

103
**GOVERNMENT PERFORMANCE AND RESULTS ACT
OF 1993**

Y 4.G 74/7:G 74/16

Government Performance and Results...

HEARING
BEFORE THE
LEGISLATION AND NATIONAL
SECURITY SUBCOMMITTEE
OF THE
COMMITTEE ON
GOVERNMENT OPERATIONS
HOUSE OF REPRESENTATIVES
ONE HUNDRED THIRD CONGRESS

FIRST SESSION

ON

H.R. 826

TO PROVIDE FOR THE ESTABLISHMENT, TESTING, AND EVALUATION
OF STRATEGIC PLANNING AND PERFORMANCE MEASUREMENT IN
THE FEDERAL GOVERNMENT, AND FOR OTHER PURPOSES

MARCH 23, 1993

Printed for the use of the Committee on Government Operations



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GOVERNMENT PERFORMANCE AND RESULTS ACT OF 1993

TUESDAY, MARCH 23, 1993

HOUSE OF REPRESENTATIVES,
LEGISLATION AND NATIONAL SECURITY SUBCOMMITTEE
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, DC.

The subcommittee met, pursuant to notice, at 10 a.m., in room 2154, Rayburn House Office Building, Hon. John Conyers, Jr. (chairman of the subcommittee) presiding.

Present: Representatives John Conyers, Jr., Glenn English, William F. Clinger, Jr., and Dick Zimmer.

Also present: Representative Craig Thomas.

Staff present: Julian Epstein, staff director; Donald Goldberg, deputy staff director; Laurie Cody, professional staff member; Carolyn Donnelly, and Cheryl Matcho, clerks; and Kevin M. Sabo, minority counsel.

OPENING STATEMENT OF CHAIRMAN CONYERS

Mr. CONYERS. Good morning, the subcommittee will come to order.

We are here today to discuss H.R. 826, the "Government Performance and Results Act of 1993." I have asked the Director of the Office of Management and Budget to talk with us about various options for implementing the various recommendations from the President's National Performance Review, which is scheduled to be released in September.

We have a unique opportunity here to make fundamental changes in the way the Federal Government does business. No longer can we tolerate a structure, culture, and lack of leadership that allows waste and mismanagement to dominate the Federal agencies.

This opportunity is unique for several reasons.

First, and most importantly, we have a President who is demonstrating strong leadership and who is committed to making the waste and mismanagement issue one of the top priorities.

Second, if we are asking the taxpayer to make great sacrifices as part of the economic plan, we must demonstrate to them that this is not business as usual. We must have their confidence that we can change government to make it more efficient and more effective.

This committee hopes to play a central role in these efforts. And this committee's central charter is not only to identify waste, fraud, and abuse throughout the government, but also to propose solu-

tions to those problems and to craft legislation that addresses mismanagement.

The bill before us today is an important step toward reinventing government, and it is closely tied to the Chief Financial Officers Act that was passed by this committee during the 101st Congress. The legislation would require Federal agencies to develop strategic plans, set performance goals, and report annually to Congress and the Office of Management and Budget the result a program achieves.

After a series of pilot projects, this measure will eventually be implemented governmentwide where all programs will be evaluated, and budgeted, based on their performance. This legislation will also give program managers the flexibility to achieve their set goals in exchange for better accountability, a significant part of the act.

The dilemma faced by the government is that there is no clear bottom line: No profit margins, no market share, no means to gauge how we are doing. When Congress creates new programs, we seldom define specific goals for that program. We debate, until we are blue in the face, how we are going to fund a program, its affect on the budget, its affect on the deficit, its affect on an agency; but we don't debate the results we expect for that investment.

"Never tell people how to do things. Tell them what you want them to achieve, and they will surprise you with their ingenuity." That was General Patton's advice in 1944.

H.R. 826 sets a new direction for the Federal Government. Setting goals, measuring them, and allowing our managers some wiggle room to achieve these goals establishes a new focus for how our government operates.

This legislation enjoys bipartisan support.

In addition, I have asked Mr. Panetta to address the President's National Performance Review Program, which is being led by Vice President Gore in close cooperation with OMB. The review will recommend various legislative solutions to management problems, and there are various options for implementing these proposals.

I believe that we are all anxious to assist the President in making our government more efficient. This committee, in particular, is taking an active role with the National Performance Review. We are in a unique position as the government's oversight committee to assist the Vice President in his difficult task of reorganizing, streamlining, and making our government more efficient.

I know the subject of our disjointed government all too well. Last year, my staff studied management practices in the Federal Government and produced a report that was shocking. From the Department of Agriculture to Veterans' Affairs, waste of taxpayer's dollars pervades virtually every program, every system, every procedure, paralyzing our government workers and grinding the bureaucracy, oftentimes, to a screeching halt.

When the President and the Vice President come before Congress with their recommendations for making our government more efficient, more responsible, and better able to serve the people, we must be prepared to hit the ground running.

[The prepared statement of Mr. Conyers, and the bill H.R. 826 follow:]

STATEMENT BY JOHN CONYERS, JR.
CHAIRMAN, COMMITTEE ON GOVERNMENT OPERATIONS
ON H.R. 826, PERFORMANCE MEASURES LEGISLATION AND
THE LEGISLATIVE OPTIONS FOR IMPLEMENTING THE PRESIDENT'S
NATIONAL PERFORMANCE REVIEW PROGRAM

This morning we are to discuss H.R. 826, the "Government Performance and Results Act of 1993." I have also asked that Mr. Panetta, the Director of the Office of Management and Budget, be prepared to talk about various options for implementing the recommendations from the President's National Performance Review, which are scheduled to be released in September.

