21ST CENTURY CHALLENGES

How Performance Budgeting Can Help

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 using performance information to inform budgetary choices (performance budgeting). In light of the nation's long-term fiscal imbalance and other 21st century challenges, we have reported that the Government Performance and Results Act of 1993 (GPRA) and performance budgeting can support needed reexamination of what the federal government does, how it does it, and who does it. 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. We have previously reported that reexamination requires a comprehensive perspective that crosses agencies, includes all major tools of government, and considers both spending programs and tax provisions. How different programs or policies in the same area support each other or work at cross purposes is important. Government-wide strategic and performance plans—especially if created in consultation with Congress and supported by KNIs—could provide a framework for reexamination. GAO has also suggested that Congress consider the need to develop vehicles and structures for such review and for communicating its top performance concerns.

To view the full product, including the scope and methodology, click on GAO-07-1194T. For more information, contact Susan J. Irving at (202) 512-9142 or irvings@gao.gov.
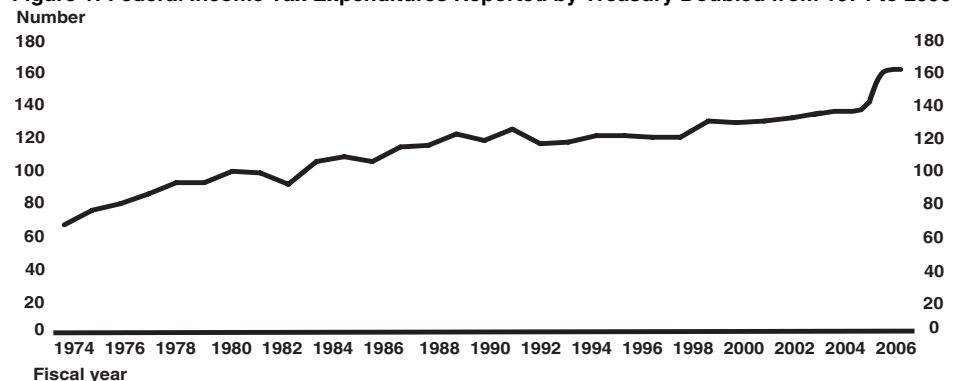
What GAO Found

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. Reexamination can arm decision makers with better information on both individual program results and entire portfolios of programs and tools— encompassing a wide range of discretionary, entitlement, tax, and regulatory approaches—addressing common goals.

GPRA provided a foundation for strengthening government performance and accountability. The President's Management Agenda and the Program Assessment Rating Tool (PART)—OMB's framework for assessing federal program performance—continue to build on GPRA's foundation. Properly done, these and future efforts—along with a set of Key National Indicators (KNI)—could provide a strong basis to support the needed review, reassessment, and reprioritization process.

Moving forward, for performance budgeting and program reviews to hold appeal beyond the executive branch and actually have an impact on legislation, congressional buy-in on what to measure and how to present this information is critical. In addition, tax expenditures result in forgone revenue that in some years has approximated the size of total discretionary spending. Yet relatively little is known about the effectiveness of these provisions, which are often aimed at policy goals similar to those of federal spending programs. To date, PART has generally not been applied to tax expenditures. GAO continues to urge as a next step a more comprehensive and consistent approach to evaluating all programs relevant to common goals. This would require assessing the performance of all programs related to a particular goal—including tax expenditures—using a common framework.

Figure 1: Federal Income Tax Expenditures Reported by Treasury Doubled from 1974 to 2006

Source: GAO analysis of Office of Management and Budget (OMB) budget reports on tax expenditures, fiscal years 1976-2008

Note: The number of tax expenditures reflects all provisions reported by Treasury, including those enacted but effective for future fiscal years. Fluctuations in the trend lines from year to year may reflect changes in Treasury's methodology.

United States Government Accountability Office