

GOVERNING WITH ACCOUNTABILITY

Just as the No Child Left Behind Act of 2001 asks each local school to measure the education of our children, we must measure performance and demand results in federal government programs.

President George W. Bush

Overview

The President has called for a government that focuses on priorities and executes them well. Securing the homeland, waging war on terrorism abroad and revitalizing the economy are the most important priorities but even they will not be addressed by simply devoting money to them.

This budget tells the American people how the President proposes to spend their taxes in 2003. People are often most interested in how much the President proposes to spend on particular issues compared to the previous year. Increases in spending are assumed to reflect high priorities and reductions to reflect low priorities. This is because everyone takes for granted that more government spending will translate into more and better government services. For example, the premise frequently is that more spending on a housing program translates into more houses for more people or more spending on a science program will provide more and better science.

The assumption that more government spending gets more results is not generally true and is seldom tested. It is potentially wrong for two reasons. First, the program may not actually achieve the results everyone expects. Second, it ignores the fact that improvements in the management of programs can result in greater results for less money by realizing the same productivity gains commonly expected in the private sector. By focusing on performance we can achieve the desired results at limited additional cost or, in some cases, a reduction in spending. We can and should get more for less.

Rather than pursue an endless and disconnected array of initiatives, the Administration has elected to identify the government's most glaring problems—and solve them. The President has ordered the pursuit of five government-wide initiatives that together will help government achieve better results.

The first initiative aims to attract talented and imaginative people to the federal government in order to improve the service provided to our citizens. A second exposes parts of the government to competition so that they may better focus on what customers want while controlling cost. A third project improves how the government manages its money—reducing, for instance, the billions in erroneous payments the government makes every year. A fourth project harnesses the power of the

Internet to make the government more productive. The fifth starts the process of linking resource decisions with results—the underlying information needed to hold government accountable.

This chapter describes the five initiatives in greater detail. It then discusses a scorecard that we are using to hold ourselves accountable for progress on these initiatives. Next, the Administration lays out proposals to remove barriers and give the executive branch the tools and flexibility it needs to get the job done. Finally, this chapter explains how all these matters are shared responsibilities that must involve Congress, and introduces readers to the department and agency chapters that follow.

The President’s Management Agenda

Released in August 2001, the President’s Management Agenda was designed to “address the most apparent deficiencies where the opportunity to improve performance is the greatest.” The President’s vision is guided by the principles that government should be: results-oriented, not process oriented; citizen-centered, not bureaucracy-centered; and market-based, promoting competition rather than stifling innovation.

The best organizations in the world are 40 to 50 percent better than their closest competitors—they set their goals by what is theoretically possible, not as a small improvement over last year’s performance level. We need to apply this same thought process to our leadership responsibilities in all of the departments and agencies of the federal government, so that we deliver value to the American people. The President’s Management Agenda sets us on this course.

Paul O’Neill
Secretary of the Treasury

The President’s Management Agenda is a coordinated and coherent strategy to reform federal management and improve program performance. It tackles long-neglected management problems and offers specific solutions to fix them.

The five government-wide initiatives apply to every department and agency. Together they form a strategy to achieve breakthrough, not simply marginal, improvements in program performance. For example, the expansion of E-Government will transform not only the agency’s work and its people but deliver greatly improved services to the citizen.

The President’s Management Agenda commits the Administration to achieving

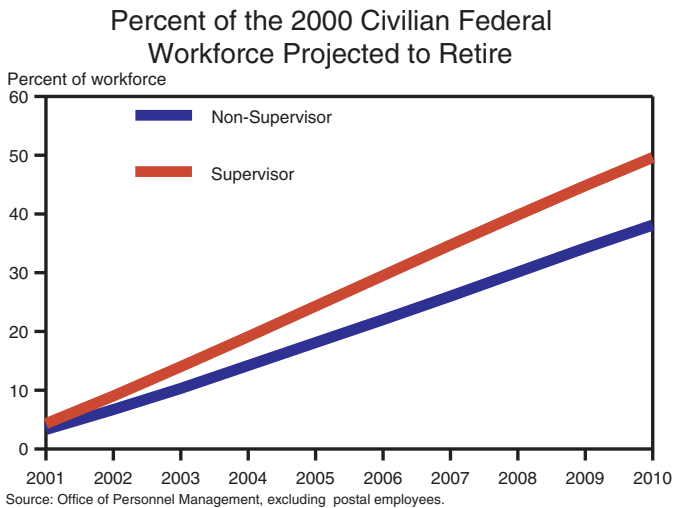
immediate, concrete, and measurable results in the near term. It not only focuses on remedies to problems generally agreed to be serious, but, more importantly, commits to implement them fully. The five government-wide goals are described below.