We have a unique opportunity to make fundamental changes in the way the Federal government does business. No longer can we tolerate a structure, culture, and lack of leadership that allows waste and mismanagement to dominate the Federal agencies.

This opportunity is unique for several reasons. First, and most importantly, we have a President who is demonstrating strong leadership and who is committed to making the waste and mismanagement issue one of his top priorities.

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This Committee will play a central role in these efforts. This Committee's central charter is not only to identify waste, fraud, and abuse throughout the government, but also to propose solutions to those problems and to craft legislation that addresses mismanagement.

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When the President and Vice President come before Congress with their recommendations for making our government more efficient, more responsive, and better able to serve the people, we must be prepared to hit the ground running.

103^D CONGRESS
1ST SESSION

H. R. 826

To provide for the establishment, testing, and evaluation of strategic planning and performance measurement in the Federal Government, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 4, 1993

Mr. CONYERS (for himself, Mr. CLINGER, and Mr. MCDADE) introduced the following bill; which was referred jointly to the Committees on Government Operations and Rules

A BILL

To provide for the establishment, testing, and evaluation of strategic planning and performance measurement in the Federal Government, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "Government Perform-
5 ance and Results Act of 1993".

6 **SEC. 2. FINDINGS AND PURPOSES.**

7 (a) FINDINGS.—The Congress finds that—

8 (1) waste and inefficiency in Federal programs
9 undermine the confidence of the American people in

1 the Government and reduces the Federal Govern-
2 ment's ability to address adequately vital public
3 needs;

4 (2) Federal managers are seriously disadvan-
5 taged in their efforts to improve program efficiency
6 and effectiveness, because of insufficient articulation
7 of program goals and inadequate information on
8 program performance; and

9 (3) congressional policymaking, spending deci-
10 sions and program oversight are seriously handi-
11 capped by insufficient attention to program perform-
12 ance and results.

13 (b) PURPOSES.—The purposes of this Act are to—

14 (1) improve the confidence of the American peo-
15 ple in the capability of the Federal Government, by
16 systematically holding Federal agencies accountable
17 for achieving program results;

18 (2) initiate program performance reform with a
19 series of pilot projects in setting program goals,
20 measuring program performance against those goals,
21 and reporting publicly on their progress;

22 (3) improve Federal program effectiveness and
23 public accountability by promoting a new focus on
24 results, service quality, and customer satisfaction;

1 (4) help Federal managers improve service de-
2 livery, by requiring that they plan for meeting pro-
3 gram objectives and by providing them with informa-
4 tion about program results and service quality;

5 (5) improve congressional decisionmaking by
6 providing more objective information on achieving
7 statutory objectives, and on the relative effectiveness
8 and efficiency of Federal programs and spending;
9 and

10 (6) improve internal management of the Fed-
11 eral Government, and the intent of this Act is not
12 to create any right or benefit, substantive or proce-
13 dural, enforceable at law by any party against the
14 United States, or any agency or office of the United
15 States.

16 **SEC. 3. STRATEGIC PLANNING.**

17 Chapter 3 of title 5, United States Code, is amended
18 by adding after section 305 the following new section:

19 **“§ 306. Strategic plans**

20 “(a) No later than September 30, 1997, the head of
21 each agency shall submit to the Director of the Office of
22 Management and Budget a strategic plan for program ac-
23 tivities. Such plan shall contain—

1 “(1) a comprehensive mission statement cover-
2 ing the major functions and operations of the
3 agency;

4 “(2) general goals and objectives, including out-
5 come-related goals and objectives, for the major
6 functions and operations of the agency;

7 “(3) a description of how the goals and objec-
8 tives are to be achieved, including a description of
9 the operational processes, skills and technology, and
10 the human, capital, information, and other resources
11 required to meet those goals and objectives;

12 “(4) a description of how the performance goals
13 included in the plan required by section 1115(a) of
14 title 31 shall be related to the general goals and ob-
15 jectives in the strategic plan;

16 “(5) an identification of those key factors exter-
17 nal to the agency and beyond its control that could
18 significantly affect the achievement of the general
19 goals and objectives; and

20 “(6) a description of the program evaluations
21 used in establishing or revising general goals and ob-
22 jectives, with a schedule for future program evalua-
23 tions.

24 “(b) The strategic plan shall cover a period of not
25 less than five years forward from the fiscal year in which

1 it is submitted, and shall be updated and revised at least
2 every three years.

3 “(c) The performance plan required by section 1115
4 of title 31 shall be consistent with the agency’s strategic
5 plan. A performance plan may not be submitted for a fis-
6 cal year not covered by a current strategic plan under this
7 section.

8 “(d) When developing a strategic plan, the agency
9 shall consult with the Congress, and shall solicit and con-
10 sider the views and suggestions of those entities poten-
11 tially affected by or interested in such a plan.

12 “(e) For purposes of this section the term ‘agency’
13 means an Executive agency defined under section 105, but
14 does not include the Central Intelligence Agency, the Gen-
15 eral Accounting Office, the Panama Canal Commission,
16 the United States Postal Service, and the Postal Rate
17 Commission.”.

