and financing are challenging tasks. Reforming programs and activities leads to winners and losers, notwithstanding demonstrated shortfalls in performance and design. Moreover, given the wide range of programs and issues covered, the process of rethinking government programs and activities may take a generation to unfold.

We are convinced, however, that reexamining the base offers compelling opportunities to both redress our current and projected fiscal imbalance while better positioning government to meet the new challenges and opportunities of this new century. In this regard, the management and performance reforms enacted by Congress in the past 15 years have provided new tools to gain insight into the financial, program, and management performance of federal agencies and activities. The information being produced as a result can provide a strong basis to support the needed review, reassessment, and reprioritization process.

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## Current Performance Budgeting Initiatives Hold Promise for Reexamining the Base

While this kind of oversight and reexamination is never easy, it is helped by the availability of credible performance information focusing on the outcomes achieved with budgetary resources and other tools. Performance budgeting can help enhance the government's capacity to assess competing claims in the budget by arming budgetary decision makers with better information on the results of both individual programs as well as entire portfolios of tools and programs addressing common outcomes. To facilitate application of performance budgeting in reexamination, it is useful to understand the current landscape. Going forward, decision makers need a road map—grounded in lessons learned from past initiatives—that defines what successful performance budgeting would look like and identifies the key elements and potential pitfalls on the critical path to success. Central to this is an understanding of what is meant by success in performance budgeting and the key factors that influence that success.

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## Current Performance Budgeting Initiatives Are Grounded in Past Efforts

Performance budgeting efforts are not new at the federal level. In the 1990s, Congress and the executive branch drew on lessons learned from 50 years of efforts to link resources to results to lay out a statutory and management framework that provides the foundation for strengthening government performance and accountability. With GPRA as its centerpiece, these reforms also laid the foundation for performance budgeting by establishing infrastructures in the agencies to improve the supply of information on performance and costs. GPRA is designed to inform congressional and executive decision making by providing objective information on the effectiveness and efficiency of federal programs and spending. A key purpose of GPRA is to create closer and clearer links between the process of allocating scarce resources and the expected results to be achieved with those resources. Importantly, GPRA requires both a connection to the structures used in congressional budget presentations and consultation between the executive and legislative branches on agency strategic plans. Because these requirements are grounded in statute, this gives Congress an oversight stake in GPRA's success.<sup>5</sup> Over a decade after its enactment, GPRA has succeeded in expanding the supply of performance information and institutionalizing a culture of performance as well as providing a solid foundation for more recent budget and performance initiatives.<sup>6</sup> In part, this success can be attributed to the fact that GPRA melds the best features, and avoids the worst, of its predecessors.

Building on GPRA's foundation, the current administration has made the integration of performance and budget information one of five governmentwide management priorities under its PMA.<sup>7</sup> PART is central to

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<sup>5</sup>See Pub. L. No. 103-62 § 2, 5 U.S.C. § 306, and 31 U.S.C. §§ 1115-1116.

<sup>6</sup>GAO, *Results-Oriented Government: GPRA Has Established a Solid Foundation for Achieving Greater Results*, [GAO-04-38](#) (Washington, D.C.: Mar. 10, 2004).

<sup>7</sup>In addition to budget and performance integration, the other four priorities under PMA are strategic management of human capital, expanded electronic government, improved financial performance, and competitive sourcing.

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the Administration's budget and performance integration initiative.<sup>8</sup> OMB describes PART as a diagnostic tool meant to provide a consistent approach to assessing federal programs as part of the executive budget formulation process. It applies 25 questions to all "programs"<sup>9</sup> under four broad topics: (1) program purpose and design, (2) strategic planning, (3) program management, and (4) program results (i.e., whether a program is meeting its long-term and annual goals) as well as additional questions that are specific to one of seven mechanisms or approaches used to deliver the program.<sup>10</sup>

Drawing on available performance and evaluation information, the PART questionnaire attempts to determine the strengths and weaknesses of federal programs with a particular focus on individual program results and improving outcome measures. PART asks, for example, whether a program's long-term goals are specific, ambitious, and focused on outcomes, and whether annual goals demonstrate progress toward achieving long-term goals. It is designed to be evidence-based, drawing on a wide array of information, including authorizing legislation, GPRAs strategic plans and performance plans and reports, financial statements, inspector general and GAO reports, and independent program evaluations.

