MAKING GOVERNMENT MORE EFFECTIVE

The Federal Government has a responsibility to ensure that taxpayers' money is spent wisely on priority needs. The 2006 Budget emphasizes the goal of achieving the results the American people expect at a reasonable cost. This effort is critical to implementing President Bush's aggressive plan to halve the deficit by 2009. Achieving this plan will require continued pro-growth economic policies and sound spending restraint. Throughout the 2006 Budget, the Administration maintains that focus.

Spending restraint can take many forms. Rather than achieve fiscal discipline by cutting programs across the board, this Administration has employed a strategic approach that emphasizes results and efficiency.

To make the Federal Government more effective, the Administration is working to:

- Control spending and be a good steward of taxpayer dollars;
- Set clear goals and achieve them;
- Accomplish more with less;
- Focus Federal resources on programs that work; and
- Bring reform to entitlement programs.

Since taking office, the President has addressed these important aspects of a more effective Government. His Budgets have dramatically reduced the growth in discretionary spending for non-security programs. This year's Budget calls for a reduction in that category of spending. With the President's Management Agenda, the Administration has made good management a priority throughout the Federal Government. The President initiated Medicare reforms, and will be proposing significant reforms of our Social Security system this year. Through sustained and dedicated effort, the Federal Government is showing that it can respond to the pressing needs of the Nation, while remaining responsible with taxpayer dollars.

ACHIEVING RESULTS

The President is committed to disciplined spending and ensuring Federal funds achieve the best results for the American people. Throughout the Budget, there are proposals to eliminate or reduce spending for programs that are not producing results, to limit long-term spending growth, and to reform programs to achieve better results.

Some examples of these budgetary proposals include:

Better high school intervention programs. To provide funding for States under a High School Intervention Initiative, the Administration proposes to consolidate narrow-purpose programs, most of which have not proven effective in improving our secondary students' academic achievement or ability to obtain a job. The President's new High School Intervention Initiative will provide $1.2 billion to help States implement a high school accountability framework and a wide range of effective interventions. In return for a commitment to improve academic achievement and graduation rates for secondary school students, States will receive the flexibility to choose which intervention strategies will be most effective in serving the needs of their at-risk high school students.

Better management of student loan programs to maximize Pell Grants. The Budget proposes a comprehensive package of reforms to make the student loan programs more efficient and more cost effective. These reforms will link subsidy payments to lenders and guaranty agencies more closely to their costs and modify interest rates for borrowers who are no longer in school and who have consolidated their loans. The Budget achieves $34 billion in savings over 10 years by reducing unnecessary subsidies and payments to lenders, guaranty agencies, and loan consolidators, and by placing a larger share of the loan risks on lenders. A portion of these savings will be used to increase the Pell Grant maximum award by $500 over a five-year period, pay off the current $4.3 billion Pell shortfall, improve benefits to students in school by increasing loan limits for first-year students, and extend the current favorable interest rate framework, while still reducing overall costs to the taxpayer.

Better programs to enhance community economic development. The Budget creates a new economic development program within the Department of Commerce, called the Strengthening America's Communities Grant Program. The President's proposal replaces the current duplicative set of Federal community and economic development programs spread throughout multiple agencies with a more consolidated approach that focuses resources on the creation of jobs and opportunities, encourages private sector investment, and includes rigorous accountability measures and incentives. This Program is a targeted, results-oriented approach that will encourage innovation and economic opportunity. And by streamlining the delivery of Federal economic development programs, taxpayers will see administrative savings. The President's Budget includes $3.7 billion for the Strengthening America's Communities Grant Program to provide economically distressed communities with a source of funding for planning, infrastructure development, and business financing to achieve long-term economic stability and growth.

Better job training programs. The Budget merges the Department of Labor's four major Federal job training and employment grant programs into a single $4 billion grant program and allows Governors to supplement this consolidated grant with their State's resources from a menu of several other Federal job training and employment programs. This proposal would establish increasingly rigorous performance standards each year, leading to a goal in the tenth year that States place in employment 100 percent of the workers trained with grant resources. To ensure that individuals are placed in high-quality jobs, States would also be required to show improvements in earnings and job retention. States' performance would be ranked and published each year. These reforms, along with the President's $250 million Community College job training initiative, will result in the training of 400,000 workers—twice as many as are trained under the current system.

Better research programs benefiting commerce. The Budget proposes termination of the Advanced Technology Program (ATP) at the Department of Commerce. This proposal is consistent with the 2005 Consolidated Appropriations Act, which did not provide funding for new awards from ATP. Other initiatives, such as those at the National Institute of Standards and Technology and the extension of the research and experimentation tax credit, are more effective in supporting needed research and technological development for U.S.-based businesses, American workers, and the domestic economy.