18 **SEC. 4. ANNUAL PERFORMANCE PLANS AND REPORTS.**

19 (a) BUDGET CONTENTS AND SUBMISSION TO CON-
20 GRESS.—Section 1105(a) of title 31, United States Code,
21 is amended by adding at the end thereof the following new
22 paragraph:

23 “(29) beginning with fiscal year 1999, a Fed-
24 eral Government performance plan for the overall
25 budget as provided for under section 1115.”.

1 (b) PERFORMANCE PLANS AND REPORTS.—Chapter
2 11 of title 31, United States Code, is amended by adding
3 after section 1114 the following new sections:

4 **“§ 1115. Performance plans**

5 “(a) In carrying out the provisions of section
6 1105(a)(29), the Office of Management and Budget shall
7 require each agency to prepare an annual performance
8 plan covering each program activity set forth in the budget
9 of such agency. Such plan shall—

10 “(1) establish performance goals to define the
11 level of performance to be achieved by a program
12 activity;

13 “(2) express such goals in an objective, quan-
14 tifiable, and measurable form unless permitted an
15 alternative form under subsection (b);

16 “(3) describe the operational processes, skills
17 and technology, and the human, capital, information,
18 and other resources required to meet the perform-
19 ance goals;

20 “(4) establish performance indicators to be used
21 in measuring or assessing the relevant outputs, serv-
22 ice levels, and outcomes of each program activity;

23 “(5) provide a basis for comparing actual pro-
24 gram results with the established performance goals;
25 and

1 “(6) describe the means to be used to verify
2 and validate measured values.

3 “(b) If an agency, in consultation with the Office of
4 Management and Budget, determines that it is not fea-
5 sible to express the performance goals for a particular pro-
6 gram activity in an objective and quantifiable form, the
7 Office of Management and Budget may authorize an alter-
8 native form. Such alternative form shall—

9 “(1) include separate descriptive statements
10 of—

11 “(A) a minimally effective program, and

12 “(B) a successful program,

13 with sufficient precision and in such terms that
14 would allow for an accurate, independent deter-
15 mination of whether the program activity’s per-
16 formance meets the criteria of either descrip-
17 tion; or

18 “(2) state why it is infeasible or impractical to
19 express a performance goal in any form for the pro-
20 gram activity.

21 “(c) In preparing a comprehensive and informative
22 plan under this section, an agency may aggregate,
23 disaggregate, or consolidate program activities, provided
24 that any aggregation or consolidation does not omit or

1 minimize the significance of any program activity con-
2 stituting a major function or operation for the agency.

3 “(d) An agency may prepare a classified or non-pub-
4 lic annex to its plan covering program activities or parts
5 of program activities relating to—

6 “(1) national security;

7 “(2) the conduct of foreign affairs; or

8 “(3) the avoidance of interference with criminal
9 prosecution or revenue collection.

10 “(e) For purposes of this section and sections 1116
11 through 1119, and section 9704 the term—

12 “(1) ‘agency’ means an Executive agency de-
13 fined under section 105 of title 5, United States
14 Code, but does not include the Central Intelligence
15 Agency, the General Accounting Office, the Panama
16 Canal Commission, the United States Postal Service,
17 and the Postal Rate Commission;

18 “(2) ‘outcome measure’ refers to an assessment
19 of the results of a program activity compared to its
20 intended purpose;

21 “(3) ‘output measure’ refers to the tabulation,
22 calculation, or recording of activity or effort and can
23 be expressed in a quantitative or qualitative manner;

24 “(4) ‘performance goal’ means a target level of
25 performance expressed as a tangible, measurable ob-

1 jective, against which actual achievement shall be
2 compared, including a goal expressed as a quan-
3 titative standard, value, or rate;

4 “(5) ‘performance indicator’ refers to a particu-
5 lar value or characteristic used to measure output or
6 outcome;

7 “(6) ‘program activity’ means a specific activity
8 or project as listed in the program and financing
9 schedules of the annual budget of the United States
10 Government; and

11 “(7) ‘program evaluation’ means an assessment,
12 through objective measurement and systematic anal-
13 ysis, of the manner and extent to which Federal pro-
14 grams achieve intended objectives.

15 **“§ 1116. Program performance reports**

16 “(a) No later than March 31, 2000, and no later than
17 March 31 of each year thereafter, the head of each agency
18 shall prepare and submit to the President and the Con-
19 gress, a report on program performance for the previous
20 fiscal year.

21 “(b)(1) Each program performance report shall set
22 forth the performance indicators established in the depart-
23 mental or agency performance plan, along with the actual
24 program performance achieved compared with the per-
25 formance goals expressed in the plan for that fiscal year.

1 “(2) If performance goals are specified by descriptive
2 statements of a minimally effective program activity and
3 a successful program activity, the results of such program
4 shall be described in relationship to those categories, in-
5 cluding whether the performance failed to meet the cri-
6 teria of either category.

7 “(e) The report for fiscal year 2000 shall include ac-
8 tual results for the preceding fiscal year, the report for
9 fiscal year 2001 shall include actual results for the two
10 preceding fiscal years, and the report for fiscal year 2002
11 and all subsequent reports shall include actual results for
12 the three preceding fiscal years.