Strategic Management of Human Capital

Fifty percent of the federal workforce is projected to retire over the next 10 years. In addition, federal employee skills are increasingly out of balance with the needs of the public. Federal personnel policies exacerbate these problems. Compensation tends to follow a “one-size-fits-all” approach; excellence often goes unrewarded; and mediocre and poor performance rarely carries any consequences.

As 2001 began, many federal agencies did not know much about the characteristics of their workforce. For example, few agencies knew what skills they already had on board; what skills they needed to meet future demands; and how to address the increasing number of management layers. This year, each agency will prepare a five year restructuring plan as part of its 2003 budget based upon the first government-wide workforce analysis in decades.

Agencies must reshape their human capital strategies and organizations to attract and retain the right people, in the right places, at the right time; make high performance a way of life in the federal service; and deliver the high-quality services the American public deserves.



Competitive Sourcing

Competitive Sourcing: Old-Fashioned Common Sense

Sir, I had the honor to receive your letter of Decr. 28th 1812 requesting any information I might possess, which might expose the present causes of mismanagement in the naval establishment, and suggestions as to the best means of reform...The employment of more artificers, workmen and labourers in the Navy Yards, than can be employed to advantage, is another source of great expence. On this subject I can only say, that, comparing the expence of labour in some of the yards, with the service performed, induces me to believe that it is at least injudiciously directed. And I am disposed to believe that, many articles might be attained by contracts, of equal quality and at much less expence, than by having them made by artificers employed in the yard on daily pay.

Lieutenant Charles Morris in a letter to Congressman Langdon Cheves on
January 9, 1813

The competitive sourcing initiative strives to create a market-based government unafraid of competition, innovation, and choice. Public-private competition creates significant improvements in performance and cost savings exceeding 20 percent. Although half of all federal employees perform tasks that are readily available in the private sector, these positions have rarely, if ever, been subject to the pressures of the marketplace.

The Administration is aggressively encouraging market-based competition throughout the government, and simultaneously working with the private sector and federal employees unions to find long-term solutions to reform the currently cumbersome process governing competitions.

Several agencies are now setting up significant competitive sourcing programs. For example, the Department of the Interior plans to compete 3,500 federal employee positions that perform functions that are commercial in nature and easily competed with the private sector. Many of these positions include cutting grass, picking up trash, drawing maps and performing basic engineering duties. The Department of

Commerce may compete the work of some positions, such as personnel administration, information technology, and publication. Whether the federal government or private industry does the job, competition ensures that the taxpayer ultimately wins.

Work Available in the Yellow Pages?

The Department of Veterans Affairs employs over 18,000 medical technicians and pharmacists, 11,000 lawn maintenance workers, dry-wall hangers, janitors, and contractors, and 10,000 cafeteria workers.

Improved Financial Performance

Improving financial management is critical to ensuring accountability. Federal managers need accurate and timely information for sound decision-making, but have neither. On average, it takes agencies almost five months of heroic efforts to close their books. And even then the overall government has been unable to pass its audit.

To improve the quality and timeliness of financial information, the Administration is accelerating financial reporting deadlines and requiring quarterly and comparative reporting of information. Tightening deadlines will force agencies to re-engineer their business and financial management processes, while at the same time developing systems capable of delivering information more useful to management. Particular attention is being directed to troubled agencies already on the GAO high-risk list.

In another problem area, federal agencies have identified almost \$20 billion in annual erroneous benefit and assistance payments in just 13 federal programs. The Administration has launched an aggressive initiative to determine and track error rates, and to implement strategies and controls to bring the rates down in programs covering over \$1.2 trillion in annual expenditures.

Expanded E-Government

Fifty-five percent of Americans that use the Internet went online to interact with the government last year, according to a report released by the Center for e-Service at the University of Maryland in January 2002. The electronic government, or “E-Gov,” initiative focuses on ways to make government simpler, more effective, and less costly from the citizen’s point of view. The federal government has only scratched the surface of its E-Gov potential. Today, there are more than 31 million federal web pages available at 22,000 websites, and citizens often find more than a thousand government sites when they use a search engine to try to get service. At least 6,600 transactions can either be put online or eliminated.

Why Not Use the Internet?