Since the fiscal year 2004 budget cycle, OMB has applied PART to 607 programs (about 60 percent of the federal budget) and given each program one of four overall ratings: (1) "effective," (2) "moderately effective," (3) "adequate," or (4) "ineffective" based on program design, strategic planning, management, and results. A fifth rating, "results not demonstrated," was given— independent of a program's numerical score—

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<sup>8</sup>For a detailed examination of PART, see GAO, *Performance Budgeting: Observations on the Use of OMB's Program Assessment Rating Tool for the Fiscal Year 2004 Budget*, GAO-04-174 (Washington, D.C.: Jan. 30, 2004). Another significant element of the performance and budget integration initiative is efforts to restructure budgets. See GAO, *Performance Budgeting: Efforts to Restructure Budgets to Better Align Resources with Performance*, GAO-05-117SP (Washington, D.C.: February 2005).

<sup>9</sup>There is no standard definition for the term "program." For purposes of PART, OMB described the unit of analysis (program) as (1) an activity or set of activities clearly recognized as a program by the public, OMB, and/or Congress; (2) having a discrete level of funding clearly associated with it; and (3) corresponding to the level at which budget decisions are made.

<sup>10</sup>The seven major categories are competitive grants, block/formula grants, capital assets and service acquisition programs, credit programs, regulatory-based programs, direct federal programs, and research and development programs.

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if OMB decided that a program's performance information, performance measures, or both were insufficient or inadequate. During the next 2 years, the Administration plans to assess all remaining executive branch programs with limited exceptions.<sup>11</sup>

As I testified before this subcommittee in April,<sup>12</sup> PMA and its related initiatives, including PART, demonstrate the Administration's commitment to improving federal management and performance. By calling attention to successes and needed improvements, the focus that these initiatives bring is certainly a step in the right direction, and our work shows that progress has been made in several important areas over the past several years. However, it is not clear that PART has had any significant impact on congressional authorization, appropriations, and oversight activities to date. In order for such efforts to hold appeal beyond the executive branch, developing credible performance information and garnering congressional buy-in on what to measure and how to present this information to them are critical. Otherwise, as some congressional subcommittees have noted, PART is unlikely to play a major role in the authorization, appropriations, and oversight processes.

Prior initiatives have left us with some lessons about how to build a sustainable approach to linking resources to results. Before I discuss those critical factors let me touch briefly on the importance of realistic expectations. I say this because previous management reforms have been doomed by inflated and unrealistic expectations. Performance budgeting can do a great deal: it can help policymakers address important questions such as whether programs are contributing to their stated goals, are well-coordinated with related initiatives at the federal level or elsewhere, and are targeted to the intended beneficiaries. However, it should not be expected to provide the answers to all resource allocation questions in some automatic or formula-driven process. Performance problems may well prompt budget cuts, program consolidations, or eliminations, but they may also inspire enhanced investments and reforms in program design and management if the program is deemed to be of sufficiently high priority to the nation. Conversely, even a program that is found to be exceeding its

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<sup>11</sup>The administration is considering alternative methods and timelines for assessment of programs with limited impact and large activities where it is difficult to determine an appropriate unit of analysis.

<sup>12</sup>GAO, *Management Reform: Assessing the President's Management Agenda*, GAO-05-574T (Washington, D.C.: Apr. 21, 2005).

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performance expectations can be a candidate for budgetary cuts if it is a lower priority than other competing claims in the process. The determination of priorities is a function of competing values and interests that may be informed by performance information but also reflects other factors, such as the overall budget situation, the state of the economy, security needs, equity considerations, unmet societal needs, and the appropriate role of the federal government in addressing any such needs.

Accordingly, we found that while PART scores for fiscal year 2004 were generally positively related to the Administration's proposed funding changes in discretionary programs, the scores did not automatically determine funding changes. That is, for some programs rated "effective" or "moderately effective" OMB recommended funding decreases, while for several programs judged to be "ineffective" OMB recommended additional funding in the President's budget request with which to implement changes.<sup>13</sup> As we have noted, success in performance budgeting should not be defined only by its impact on funding decisions but also on the extent to which it helps inform Congress and executive branch policy decisions and improve program management.<sup>14</sup> In this regard, for the fiscal year 2004 PART assessments we reported that over 80 percent of the PART recommendations focused on improving program management, assessment, and design; less than 20 percent related to funding.<sup>15</sup>

We also reported that OMB's ability to use PART to identify and address future program improvements and measure progress—a major purpose of PART—is predicated on its ability to oversee the implementation of PART recommendations. At the request of the Chairman of the House Subcommittee on Government Management, Finance, and Accountability, Committee on Government Reform, we are currently conducting a review of (1) OMB's and agencies' perspectives on the effects PART recommendations are having on agency operations and results and issues encountered in responding to PART recommendations; (2) OMB's leadership and direction in ensuring an integrated, complementary relationship between PART and GPRA, including how OMB is assessing performance when multiple programs or agencies are involved in meeting

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<sup>13</sup>GAO-04-174, 14.