13 “(d) Each report shall—

14 “(1) review the success of achieving the per-
15 formance goals of the fiscal year;

16 “(2) evaluate the performance plan for the cur-
17 rent fiscal year relative to the performance achieved
18 toward the performance goals in the fiscal year cov-
19 ered by the report;

20 “(3) explain and describe, where a performance
21 goal has not been met, including when a program
22 activity’s performance is determined not to have met
23 the criteria of a successful program activity under
24 section 1115(b)(2)—

25 “(A) why the goal was not met;

1 “(B) those plans and schedules for achiev-
2 ing the established performance goal; and

3 “(C) if the performance goal is impractical
4 or infeasible, why that is the case and what ac-
5 tion is recommended;

6 “(4) describe the use and assess the effective-
7 ness in achieving performance goals of any waiver
8 under section 9703 of this title; and

9 “(5) include the summary findings of those pro-
10 gram evaluations completed during the fiscal year
11 covered by the report.

12 “(e) The agency head may include all program per-
13 formance information required annually under this section
14 in an annual financial statement required under section
15 3515 if any such statement is submitted to the Congress
16 no later than March 31 of the applicable fiscal year.

17 **“§ 1117. Exemption**

18 “The Director of the Office of Management and
19 Budget may exempt from the requirements of sections
20 1115 and 1116 and section 306 of title 5, any agency with
21 annual outlays of \$20,000,000 or less.”.

22 **SEC. 5. MANAGERIAL ACCOUNTABILITY AND FLEXIBILITY.**

23 (a) MANAGERIAL ACCOUNTABILITY AND FLEXIBIL-
24 ITY.—Chapter 97 of title 31, United States Code, is

1 amended by adding after section 9702, the following new
2 section:

3 **“§ 9703. Managerial accountability and flexibility**

4 “(a) Beginning with fiscal year 1999, the perform-
5 ance plans required under section 1115 may include pro-
6 posals to waive administrative procedural requirements
7 and controls, including specification of personnel staffing
8 levels, limitations on compensation or remuneration, and
9 prohibitions or restrictions on funding transfers among
10 budget object classification 20 and subclassifications 11,
11 12, 31, and 32 of each annual budget submitted under
12 section 1105, in return for specific individual or organiza-
13 tion accountability to achieve a performance goal. In pre-
14 paring and submitting the performance plan under section
15 1105(a)(29), the Office of Management and Budget shall
16 review and may approve any proposed waivers. A waiver
17 shall take effect at the beginning of the fiscal year for
18 which the waiver is approved.

19 “(b) Any such proposal under subsection (a) shall de-
20 scribe the anticipated effects on performance resulting
21 from greater managerial or organizational flexibility, dis-
22 cretion, and authority, and shall quantify the expected im-
23 provements in performance resulting from any waiver. The
24 expected improvements shall be compared to current ac-

1 tual performance, and to the projected level of perform-
2 ance that would be achieved independent of any waiver.

3 “(c) Any proposal waiving limitations on compensa-
4 tion or remuneration shall precisely express the monetary
5 change in compensation or remuneration amounts, such
6 as bonuses or awards, that shall result from meeting, ex-
7 ceeding, or failing to meet performance goals.

8 “(d) Any proposed waiver of procedural requirements
9 or controls imposed by an agency (other than the propos-
10 ing agency or the Office of Management and Budget) shall
11 be endorsed by the agency that established the require-
12 ment, and the endorsement included in the proposing
13 agency’s performance plan.

14 “(e) A waiver shall be in effect for one or two years.
15 A waiver may be renewed for a subsequent year. After a
16 waiver has been in effect for three consecutive years, the
17 performance plan prepared under section 1115 may pro-
18 pose that a waiver, other than a waiver of limitations on
19 compensation or remuneration, be made permanent.”.

20 **SEC. 6. PILOT PROJECTS.**

21 (a) **PERFORMANCE PLANS AND REPORTS.**—Chapter
22 11 of title 31, United States Code, is amended by inserting
23 after section 1117 (as added by section 4 of this Act) the
24 following new section:

1 **“§ 1118. Pilot projects for performance goals**

2 “(a) The Director of the Office of Management and
3 Budget, after consultation with the head of each agency,
4 shall designate not less than ten agencies as pilot projects
5 in performance measurement for fiscal years 1994, 1995,
6 and 1996. The selected agencies shall reflect a representa-
7 tive range of Government functions and capabilities in
8 measuring and reporting program performance.

9 “(b) Pilot projects in the designated agencies shall
10 undertake the preparation of performance plans under
11 section 1115, and program performance reports under sec-
12 tion 1116, other than section 1116(c), for one or more
13 of the major functions and operations of the agency. A
14 strategic plan shall be used when preparing agency per-
15 formance plans during one or more years of the pilot
16 period.

17 “(c) No later than May 1, 1997, the Director of the
18 Office of Management and Budget shall submit a report
19 to the President and to the Congress which shall—

20 “(1) assess the benefits, costs, and usefulness
21 of the plans and reports prepared by the pilot agen-
22 cies in meeting the purposes of the Government Per-
23 formance and Results Act of 1993;

24 “(2) identify any significant difficulties experi-
25 enced by the pilot agencies in preparing plans and
26 reports; and

1 “(3) set forth any recommended changes in the
2 requirements of the provisions of Government Per-
3 formance and Results Act of 1993, section 306 of
4 title 5, sections 1105, 1115, 1116, 1117, 1119 and
5 9704 of this title, and this section.”.