MANAGING FOR RESULTS

Government should always strive to serve the people with the best programs while making the most efficient use of public tax dollars. Launched in August 2001, the President's Management Agenda (PMA) set out to strengthen management practices and foster accountability so that Government managers and their employees could better focus on and produce results. Federal managers now routinely ask themselves if the programs they manage are achieving results at a reasonable cost. If the answer is "no" or "we don't know," managers find out what the problem is and work to fix it. If the answer is "yes," they pursue ways to increase efficiency by replicating their success in new areas. The

Administration's efforts to improve Government effectiveness and efficiency will allow Departments and agencies to serve the American people better and with fewer resources. In each area of the PMA, the Administration has established markers of success and goals for future progress.

Strategic Management of Human Capital

The Strategic Management of Human Capital Initiative of the PMA helps agencies ensure they have high-performing employees with the right skills at the right time. Through this initiative, agencies are identifying the critical skills their employees need to fulfill the agency's mission. The agencies then work to close any gaps through directed hiring and training. This effort is driving agencies to improve performance appraisal systems to distinguish accurately among different levels of performance. These updated appraisal systems also make clear how each employee's contributions affect the agency's overall effectiveness. Managers are responsible for making performance expectations clear to each employee.

While the Human Capital Initiative is helping agencies establish strong management practices, the Federal Government needs additional tools if it is to make the greatest use of its personnel. The Departments of Homeland Security (DHS) and Defense (DOD) are currently developing and implementing modern systems that provide flexibility to compensate personnel appropriately given the nature of their contributions and performance, as well as quickly hire personnel with needed skills. These flexibilities are critical for DHS and DOD because these agencies must anticipate and respond quickly to the Nation's changing needs. It is also important that these flexibilities be granted to all agencies so that they can make the greatest use of their personnel to achieve their own important missions. The Administration will be working this year to extend similar personnel reforms to other Federal agencies.

To help taxpayers get their money's worth, the Administration should reward employee performance based on contributions to the accomplishment of agency missions and goals. The improvements in the performance appraisal systems—better distinguishing among different levels of performance, tying individual performance to organizational goals, and training managers to make clear to employees their expectations and give constructive feedback—are establishing the foundation for performance-based pay. The Administration is currently implementing a system in which pay is more closely linked to performance for members of the Senior Executive Service, the top executive cadre of the Federal Government. Tying pay to performance instead of longevity will yield improved results.

Competitive Sourcing

Competitive sourcing through public-private competition is helping agencies become more results-oriented and effective. Through competition with private providers, Federal employees who perform commercial activities are given the opportunity to develop plans for restructuring their organizations to optimize efficiency and eliminate waste. And private contractors have the chance to offer new and innovative solutions to meet the pressing needs of the Federal Government. These efforts have accelerated the implementation of long-overdue reengineering efforts and cost-savings measures, and have produced impressive results.

Competitions completed in 2003 and 2004 will save taxpayers more than $2.5 billion over the next five years. Most of the cost savings associated with competitive sourcing comes without the need for large scale reductions in Federal employment.

DOD projects cost savings of more than $6 billion as a result of competitions completed between 2001 and 2006. These reductions are enabling the Department to focus its resources on core activities.

Competition at the Internal Revenue Service (IRS) has triggered transformational changes at centers that process tax returns and those that inventory and warehouse forms and publications. In-house personnel will continue to provide these services, but under restructured organizations that are expected to save IRS more than $185 million over a five-year period.

These results confirm that competitive sourcing is a critical tool that can help agencies improve performance while reducing costs by 10 to 40 percent. The Administration will continue to work with the Congress to remove legislative restrictions on competitive sourcing so that all Federal agencies have full use of this important management tool.

Improved Financial Performance

This past November, a record 22 Federal agencies prepared their Performance and Accountability Reports within 45 days of the end of the fiscal year. When the Administration first set this new goal, agencies typically took five months to prepare these financial reports. Of the 24 major Federal agencies, 18 received unqualified audit opinions this past fiscal year. These important achievements demonstrate that agencies were able to maintain the high levels of financial management of previous years while accelerating their financial reporting dramatically. These achievements were possible because of the year-round financial management disciplines that agencies established. They implemented systematic and automated improvements to reconciliation and analysis processes, as well as improved coordination and communication with the agencies' Inspectors General, external auditors, and operating partners. Demonstrating fiscal accountability and achieving unqualified financial statements are good first steps. Ultimately, agency leadership must use this more accurate, precise, and timely financial information in their day-to-day management.