Currently, Americans applying for a government loan can, at best, download the forms and submit them by mail or fax. All citizens would be better served if they could see and apply for the full range of government loans, similar to the way college students find financial aid at the Department of Education's website. Why not use the Internet?

American businesses have come to rely on the Internet, but not when dealing with the federal government. The paperwork burden on the economy exceeds \$300 billion annually, because computerized records often are printed onto reams of paper to comply with antiquated government filing requirements. Why not use the Internet?

In February 2002, the E-Gov initiative will relaunch the FirstGov.gov website.

We will make the government a "click and mortar" enterprise, more accessible, effective, and efficient. Instead of roaming around thousands of websites, Americans will need only two or three clicks to get service on-line. The Administration has selected 24 E-Gov initiatives directed at improving services to citizens, businesses, and other units of government. These initiatives will provide easy access to services at the consolidated point of service: FirstGov.gov. An example would be to ensure that major agencies involved in rulemaking can put their dockets on-line, where the public can see the comments filed on proposed rules that affect them and participate in the rulemaking process. Individual agency chapters and the *Analytical Perspectives* volume of the budget provide further details on E-Gov.

Budget and Performance Integration

The initiative to integrate budget and performance has an important purpose—to improve programs by focusing on results. Dollars will go to programs that work; those programs that don't work will be reformed, constrained, or face closure. As measures improve, dollars will go to programs that yield the best results for each dollar spent. The Administration has started to apply these principles, using existing data to make performance the focus of decision-making. Examples are visible throughout this budget.

- *Shifting Resources to More Effective Programs.* Support for technology innovation in the Department of Commerce has increased funding for the more effective National Institute of Standards and Technology and the Patent and Trademark Office, drawing on funds from the Advanced Technology Program and the Manufacturing Extension Partnership. The budget proposes to eliminate the Technology Opportunities Program and shift resources to more effective programs in the Department.
- *Setting Performance Targets.* The National Weather Service, a demonstrably effective program, received an increase in funding and specific targets to double tornado lead times by 2015, improve aviation forecasting accuracy by 13 percentage points by 2007, and improve temperature forecasts and river forecasts for a pilot region by 2004.
- *Adding Incentives for Achieving Goals.* Vocational Rehabilitation State Grants are often effective, but there are wide variations among states. The budget includes an incentive grant program to provide increased resources to the states that do a better job helping individuals with disabilities obtain competitive employment.

An essential element of evaluating performance is understanding program costs. To compare programs, their cost must be calculated clearly and consistently. The 2003 Budget takes an important step toward clarity. For years, employee retirement costs have been tabulated inconsistently. The 2003 Budget shows employee costs, including those relating to retirement, in the appropriate agency budget.

Keeping Score

We are not here to mark time, but to make progress to achieve results, and to leave a record of excellence.

President George W. Bush
October 15, 2001

Good intentions and good beginnings are not the measure of success. What matters in the end is completion: performance and results. Not just making promises, but making good on promises.

In order to ensure accountability for performance and results, the Administration is using an Executive Branch Management Scorecard. The Administration will use this

scorecard to track how well departments and agencies are executing the management initiatives, and where they stand at a given point in time against the overall standards for success.

The scorecard employs a simple “traffic light” grading system common today in well-run businesses: green for success, yellow for mixed results, and red for unsatisfactory. Scores are based on five standards for success defined by the President’s Management Council and discussed with experts throughout government and academe, including individual fellows from the National Academy of Public Administration.

The standards for financial management, for example, were reviewed by the Secretary of the Treasury, the Comptroller General, and the Director of the Office of Management and Budget. Under each of the five standards, an agency is “green” if it meets all of the standards for success, “yellow” if it has achieved some but not all of the criteria, and “red” if it has even one of any number of serious flaws. For example, in financial management, an agency is “red” if its books are in such poor condition that auditors cannot express an opinion on the agency’s financial statements.

It’s not easy being green.

Kermit the Frog

The National Science Foundation (NSF) received the only “green” score. NSF did so in financial management because it has embraced advanced information technologies, and operates in a paperless environment. Its grant workload more than doubled from \$2.1 billion in 1990 to \$4.4 billion in 2000, yet the number of employees actually decreased.

The initial scorecard shows a lot of poor scores, reflecting the state of the government this Administration inherited. This was to be expected since, as the President indicated when selecting the Management Agenda items, the areas are “targeted to address the most apparent deficiencies where the opportunity to improve performance is the greatest.” The marks that really matter will be those that record improvement, or lack of it, from these starting points.