6 (b) **MANAGERIAL ACCOUNTABILITY AND FLEXIBIL-**
7 **ITY.**—Chapter 97 of title 31, United States Code, is
8 amended by inserting after section 9703 (as added by sec-
9 tion 5 of this Act) the following new section:

10 **“§ 9704. Pilot projects for managerial accountability**
11 **and flexibility**

12 “(a) The Director of the Office of Management and
13 Budget shall designate not less than five agencies as pilot
14 projects in managerial accountability and flexibility for fis-
15 cal years 1995 and 1996. Such agencies shall be selected
16 from those designated as pilot projects under section 1118
17 and shall reflect a representative range of Government
18 functions and capabilities in measuring and reporting pro-
19 gram performance.

20 “(b) Pilot projects in the designated agencies shall
21 include proposed waivers in accordance with section 9703
22 for one or more of the major functions and operations of
23 the agency.

24 “(c) The Director of the Office of Management and
25 Budget shall include in the report to the President and

1 to the Congress required under section 1118(b) the
2 following—

3 “(1) an assessment of the benefits, costs, and
4 usefulness of increasing managerial and organiza-
5 tional flexibility, discretion, and authority in ex-
6 change for improved performance through a waiver;
7 and

8 “(2) an identification of any significant difficul-
9 ties experienced by the pilot agencies in preparing
10 proposed waivers.

11 “(d) For purposes of this section the definitions
12 under section 1115(e) shall apply.”.

13 (c) PERFORMANCE BUDGETING.—Chapter 11 of title
14 31, United States Code, is amended by inserting after sec-
15 tion 1118 (as added by section 6 of this Act) the following
16 new section:

17 **“§ 1119. Pilot projects for performance budgeting**

18 “(a) The Director of the Office of Management and
19 Budget, after consultation with the head of each agency
20 shall designate not less than five agencies as pilot projects
21 in performance budgeting for fiscal years 1998 and 1999.
22 At least three of the agencies shall be selected from those
23 designated as pilot projects under section 1118, and shall
24 also reflect a representative range of Government func-

1 tions and capabilities in measuring and reporting program
2 performance.

3 “(b) Pilot projects in the designated agencies shall
4 cover the preparation of performance budgets. Such budg-
5 ets shall present, for one or more of the major functions
6 and operations of the agency, the varying levels of per-
7 formance, including outcome-related performance, that
8 would result from different budgeted amounts.

9 “(c) The Director of the Office of Management and
10 Budget shall include, as an alternative budget presen-
11 tation in the budget submitted under section 1105 for fis-
12 cal year 1999, the performance budgets of the designated
13 agencies for this fiscal year.

14 “(d) No later than March 31, 2001, the Director of
15 the Office of Management and Budget shall transmit a
16 report to the President and to the Congress on the per-
17 formance budgeting pilots which shall—

18 “(1) assess the feasibility and advisability of in-
19 cluding a performance budget as part of the annual
20 budget submitted under section 1105;

21 “(2) describe any difficulties encountered by the
22 pilot agencies in preparing a performance budget;

23 “(3) recommend whether legislation requiring
24 performance budgets should be proposed and the
25 general provisions of any legislation; and

1 “(4) set forth any recommended changes in the
2 other requirements of the Government Performance
3 and Results Act of 1993, section 306 of title 5, sec-
4 tions 1105, 1115, 1116, 1117, 1118, and 9704 of
5 this title, and this section.

6 “(e) After receipt of the report required under sub-
7 section (d), the Congress may specify that a performance
8 budget be submitted as part of the annual budget submit-
9 ted under section 1105.”.

10 **SEC. 7. CONGRESSIONAL OVERSIGHT AND LEGISLATION.**

11 (a) IN GENERAL.—Nothing in this Act shall be con-
12 strued as limiting the ability of Congress to establish,
13 amend, suspend, or annul a performance goal. Any such
14 action shall have the effect of superseding that goal in the
15 plan submitted under section 1105(a)(29) of title 31,
16 United States Code.

17 (b) GAO REPORT.—No later than June 1, 1997, the
18 Comptroller General of the United States shall report to
19 Congress on the implementation of this Act, including the
20 prospects for compliance by Federal agencies beyond those
21 participating as pilot projects under sections 1118 and
22 9704 of title 31, United States Code.

23 **SEC. 8. TRAINING.**

24 The Office of Personnel Management shall, in con-
25 sultation with the Director of the Office of Management

1 and Budget and the Comptroller General of the United
2 States develop a strategic planning and performance
3 measurement training component for its management
4 training program and otherwise provide managers with an
5 orientation on the development and use of strategic plan-
6 ning and program performance measurement.

7 **SEC. 9. APPLICATION OF ACT.**

8 No person who is not an officer or employee of the
9 United States acting in such capacity shall have standing
10 to file any civil action in a court of the United States to
11 enforce any provision or amendment made by this Act. No
12 provision or amendment made by this Act may be con-
13 strued as creating any right, privilege, benefit, or entitle-
14 ment for any person who is not an officer or employee
15 of the United States acting in such capacity.

16 **SEC. 10. TECHNICAL AND CONFORMING AMENDMENT.**

17 (a) AMENDMENT TO TITLE 5, UNITED STATES
18 CODE.—The table of sections for chapter 3 of title 5,
19 United States Code, is amended by adding after the item
20 relating to section 305 the following:

“306. Strategic plans.”.