Some agencies are now regularly using more timely financial information for decision-making and working to expand their use of this information to make their organizations more effective. For example, the Social Security Administration (SSA) uses detailed performance and cost data to monitor workloads throughout its nationwide organization of field offices, hearing offices, and State Disability Determination offices. Real-time access to work and workload information has enabled SSA to achieve productivity gains of more than five percent in 2002, and more than two percent in 2003 and 2004.

Electronic Government

The E-Government initiative focuses on ensuring that the Federal Government's $60 billion annual investment in information technology (IT) is well spent. Agencies are working to ensure that all major IT investments are justified with strong business cases that detail cost, schedule, and performance goals, and explain how each investment fits into a larger IT investment strategy. Agencies are working to ensure that all projects are completed within 10 percent of cost, schedule, and performance goals.

Federal agencies are also working to ensure that all IT systems are properly secured and data is appropriately protected. Currently, 77 percent of Government systems have been certified as secure, up from 26 percent three years ago.

The E-Government initiative emphasizes the customer—the general public. In 2001, the Administration proposed 24 solutions for providing E-Government services to the public. Federal agencies work together to implement E-Government projects to improve and streamline services for citizens, businesses, and Federal workers and reduce redundancy of investments. For instance, Federal job applicants can now access a central on-line source for all Federal job postings through *www.usajobs.gov*. Citizens no longer need to submit multiple 20-page applications, but can instead submit a single three to five page resume to apply for Federal jobs. Agencies are also working to place their rulemaking

docket contents online, at *www.regulations.gov*, to facilitate effective public review and comment on proposed rules.

Interagency cooperation is also a vehicle for increasing the efficiency of the Government's management practices. The consolidation of 26 Federal payroll systems into two—an initiative this Administration launched in 2001—is expected to save $1.1 billion over 10 years. Building on this experience, agencies are pursuing consolidation opportunities in other areas, such as financial management, grants management, and human resources management. Federal agencies will compete with one another and with private providers to be designated shared service providers that will provide specific administrative services on a Government-wide basis, reducing the need for individual agencies to invest in these administrative systems individually. The Administration will continue to work with the Congress to remove legislative restrictions on E-Government so all Federal agencies can fully implement this important management tool.

Budget and Performance Integration

The overall goal of the Budget and Performance Integration Initiative is to have all programs achieve their expected results and continue to improve performance, which is central to effective Government.

The Administration is systematically assessing every program using the Program Assessment Rating Tool (PART). The PART requires us to ask whether a program has a clear definition of success, uses strong management practices, and produces results. The PART drives improvements in the quality of performance information and makes agencies accountable for the performance of their programs.

A key principle of the PMA is that performance should significantly influence policy-making. The PART provides valuable performance information that informs decisions about how to invest limited budgetary resources. All programs receive close scrutiny. Low priority and low performing programs are generally proposed for reduction or elimination, and the funding is redirected to higher performing alternatives. Programs that are high priorities, but that need improvement are subjected to reforms that will produce better results. For instance, as a result of PART analyses, the Budget proposes to consolidate the Community Development Block Grant and the Economic Development Assistance programs into a more targeted, unified program that sets accountability standards in exchange for flexible use of the funds to support communities' economic development and community revitalization efforts.

The PART is also being used to drive performance improvements so that taxpayers get more for their money. Each assessment requires follow-up steps designed to ensure the agency improves its programs. For instance, in response to an assessment completed two years ago, the Citizenship and Immigration Services (USCIS) in DHS has begun implementing significant IT and process improvements. Since May 2003, more than 182,000 immigration benefit applications have been filed online, reducing processing time and errors. One USCIS field office is piloting a green card replacement project. USCIS is accepting e-filed applications at this office and to date the pilot program has reduced the average renewal processing time from over eight months to approximately 10 business days. E-filed applications have risen from an average of 650 per month prior to implementation of the pilot program to about 1,650 per month.

The Budget and Performance Integration Initiative is changing the usual debates about budget policy. Instead of asking agencies only "how much" they need, agencies are being asked "how well" they are performing with the dollars they receive. To reinforce this shift in approach, the agencies are preparing performance budgets that display clearly the level of performance expected with the requested funding level.

The Administration has assessed 60 percent of Federal programs, and has plans to assess the remaining 40 percent over the next two years. Because the potential for savings and productivity are great, the Administration is proposing two mechanisms for realizing these opportunities in a systematic and expedited fashion.