<sup>14</sup>GAO, *The Government Performance and Results Act: 1997 Governmentwide Implementation Will Be Uneven*, [GAO/GGD-97-109](#) (Washington, D.C.: June 2, 1997), 90.

<sup>15</sup>GAO-04-174, 12.

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goals and objectives; and (3) steps OMB has taken to involve Congress in the PART process.

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## Achieving Success in Performance Budgeting Requires Credible Information, Congressional “Buy-in,” and a Comprehensive and Crosscutting Perspective

Let me now turn to three factors we believe are critical to sustaining successful performance budgeting over time:

1. building a supply of credible performance information,
2. encouraging demand for that information and its use in congressional processes by garnering stakeholder buy-in, and
3. taking a comprehensive and crosscutting approach to assessing related programs and policies.

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## Having a Supply of Credible Performance Information

The credibility of performance information, including related cost data, and the ability of federal agencies to produce credible evaluations of their programs’ effectiveness are key to the success of performance budgeting. As I testified before this subcommittee in April, this type of information is critical for effective performance measurement to support decisions in areas ranging from program efficiency and effectiveness to sourcing and contract management. To be effective, this information must not only be timely and reliable, but also both useful and used. Agencies are expected to implement integrated financial and performance management systems that routinely produce information that is (1) timely—to measure and affect performance, (2) useful—to make more informed operational and investing decisions, and (3) reliable—to ensure consistent and comparable trend analysis over time and to facilitate better performance measurement and decision making. Producing timely, useful, and reliable information is critical for achieving the goals that Congress established in GPRA, the Chief Financial Officers (CFO) Act of 1990,<sup>16</sup> and other federal financial management reform legislation.

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<sup>16</sup>Pub. L. No. 101-576 (1990).

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Unfortunately, as our work on PART and GPRA implementation shows, the credibility of performance data has been a long-standing weakness.<sup>17</sup> Likewise, our work has noted limitations in the quality of agency evaluation information and in agency capacity to produce rigorous evaluations of program effectiveness. We have previously reported that agencies have had difficulty assessing many program outcomes that are not quickly achieved or readily observed and contributions to outcomes that are only partly influenced by federal funds.<sup>18</sup> Furthermore, our work has shown that few agencies deployed the rigorous research methods required to attribute changes in underlying outcomes to program activities.<sup>19</sup> Our 2003 review of agencies' evaluation capacity identified four main elements that can be used to develop and improve evaluation efforts. They are (1) an evaluation culture, (2) data quality, (3) analytic expertise, and (4) collaborative partnerships.<sup>20</sup>

OMB, through its development and use of PART, has provided agencies with a powerful incentive for improving data quality and availability. Agencies may make greater investments in improving their capacity to produce and procure quality information if agency program managers perceive that program performance and evaluation data will be used to make actual resource decisions throughout the resource allocation process and can help them get better results.

Improvements in the quality of performance data and the capacity of federal agencies to perform program evaluations will require sustained commitment and investment of resources. Over the longer term, failing to discover and correct performance problems can be much more costly. More importantly, it is critical that budgetary investments in this area be viewed as part of a broader initiative to improve the accountability and management capacity of federal agencies and programs.

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<sup>17</sup>GAO has suggested various approaches to addressing this and other challenges. See [GAO/GGD-97-109](#) and [GAO-04-38](#).

<sup>18</sup>GAO, *Performance Budgeting: Opportunities and Challenges*, [GAO-02-1106T](#) (Washington, D.C.: Sept. 19, 2002).

<sup>19</sup>GAO, *Program Evaluation: Agencies Challenged by New Demand for Information on Program Results*, [GAO/GGD-98-53](#) (Washington, D.C.: Apr. 24, 1998).

<sup>20</sup>GAO, *Program Evaluation: An Evaluation Culture and Collaborative Partnerships Help Build Agency Capacity*, [GAO-03-454](#) (Washington, D.C.: May 2, 2003).