Executive Branch Management Scorecard					
2001 Baseline Evaluation					
	Human Capital	Competitive Sourcing	Financial Management	E-Gov	Budget/ Performance Integration
AGRICULTURE	●	●	●	●	●
COMMERCE	●	●	●	●	●
DEFENSE	●	●	●	●	●
EDUCATION	●	●	●	●	●
ENERGY	●	●	●	●	●
EPA	●	●	●	●	●
HHS	●	●	●	●	●
HUD	●	●	●	●	●
INTERIOR	●	●	●	●	●
JUSTICE	●	●	●	●	●
LABOR	●	●	●	●	●
STATE	●	●	●	●	●
TRANSPORTATION	●	●	●	●	●
TREASURY	●	●	●	●	●
VA	●	●	●	●	●

Executive Branch Management Scorecard					
2001 Baseline Evaluation					
	Human Capital	Competitive Sourcing	Financial Management	E-Gov	Budget/ Performance Integration
AID	●	●	●	●	●
CORPS OF ENGINEERS	●	●	●	●	●
FEMA	●	●	●	●	●
GSA	●	●	●	●	●
NASA	●	●	●	●	●
NSF	●	●	●	●	●
OMB	●	●	●	●	●
OPM	●	●	●	●	●
SBA	●	●	●	●	●
SMITHSONIAN	●	●	●	●	●
SSA	●	●	●	●	●

Over time, the scores should improve as departments and agencies correct the problems. The Administration will update this report twice a year and issue a mid-year report during the summer. This Administration will not indulge in grade inflation; we will hold ourselves responsible and report honestly when progress is too slow.

Freedom to Manage

At a time of national emergency, it is critical that the government operate effectively and spend every taxpayer dollar wisely. Unfortunately, federal managers are greatly limited in how they can use financial, human, and other resources to manage programs; they lack much of the discretion given to their private sector counterparts to get the job done.

Government is ineffective under these conditions. During wartime, turf protection cannot dictate the national interest. The Congress should remove barriers and give the Administration the tools to do the job that must be done.



Many departments are tied-up in a morass of Lilliputian do's and dont's

The Freedom to Manage Act

In October 2001, the Administration submitted to Congress two pieces of legislation to give federal managers the freedom they need to manage programs more effectively. In transmitting the Freedom to Manage Act, the President asked the Congress to join with the Administration in making a commitment to reform the federal government by eliminating obstacles to efficient operation. The Freedom to Manage Act would establish a procedure under which the President would identify structural barriers imposed by law, and the Congress would quickly and decisively act to remove those obstacles.

Here are just a few illustrations:

- For years, NASA has been expressly prohibited from relocating aircraft based east of the Mississippi River to the Dryden Flight Research Center in California.
- The Department of Defense is prohibited from outsourcing more than 50 percent of major maintenance and repair of planes, tanks, and vehicles, regardless of the cost savings to the taxpayer.
- The Department of Agriculture (USDA) is barred from closing or relocating even a single state Rural Development Office. Taxpayers are paying for 5,600 USDA county field offices (more than one per county), many located near one another.

The Managerial Flexibility Act

The second Freedom to Manage measure is the Managerial Flexibility Act, a three-part bill to reform various personnel, budgeting, and property management and disposal laws to give federal managers tools and flexibility to better manage federal programs and meet the new challenges of the 21st Century.

- *Reform Personnel Management:* This proposal gives federal agencies and managers increased latitude in attracting, managing, and retaining a high quality workforce.

- *Budgeting and Managing for Results—Full Funding for Federal Retiree Costs:* This proposal would assign employee costs, including those relating to retirement, as charges to the programs themselves. These costs have been included in salary and expense accounts throughout this budget (as well as historically for 2001 and 2002) as they are in modern accounting systems. Under the current archaic system, agency managers have no incentive to control these costs, as they are unaffected by any improvement.
- *Reform Federal Property Management:* The federal government owns or controls 3.2 billion square feet of office buildings, military installations, housing, storage, hospitals, schools, and other facilities and millions of acres of land. The proposal would give federal agencies authority they lack to finance the renovation or replacement of obsolete facilities by using the equity in their property holdings, providing incentives for better property management. These incentives for better property management would permit a manager to sell an unneeded piece of property and reinvest the proceeds in improving property the government does need.

Enhanced Management Authority

The President will seek additional authority to organize and manage programs for improved results, including expanded authority to transfer funds to meet higher priority needs, based on unforeseen requirements.