First, the Administration is proposing the establishment of a Sunset Commission to provide regular scrutiny of Federal programs. This bipartisan commission would review each Federal program on a schedule established by the Congress to determine whether it is producing results and should continue to exist. Programs would automatically terminate according to the schedule unless the Congress took action to continue them.

The second proposal is to establish Results Commissions to review Administration plans to consolidate or streamline programs that cross departmental or congressional committee jurisdictional lines to improve performance and increase efficiency. Ordinarily, programs that cross such boundaries often are not subject to the usual performance review process, resulting in inefficiencies, lost opportunities, or redundancies. Results Commissions, made up of experts in relevant fields, would be established as needed to review consolidation proposals. The Congress would consider the Commission's recommendation through expedited review authority.

The PMA also includes several program initiatives to improve the management of Federal agencies in targeted areas. Some of these initiatives have begun to generate significant savings and efficiency. Two are highlighted below.

Eliminating Improper Payments

Federal agencies make more than $2 trillion in payments to individuals and a variety of other entities each year. An improper payment occurs when the funds go to the wrong recipient, the recipient receives the incorrect amount of funds, or the recipient uses the funds in an improper manner. By strengthening financial management controls so that Federal agencies can better detect and prevent improper payments, the Federal Government can better ensure the taxpayer dollar is put to the use the Congress intended.

In 2004, Federal agencies identified 60 percent of Federal outlays ($1.4 trillion) as at risk for significant improper payments. In response, agencies now annually measure the extent of improper payments in these outlay categories. They have established aggressive targets to reduce improper payments and are implementing plans to meet those targets. The Eliminating Improper Payments Initiative is holding agencies accountable for effectively carrying out these activities by regularly reporting on improper payment rates.

Agencies that correctly gauge improper payments estimate a total of $45.1 billion in improper payments in 2004. Approximately 92 percent of the improper payments in these programs were overpayments—a number that reveals the full potential for reducing costs and saving taxpayer dollars. Setting aside expected growth in outlays for these programs, agencies expect the 2004 improper payments total to decrease by approximately $5.1 billion in 2005, $8.3 billion in 2006, and $12.8 billion in 2007.

While many reductions in improper payments depend on strengthening management controls, these efforts would be bolstered by expanded legislative authorities for Federal agencies to share information. The Administration will work with the Congress to develop appropriate information sharing legislation that allow programs to verify income and other eligibility criteria with data already in the Government's possession, while ensuring that recipients' privacy is protected.

Real Property Asset Management

The PMA is also helping agencies ensure that they efficiently manage the hundreds of billions of dollars in real property that the Federal Government owns. The Federal Real Property Council has developed standards for how Federal agencies should initiate improvements to property management. Among the standards is: using timely and accurate inventory data and performance measures in evaluating property acquisition, maintenance, and disposal decisions. To facilitate these efforts, the Budget proposes to expand disposal authorities for the Department of Agriculture, General Services Administration, and the National Aeronautics and Space Administration—three of the largest property-holding agencies. The proposed authorities streamline the disposal process, allowing these agencies to take a more timely and cost-effective approach to right-sizing their property inventories.

The Scorecard

To ensure that Federal agencies are accountable for improving their management, the Administration established a scorecard that rates agency efforts green, yellow, or red. Each PMA initiative has specific long-term goals intended to establish management practices and disciplines that foster a more effective and results-oriented Government. These goals are known as the Standards for Success and can be found at *www.whitehouse.gov/results/agenda/standards.pdf*. Green status represents full achievement of all of the goals for a particular initiative; yellow represents an intermediate level of achievement; and red indicates that agency has at least one deficiency. Agencies have action plans to achieve the goals of the PMA, and each quarter receive progress ratings of their adherence to their implementation plans and the quality of their work. While the Federal Government has had management improvement goals in the past, the scorecard and detailed action plans give unprecedented emphasis to holding the Government accountable for achieving its goals.

The agency chapters provide an update on each agency's implementation of the PMA.

A scorecard reflecting status and progress scores as of December 31, 2004 follows. Each quarter an updated scorecard is available at *www.whitehouse.gov/results/agenda/scorecard.html*.