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## Obtaining Congressional Buy-in

Federal performance and accountability reforms have given much attention to increasing the supply of performance information over the past several decades. However, improving the supply of performance information is in and of itself insufficient to sustain performance management and achieve real improvements in management and program results. Rather, it needs to be accompanied by a demand for and use of that information by decision makers and managers alike. Key stakeholder outreach and involvement is critical to building demand and, therefore, success in performance budgeting.

Lack of consensus by a community of interested parties on goals and measures and the way that they are presented can detract from the credibility of performance information and, subsequently, its use. Fifty years of past executive branch efforts to link resources with results have shown that any successful effort must involve Congress as a full partner. We have previously reported that past performance budgeting initiatives faltered in large part because they intentionally attempted to develop performance plans and measures in isolation from the congressional authorization, appropriations, and oversight processes.<sup>21</sup> While congressional buy-in is critical to sustain any major management initiative, it is especially important for performance budgeting given Congress's constitutional role in setting national priorities and allocating the resources to achieve them.

Obtaining buy-in on goals and measures from a community of interested parties is critical to facilitating use of performance information in resource allocation decisions. PART was designed for and is used in the executive branch budget preparation and review process; as such, the goals and measures used in PART must meet OMB's needs. However, the current statutory framework for strategic planning and reporting is GPRA—a broader process involving the development of strategic and performance goals and objectives to be reported in strategic and annual plans. OMB's desire to collect performance data that better align with budget decision units means that the fiscal year 2004 PART process became a parallel competing structure to the GPRA framework. Although OMB acknowledges that GPRA was the starting point for PART, the emphasis is shifting. Over time, as the performance measures developed for PART are

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<sup>21</sup>GAO, *Performance Budgeting: Past Initiatives Offer Insights for GPRA Implementation*, GAO/AIMD-97-46 (Washington, D.C.: Mar. 27, 1997).



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used in the executive budget process, these measures may come to drive agencies' strategic planning processes.

Opportunities exist to strengthen PART's integration with the broader GPRA planning process. Some tension about the amount of stakeholder involvement in the internal deliberations surrounding the development of PART measures and the broader consultations more common to the GPRA strategic planning process is inevitable. Compared to the relatively open-ended GPRA process, any budget formulation process is likely to seem closed. However, if PART is to be accepted as other than one element in the development of the President's budget proposal, congressional understanding and acceptance of the tool and its analysis will be critical.

As part of the executive branch budget formulation process, PART must clearly serve the President's interests. However, measures developed solely by the executive branch for the purposes of executive budget formulation may discourage their use in other processes, such as internal agency management and the congressional budget process, especially if measures that serve these other processes are eliminated through the PART process. PART's focus on outcome measures may ignore stakeholders' needs for other types of measures, such as output and workload information. Our recent work examining performance budgeting efforts at both the state and federal levels revealed that appropriations committees consider workload and output measures important for making resource allocation decisions.<sup>22</sup> Workload and output measures lend themselves to the budget process because workload measures, in combination with cost-per-unit information, can be used to help develop appropriation levels and legislators can more easily relate output information to a funding level to help define or support a desired level of service. Like PART, GPRA states a preference for outcome measures. However, in practice, GPRA also recognizes the need to develop a range of measures, including output and process measures. Since different stakeholders have different needs and no one set of goals and measures can serve all purposes, PART can and should complement GPRA but should not replace it.

Moreover, as we have previously reported, several appropriations subcommittees have cited the need to link PART with congressional

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<sup>22</sup>See GAO, *Performance Budgeting: States' Experiences Can Inform Federal Efforts*, [GAO-05-215](#) (Washington, D.C.: Feb. 28, 2005) and [GAO-05-117SP](#).

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oversight.<sup>23</sup> For example, the House Report accompanying the Transportation and Treasury Appropriations Bill for fiscal year 2004 included a statement in support of PART, but noted that the Administration's efforts must be linked with the oversight of Congress to maximize the utility of the PART process, and that if the Administration treats as privileged or confidential the details of its rating process, it is less likely that Congress will use those results in deciding which programs to fund.<sup>24</sup> Moreover, the subcommittee said it expects OMB to involve the House and Senate Committees on Appropriations in the development of the PART ratings at all stages in the process.