21 (b) AMENDMENTS TO TITLE 31, UNITED STATES
22 CODE.—

23 (1) AMENDMENT TO CHAPTER 11.—The table of
24 sections for chapter 11 of title 31, United States

1 Code, is amended by adding after the item relating
2 to section 1114 the following:

“1115. Performance plans.

“1116. Program performance reports.

“1117. Exemptions.

“1118. Pilot projects for performance goals.

“1119. Pilot projects for performance budgeting.”.

3 (2) AMENDMENT TO CHAPTER 97.—The table of
4 sections for chapter 97 of title 31, United States
5 Code, is amended by adding after the item relating
6 to section 9702 the following:

“9703. Managerial accountability and flexibility.

“9704. Pilot projects for managerial accountability and flexibility.”.

7 (c) AMENDMENT TO TITLE 39, UNITED STATES
8 CODE.—The table of chapters for part III of title 39,
9 United States Code, is amended by adding at the end
10 thereof the following new item:

“28. Strategic planning and performance management 2801”.

11 **SEC. 11. EFFECTIVE DATES AND PROCEDURES.**

12 (a) IN GENERAL.—The provisions of this Act and
13 amendments made by this Act shall take effect on the date
14 of the enactment of this Act, except sections 3, 4, 5, 6(c),
15 and 7 of this Act, and the amendments made by such sec-
16 tions, shall take effect on the date of enactment of the
17 resolution described in subsection (b).

18 (b) RESOLUTION APPROVING PERFORMANCE
19 PLANS.—

20 (1) RESOLUTION DESCRIBED.—A resolution re-
21 ferred to in subsection (a) is a joint resolution the

1 matter after the resolving clause of which is as fol-
2 lows: "That Congress approves the development of
3 departmental and agency strategic plans, perform-
4 ance plans and reports pursuant to section 306 of
5 title 5, United States Code, sections 1105(a)(29)
6 and 9703 of title 31, United States Code, sections
7 1115, 1116, 1117, and 1119 of title 31, United
8 States Code, and chapter 28 of title 39, United
9 States Code (as amended by sections 3, 4, 5, 6, and
10 7 of the Government Performance and Results Act
11 of 1993).".

12 (2) INTRODUCTION OF RESOLUTION.—No later
13 than 30 days after the transmittal by the Comptrol-
14 ler General of the United States to the Congress of
15 the report referred to in section 7(b), a resolution as
16 described in paragraph (1) shall be introduced in the
17 Senate by the chairman of the Committee on Gov-
18 ernmental Affairs of the Senate, or by a Member or
19 Members of the Senate designated by such chair-
20 man, and shall be introduced in the House by the
21 chairman of the Committee on Government Oper-
22 ations of the House of Representatives, or by a
23 Member or Members of the House designated by
24 such chairman.

1 (3) REFERRAL.—A resolution described in
2 paragraph (1), shall be referred to the Committee on
3 Governmental Affairs of the Senate and the Com-
4 mittee on Government Operations of the House of
5 Representatives by the President of the Senate or
6 the Speaker of the House of Representatives, as the
7 case may be. The committee shall make its rec-
8 ommendations to the Senate or the House of Rep-
9 resentatives, respectively, within 30 calendar days
10 following the date of such resolution's introduction.

11 (4) DISCHARGE OF COMMITTEE.—If the com-
12 mittee to which is referred a resolution introduced
13 pursuant to paragraph (2) (or, in the absence of
14 such a resolution, the first resolution introduced
15 with respect to the same departmental or agency
16 plans and reports) has not reported such resolution
17 or identical resolution at the end of 30 calendar days
18 after its introduction, such committee shall be
19 deemed to be discharged from further consideration
20 of such resolution and such resolution shall be
21 placed on the appropriate calendar of the House in-
22 volved.

23 (5) PROCEDURE AFTER REPORT OR DISCHARGE
24 OF COMMITTEE; VOTE ON FINAL PASSAGE.—(A)
25 When the committee has reported, or has been

1 deemed to be discharged (under paragraph (4)) from
2 further consideration of a resolution described in
3 paragraph (1), it is at any time thereafter in order
4 (even though a previous motion to the same effect
5 has been disagreed to) for any Member of the re-
6 spective House to move to proceed to the consider-
7 ation of the resolution. The motion is highly privi-
8 leged and is not debatable. The motion shall not be
9 subject to amendment, or to a motion to postpone,
10 or to a motion to proceed to the consideration of
11 other business. A motion to reconsider the vote by
12 which the motion is agreed to or disagreed to shall
13 not be in order. If a motion to proceed to the consid-
14 eration of the resolution is agreed to, the resolution
15 shall remain the unfinished business of the respec-
16 tive House until disposed of.

17 (B) Debate on the resolution, and on all debat-
18 able motions and appeals in connection therewith,
19 shall be limited to not more than 10 hours, which
20 shall be divided equally between individuals favoring
21 and individuals opposing the resolution. A motion
22 further to limit debate is in order and not debatable.
23 An amendment to, or a motion to postpone, or a mo-
24 tion to recommit the resolution is not in order. A

1 motion to reconsider the vote by which the resolution
2 is passed or rejected shall not be in order.