The protection of turf and jurisdiction should no longer stand in the way of more effective government. The Administration will seek to re-institute permanent reorganization authority for the President to permit expedited legislative approval of plans to reorganize the Executive Branch. This time-tested management tool was available to Presidents for 50 years until the law expired in 1984. For example, the Environmental Protection Agency and the National Oceanographic and Atmospheric Administration were formed after President Nixon submitted a reorganization plan to the Congress in 1970. The Bureau of the Budget was reorganized into the Office of Management and Budget the same year.

Program Transfers

The budget proposes to transfer a number of programs littered across the government in sometimes very disorganized ways. In addition, the budget also recognizes the need for organizational reform within departments. For example, the Department of Health and Human Services chapter details efforts to eliminate unnecessary layers of bureaucracy and consolidate duplicative functions.

Inter-Agency Program Transfers	
<i>Homeland Security:</i>	
State/local terrorism programs.....	Justice to FEMA
<i>Transfers to the National Science Foundation (NSF):</i>	
Sea grant program	Commerce/NOAA to NSF
Toxic substances hydrology program	Interior/USGS to NSF
Environmental education program	EPA to NSF
<i>Other proposals:</i>	
Nutrition services incentive program.....	Agriculture to HHS
Radioisotope generator research	Energy to NASA and DoD
Natural gas infrastructure program.....	Energy to Transportation
Veterans employment grants.....	Labor to Veterans Affairs
Emergency food and shelter program.....	FEMA to HUD
United Nations world food program.....	State to USAID

Another example is within the Executive Office of the President (EOP). Although the dollars are tiny relative to the department budgets, there are 20 accounts for 11 entities within the EOP that directly serve the President. The President cannot move even \$100 between the Council of Economic Advisors and the Council on Environmental Quality without getting the Congress' permission in the next budget. The President seeks to fund EOP agencies with a consolidated, shared account and for common acquisition-related goods and services. This will enable the EOP to eliminate redundant staff and improve managerial efficiency.

A Shared Responsibility

Federal programs are responsible for providing services that are critical to the people's welfare. The public deserves at least the same commitment to results from its government that it expects from businesses. We will know we are successful when conversations no longer focus on how much we are spending on a program compared to last year but rather how the results of the program will change. Will we feed more people per dollar, educate more children per dollar, conserve more land per dollar, and so on?

The Administration cannot improve the federal government's performance and accountability on its own. It is a shared responsibility that must involve the Congress. The Congress' agenda is a crowded one, and there is an understandable temptation to ignore or block management reforms in favor of higher levels of spending or new programs.

The Administration rated the effectiveness of programs throughout the federal government to identify strong and weak performers. It consulted with government performance experts at the Mercatus Center at George Mason University to externally review each rating and its justification for internal consistency, based on the principles of accountability and transparency.

Scholars at the university's Government Accountability Project have helped improve the U.S. government's funding and policy decisions since 1997, most notably by publication of the Annual Performance Report Scorecard, a comparison of federal agencies' disclosures under the Government Performance and Results Act.

Moreover, a number of changes have been made to this year's budget to attempt to make agencies more accountable for results. First, the President's proposals are now presented through the agencies charged with carrying them out. Past budgets presented various proposals across the government with little connection to accountability. This budget integrates performance measures into its presentation. To the extent possible, the President's proposals are presented in terms of priorities and goals. To facilitate citizen contact, a profile of each major agency includes the department's website address as well as its main phone number.

Each chapter's narrative section describes what the Administration hopes each agency will achieve in the coming year. Each agency chapter also contains a status report on select programs to display the highs, lows, opportunities, and pitfalls among the programs that the agency administers.

Agencies are not solely responsible for the problems they experience serving the public. Congress enacts laws that contribute and restrain agencies in many ways. Every success story in this budget was the result of the Congress' passing a law to establish the program and fund it. On the other hand, the Congress often burdens agencies with numerous restraints that diminish their effectiveness and inhibit innovation.

Since the Congress controls the purse, each major agency chapter includes a discussion on how the practice politely called congressional earmarking mars merit-based processes for distributing the American people's resources. The proliferation of congressional earmarking comes at a cost, in wasted dollars and in unfairness, as when a grant applicant who played by the rules and earned a place at the front of the funding line gets shoved backwards.

Each agency is also graded on the five government-wide goals spelled out upon the release of the President's Management Agenda in August 2001. A forthright accounting of progress, or the lack of it in management areas of weaknesses, accompanies the rankings. Finally, the President's overall request for 2003 closes each agency's chapter.