In our January 2004 report on PART,<sup>25</sup> we suggested steps for both OMB and Congress to take to strengthen the dialogue between executive branch officials and key congressional stakeholders, and OMB generally agreed. We recommended that OMB reach out to key congressional committees early in the PART selection process to gain insight about which program areas and performance issues congressional officials consider warrant PART review. Engaging Congress early in the process may help target reviews with an eye toward those areas most likely to be on the agenda of Congress, thereby better ensuring the use of performance assessments in resource allocation processes throughout government.

The importance of getting buy-in for successful performance budgeting can be seen in the experience of OMB's recent efforts to restructure budget accounts.<sup>26</sup> While OMB staff and agency officials credited budget restructuring with supporting results-oriented management, the budget changes did not meet the needs of some congressional appropriations committees. While congressional appropriations subcommittee staff expressed general support for budget and performance integration, they objected to changes that substituted rather than supplemented information traditionally used for appropriations and oversight purposes. As we said in our February 2005 report on this issue,<sup>27</sup> the greatest challenge of budget restructuring may be discovering ways to reflect both the broader planning

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<sup>23</sup>[GAO-04-174](#).

<sup>24</sup>H.R. Rep. No. 108-243, pp. 168-69 (2003).

<sup>25</sup>[GAO-04-174](#).

<sup>26</sup>For more information on this effort, see [GAO-05-117SP](#).

<sup>27</sup>[GAO-05-117SP](#).

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perspective that can add value to budget deliberations and foster accountability in ways that Congress considers appropriate for meeting its authorizing, appropriations, and oversight objectives.

Going forward, infusing a performance perspective into budget decisions may only be achieved when the underlying information becomes more credible, accepted, and used by all major decision makers. Thus, Congress must be considered a full partner in any efforts to infuse a performance budget perspective into budget structure and budget deliberations. In due course, once the goals and underlying data become more compelling and used by Congress, budget restructuring may become a more compelling tool to advance budget and performance integration.

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## Reexamination Requires a Crosscutting Perspective

While existing performance budgeting initiatives provide a foundation for a baseline review of federal policies, programs, functions, and activities, several changes are in order to support the type of reexamination needed. For example, PART focuses on individual programs, but key outcome-oriented performance goals—ranging from low income housing to food safety to counterterrorism—are addressed by a wide range of discretionary, entitlement, tax, and regulatory approaches that cut across a number of agencies. While PART's program-by-program approach fits with OMB's agency-by-agency budget reviews, it is not well suited to addressing crosscutting issues or to looking at broad program areas in which several programs address a common goal.

The evaluation of programs in isolation may be revealing, but a broader perspective is necessary for an effective overall reexamination effort. It is often critical to understand how each program fits with a broader portfolio of tools and strategies—such as regulations, direct loans, and tax expenditures—to accomplish federal missions and performance goals. Such an analysis is necessary to capture whether a program complements and supports other related programs, whether it is duplicative and redundant, or whether it actually works at cross-purposes to other initiatives. OMB reported on a few crosscutting PART assessments in the fiscal year 2006 budget and plans to conduct additional crosscutting reviews in 2005. However, we would urge a more comprehensive and consistent approach to evaluating all programs relevant to common goals.

Such an approach would require assessing the performance of all programs related to a particular goal—including tax expenditures and regulatory programs—using a common framework. Our federal tax system includes

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hundreds of billions of dollars of annual expenditures—the same order of magnitude as total discretionary spending. Yet relatively little is known about the effectiveness of tax incentives in achieving the objectives intended by Congress. PART, OMB’s current framework for assessing the performance of federal programs, has not been applied to tax expenditures. Assessing complete portfolios of tools related to key outcome-oriented goals is absolutely critical to the type of reexamination needed. The governmentwide performance plan required by GPRA could help address this issue.

GPRA requires the President to include in his annual budget submission a federal government performance plan. Congress intended that this plan provide a “single cohesive picture of the annual performance goals for the fiscal year.”<sup>28</sup> The governmentwide performance plan could help Congress and the executive branch address critical federal performance and management issues, including redundancy and other inefficiencies in how we do business. It could also provide a framework for any restructuring efforts. Unfortunately, this provision has not been fully implemented. Instead, OMB has used the President’s budget to present high-level information about agencies and certain program performance issues. The agency-by-agency focus of the budget does not provide the integrated perspective of government performance envisioned by GPRA.