3 (C) Immediately following the conclusion of the
4 debate on the resolution and a single quorum call at
5 the conclusion of the debate if requested in accord-
6 ance with the rules of the appropriate House, the
7 vote on final passage of the resolution shall occur.

8 (D) Appeals from the decisions of the Chair re-
9 lating to the application of the rules of the Senate
10 or the House of Representatives, as the case may be,
11 to the procedure relating to a resolution described in
12 paragraph (1), shall be decided without debate.

13 (E) If, prior to the passage by one House of a
14 resolution of that House, that House receives a reso-
15 lution with respect to departmental or agency strate-
16 gic plans, performance plans and reports from the
17 other House, then—

18 (i) the procedure in that House shall be
19 the same as if no resolution had been received
20 from the other House; but

21 (ii) the vote on final passage shall be on
22 the resolution of the other House.

23 (F) It shall not be in order in either the Senate
24 or the House of Representatives to consider a resolu-
25 tion described in paragraph (1), or to consider any

1 conference report on such a resolution, unless the
2 Comptroller General of the United States transmits
3 to the Congress a report under section 7(b).

4 (6) RULEMAKING POWER OF CONGRESS.—The
5 provisions of this section are enacted by the
6 Congress—

7 (A) as an exercise of the rulemaking power
8 of the Senate and the House of Representatives
9 and as such shall be considered as part of the
10 rules of each House, and shall supersede other
11 rules only to the extent that they are inconsis-
12 tent therewith; and

13 (B) with full recognition of the constitu-
14 tional right of either House to change the rules
15 (so far as they relate to the procedures of that
16 House) at any time, in the same manner, and
17 to the same extent as in the case of any other
18 rule of that House.

Mr. CONYERS. Before we start, Senator Roth, I want to recognize the gentleman from Pennsylvania, Mr. Bill Clinger.

Mr. CLINGER. Thank you very much, Mr. Chairman. I want to commend you on holding this very important hearing which I think is going to contribute to the objective of the President and the Vice President's efforts to reinvent government as we say.

We find ourselves in a very unique position today. This subcommittee has the rare opportunity to consider legislation which has support on both sides of the aisle, from both bodies of Congress and from the President.

This legislation, H.R. 826, will, for the first time, ask Federal program managers to prove the success and progress of their programs. By the time this legislation is fully implemented, Congress and the American public will be able not only to identify how their moneys are being spent but to measure the bang they are getting out of their bucks.

I certainly want to applaud the very hard work done by Senator William Roth in drafting this legislation. His efforts, supported by his committee counsel, John Mercer, are directly responsible for our consideration of this proposal today. I am pleased that Senator Roth will testify before us today.

[The prepared statement of Mr. Clinger follows:]

HON. WILLIAM F. CLINGER, JR.
Opening Statement Regarding
H.R. 826, THE GOVERNMENT PERFORMANCE AND RESULTS ACT

March 23, 1993

MR. CHAIRMAN, WE FIND OURSELVES IN A VERY UNIQUE POSITION TODAY. THIS SUBCOMMITTEE HAS THE RARE OPPORTUNITY TO CONSIDER LEGISLATION WHICH HAS SUPPORT ON BOTH SIDES OF THE AISLE, FROM BOTH BODIES OF CONGRESS, AND FROM THE PRESIDENT.

THIS LEGISLATION, H.R. 826, WILL FOR THE FIRST TIME ASK FEDERAL PROGRAM MANAGERS TO PROVE THE SUCCESS AND PROGRESS OF THEIR PROGRAMS. BY THE TIME THIS LEGISLATION IS FULLY IMPLEMENTED, CONGRESS AND THE AMERICAN PUBLIC WILL BE ABLE NOT ONLY TO IDENTIFY HOW THEIR MONIES ARE BEING SPENT BUT TO MEASURE THE BANG THEY ARE GETTING OUT OF THEIR BUCKS.

I WOULD BE REMISS IF I DID NOT APPLAUD THE HARD WORK BY SENATOR WILLIAM ROTH IN DRAFTING THIS LEGISLATION. HIS EFFORTS, SUPPORTED BY HIS COMMITTEE COUNSEL JOHN MERCER, ARE DIRECTLY RESPONSIBLE FOR OUR CONSIDERATION OF THIS PROPOSAL TODAY. I AM PLEASED THAT SENATOR ROTH WILL TESTIFY BEFORE US TODAY.

THANK YOU, MR. CHAIRMAN.

Mr. CLINGER. And I ask that the statement of my colleague Mr. McCandless be entered into the record.

Mr. CONYERS. Without objection so ordered.

[The prepared statement of Mr. McCandless follows:]

HONORABLE AL MCCANDLESS
Ranking Minority Member
Legislation and National Security Subcommittee

H.R. 826, THE GOVERNMENT PERFORMANCE AND RESULTS ACT
Opening Statement – March 23, 1993

Mr. Chairman, it is my hope that we are about to begin consideration of the first piece of legislation to be approved by this Committee during the 103rd Congress. The Government Performance and Results Act of 1993, which will lead to the eventual adoption of performance based budgeting, stands in rare company as a truly revolutionary government management reform proposal. Only the Inspectors General Act of 1978 and the Chief Financial Officers Act of 1990 have resulted in as dramatic reforms in the means by which we manage the federal government.