Executive Branch Management Scorecard

Agency	Current Status as of December 31, 2004					Progress in Implementing President's Management Agenda				
	Human Capital	Competitive Sourcing	Financial Perf.	E-Gov	Budget/Perf. Integration	Human Capital	Competitive Sourcing	Financial Perf.	E-Gov	Budget/Perf. Integration
Agriculture	Yellow	Yellow	Red	Yellow	Yellow	Green	Green	Green	Green	Green
Commerce	Green ↑	Yellow	Green ↑	Yellow	Yellow	Green	Yellow	Green	Green	Green
Defense	Yellow	Yellow ↓	Red	Red	Yellow	Green	Yellow	Green	Green	Green
Education	Yellow	Yellow	Yellow	Yellow	Yellow	Green	Green	Green	Yellow	Green
Energy	Green	Green	Green	Yellow	Green	Green	Green	Green	Green	Green
EPA	Yellow	Yellow	Green	Green	Yellow	Green	Yellow	Green	Green	Green
HHS	Green	Green	Red	Yellow	Yellow	Green	Green	Yellow	Yellow	Green
DHS	Yellow ↑	Yellow	Red	Red	Yellow	Green	Green	Green	Yellow	Green
HUD	Yellow	Red	Red	Red	Red	Green	Green	Yellow	Green	Green
Interior	Yellow	Yellow	Red	Yellow	Red	Green	Green	Green	Green	Green
Justice	Yellow	Yellow	Red	Yellow	Yellow	Green	Green	Yellow	Green	Green
Labor	Green	Yellow	Green	Green	Green	Green	Green	Green	Green	Green
State	Green	Yellow ↑	Green ↑	Green	Green	Green	Green	Green	Green	Green
DOT	Green	Green	Red	Green	Green	Green	Green	Green	Green	Green
Treasury	Yellow	Green ↑	Red	Red	Yellow	Green	Yellow	Yellow	Green	Green
VA	Yellow	Red	Red	Red ↓	Yellow	Green	Red	Red	Yellow	Green
AID	Red	Red	Red	Yellow	Yellow	Green	Yellow	Green	Green	Green
Corps	Yellow	Red	Red	Red	Red	Green	Green	Yellow	Green	Green
GSA	Yellow	Green	Red	Yellow	Yellow	Green	Green	Green	Yellow	Green
NASA	Green	Yellow	Red	Green	Green	Green	Green	Red	Green	Green
NSF	Yellow	Red	Green	Green	Green ↑	Green	Red	Green	Green	Green
OMB	Yellow	Red	Red	Red	Green	Red	Red	Green	Green	Red
OPM	Green	Green	Red ↓	Green	Yellow	Green	Green	Red	Yellow	Green
SBA	Yellow	Yellow	Red	Yellow ↓	Green	Green	Green	Green	Green	Green
Smithsonian	Red	Red	Red	Red	Red	Green	Red	Yellow	Yellow	Yellow
SSA	Green	Yellow	Green	Green ↑	Green	Green	Green	Green	Yellow	Green

Arrows indicate change in status since evaluation on September 30, 2004.

Program Initiative Scorecard

Initiative	Status	Progress
Faith-Based and Community Initiative:		
Agriculture	🟡	🟢
Education	🟡	🟢
HHS	🟡	🟢
HUD	🟡	🟢
Justice	🟡	🟡
Labor	🟡	🟢
AID	🔴	🟡
Real Property Asset Management:		
Agriculture	🔴	🟢
Defense	🔴	🟢
Energy	🔴	🟢
HHS	🔴	🟢
DHS	🔴	🟢
Interior	🔴	🟢
Justice	🔴	🟡
Labor	🔴	🟢
State	🔴	🟡
DOT	🔴	🟡
VA	🟡 ↑	🟢
Corps	🔴	🟢
GSA	🟡	🟢
NASA	🔴	🟢

Program Initiative Scorecard—Continued

Initiative	Status	Progress
Eliminating Improper Payments: [1]		
Agriculture	🔴	⚪
Defense	🔴	⚪
Education	🔴	⚪
HHS	🔴	⚪
HUD	🟡	⚪
DHS	🔴	⚪
Labor	🟡	⚪
DOT	🔴	⚪
Treasury	🔴	⚪
VA	🟡	⚪
EPA	🔴	⚪
NSF	🔴	⚪
OPM	🟡	⚪
SBA	🔴	⚪
SSA	🟡	⚪
Privatization of Military Housing	🟢 ↑	🟢
R&D Investment Criteria	🔴	🟡
Elimination of Fraud and Error in Student Aid Programs and Deficiencies in Financial Management	🟡	🟢
Housing and Urban Development Management and Performance	🔴	🟢
Broadening Health Insurance Coverage through State Initiatives	🟡	🟢
A "Right-Sized" Overseas Presence	🟡	🟢
Coordination of VA and DOD Programs and Systems	🟡	🟡

[1] Because this is the first quarter that agency efforts in the Eliminating Improper Payments Initiative were rated, progress scores were not given.