If the governmentwide performance plan were fully implemented, it could also provide a framework for congressional oversight and other activities. In that regard, we have also suggested that Congress consider the need to develop a more systematic vehicle for communicating its top performance concerns and priorities; develop a more structured oversight agenda to prompt a more coordinated congressional perspective on crosscutting performance issues; and use this agenda to inform its authorization, appropriations, and oversight processes. One possible approach would involve developing a congressional performance resolution identifying the key oversight and performance goals that Congress wishes to set for its own committees and for the government as a whole. Such a resolution could be developed by modifying the current congressional budget resolution, which is already organized by budget function. Initially, this may involve collecting the “views and estimates” of authorization and appropriations committees on priority performance issues for programs under their jurisdiction and working with such crosscutting committees as

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<sup>28</sup>S. Rep. No. 103-58, p. 27 (1993).

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this committee, the House Committee on Government Reform, and the House Committee on Rules.

In addition, we have previously recommended that Congress consider amending GPRA to require the President to develop a governmentwide strategic plan to provide a framework to identify long-term goals and strategies to address issues that cut across federal agencies.<sup>29</sup> A strategic plan for the federal government, supported by key national outcome-based indicators to assess the government's performance, position, and progress, could be a valuable tool for governmentwide reexamination of existing programs, as well as proposals for new programs. Developing a strategic plan can help clarify priorities and unify stakeholders in the pursuit of shared goals. Therefore, developing a strategic plan for the federal government would be an important first step in articulating the role, goals, and objectives of the federal government. If fully developed, a governmentwide strategic plan can potentially provide a cohesive perspective on the long-term goals of the federal government and provide a much-needed basis for fully integrating, rather than merely coordinating, a wide array of federal activities. The development of a set of key national indicators could be used as a basis to inform the development of governmentwide strategic and annual performance plans. The indicators could also link to and provide information to support outcome-oriented goals and objectives in agency-level strategic and annual performance plans. Successful strategic planning requires the involvement of key stakeholders. Thus, it could serve as a mechanism for building consensus. Further, it could provide a vehicle for the President to articulate long-term goals and a road map for achieving them. In addition, a strategic plan can provide a more comprehensive framework for considering organizational changes and making resource decisions.

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## Concluding Observations

The federal government is in a period of profound transition and faces an array of challenges and opportunities to enhance performance, ensure accountability, and position the nation for the future. In addition to the serious long-term fiscal challenges facing the nation, a number of overarching trends, such as defense and homeland security policies, increasing global interdependence, and advances in science and technology, drive the need to reconsider the proper role for the federal

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<sup>29</sup>GAO-04-38.

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government in the 21<sup>st</sup> century, including what it does, how it does it, who does it, and how it gets financed. This will mean bringing a variety of tools and approaches to bear. In our February 2005 report on 21<sup>st</sup> century challenges, we outline a number of approaches that could facilitate a reexamination effort.<sup>30</sup> Today, I've discussed several of these, as well as some additional steps that I believe are necessary for an effective reexamination effort.

Much is at stake in the development of a collaborative performance budgeting process. This is an opportune time for the executive branch and Congress to consider and discuss how agencies and committees can best take advantage of and leverage the new information and perspectives coming from the reform agenda under way in the executive branch. Through PMA and its related initiatives, including PART, the Administration has taken important steps in the right direction by calling attention to successes and needed improvements in federal management and performance. Some program improvements can come solely through executive branch action, but for PART to meet its full potential the assessments it generates must also be meaningful to and used by Congress and other stakeholders.

Successful integration of inherently separate but interrelated strategic planning and performance budgeting processes is predicated on (1) ensuring that the growing supply of performance information is credible, useful, reliable, and used (2) increasing the demand for this information by developing goals and measures relevant to the large and diverse community of stakeholders in the federal budget and planning processes, and (3) taking a comprehensive and crosscutting approach. It will only be through the continued attention of the executive branch and Congress that progress can be sustained and, more importantly, accelerated. This effort can both strengthen the budget process itself and provide a valuable tool to facilitate a fundamental reexamination of the base of government. We recognize that this process will not be easy. Given the wide range of programs and issues covered, the process of rethinking the full range of federal government programs, policies, and activities could take a generation or more to complete. Regardless of the specific combination of reexamination approaches adopted, success will require not only the factors listed above but also sustained leadership throughout the many stages of the policy process. In addition, for comprehensive

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<sup>30</sup>GAO-05-325SP, 82-7.

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reexamination of government programs and policies, clear and transparent processes for engaging the broader public in the debate are also needed.

Mr. Chairman, this concludes my prepared statement. I would be pleased to answer any questions you or the other Members of the Subcommittee may have at this time.

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