The types of performance based reforms included in this proposal are winning high marks from several respected sources. The National Academy of Public Administration and the American Society for Public Administration have endorsed the types of reforms in this bill. The same reforms are being implemented by some state and local governments and are being tried at the national government level in such countries as Australia and the United Kingdom. David Broder recently praised the concept in his syndicated column, and author and public policy consultant David Osborne is actively promoting these ideas in the Administration and in his book, "Reinventing Government."

I thank our witnesses for providing their thoughts on this legislation and I look forward to working with the Committee majority in approving this bill.

Mr. CONYERS. As a former colleague in this body, Bill, we are delighted to know that you keep in close touch with us and as the author of this measure and your ranking role on governmental affairs brings us very close together.

And we congratulate you on this initial piece of legislation and welcome the observations you would share with us this morning.

STATEMENT OF HON. WILLIAM V. ROTH, JR., A SENATOR IN CONGRESS FROM THE STATE OF DELAWARE

Mr. ROTH. Thank you, Mr. Chairman, and Bill Clinger. I greatly appreciate the opportunity both of being here and I, of course, particularly appreciate the fact that you have introduced the companion bill, H.R. 826.

I am sure I don't have to tell this committee how angry and frustrated the American people are with their governmental institutions, particularly at the Federal level. We see it in the public opinion polls, in the results of the recent election, in the mail we get from our constituents, and in the wide popular appeal of Ross Perot. Clearly, the public believes that government isn't working well, that programs don't perform as they should, and that money sent to Washington is, in large part, wasted.

It was with this in mind that I first introduced the Government Performance and Results Act back in 1990. This legislation would require Federal programs to develop long-term strategic plans for program performance, annual performance plans, and annual performance reports.

My purpose was to bring more accountability to the Federal Government by requiring some thought as to what our tax dollars should accomplish. Too often in Washington there is a tendency to focus on how a program is spending its money and whether it is following proper procedures with too little concern over what the program is actually achieving. In other words, accountability is over process rather than result.

And I think this needs to change. Particularly during this time of tight budget constraints, government should become more results oriented. We need better information on which programs are working well and which are not. And the best way to determine that in a fair, objective manner is to measure their performance against preestablished goals.

Also, managers should be given greater discretion and authority in the use of program resource in return for greater accountability for results. That is the best way to help them do more with less.

These principles are incorporated in the legislation. Another feature of the bill is that it begins with a series of pilot projects before full governmentwide implementation. The Federal Government has relatively little experience, unfortunately, in setting goals on program performance. The task is a vital one, but may not be easy at first since it will require a new way of thinking here in Washington. I believe it best to focus our attention, first, on doing it right in a group of individual programs and then use them as role models for the rest of government.

And finally, after agencies have developed program performance goals, we should try to incorporate those goals directly into the Federal budget, which we call "performance-based budgeting." That

shows what each budget dollar is supposed to accomplish in terms of results. This is what turns a budget from being largely a political document into a real policymaking device and a management tool. The legislation before you provides for a series of pilot projects in performance-based budgeting, showing alternative levels for service for alternative levels of funding.

Perhaps the most encouraging thing about watching this bill move through Congress has been seeing the broad support it has received. Congressman Clinger already mentioned how it has bipartisan support both from the House and the Senate and the President. And that is, indeed—I won't say unique, but certainly most unusual.

I can say that the cosponsors of the legislation in the Senate range the entire political spectrum of that body, from the most liberal to the most conservative. In fact, it passed the Senate last year without any objection, under unanimous consent. And it incorporates reforms that have been strongly endorsed by both the National Academy of Public Administration and the American Society for Public Administration.

In the past year we have come to hear the phrase "reinventing government" a great deal. It is more than just a title of a best-selling book; it is a phrase that captures how fundamentally we must change the way that the government does business, if we are to regain the confidence of the American people in their public institutions.

I think, Mr. Chairman, that it is fair to say that the Government Performance and Results Act could rightfully be thought of as the first "reinventing government" bill moving through the Congress.

Tomorrow the Senate Governmental Affairs Committee is scheduled to mark up their bill. We could probably enact this long overdue reform fairly quickly, as the administration has requested, perhaps even in time for the President to sign it into law during his first 100 days.

We will, then, have shown the American people that we have gotten the message, and that Congress and the White House, Democrats and Republican, can work together for real change in government. And in doing, so we will have taken a major step toward restoring the people's confidence in these institutions.

So I thank you, Mr. Chairman, for the opportunity of testifying here.

I would like to point out—some of you may want to review it—we are a little behind some other countries—here is a British booklet that sets forth how they have moved ahead with performance goals and the results of that effort.

Thank you Mr. Chairman.

[The prepared statement of Mr. Roth follows.]

SENATOR WILLIAM V. ROTH, JR
TESTIMONY BEFORE THE
HOUSE COMMITTEE ON GOVERNMENT OPERATIONS
MARCH 23, 1993 HEARING
H.R. 826 - GOVERNMENT PERFORMANCE AND RESULTS ACT

Mr. Chairman, I would first like to thank you, Congressman Clinger, and Congressman McDade for having introduced H.R. 826 in the House, as the companion bill to S. 20, the Government Performance and Results Act. I would also like to thank you for having scheduled this hearing on the legislation.

I am sure I don't have to tell the Committee how angry and frustrated the American people are with their governmental institutions -- particularly at the federal level. We see it in the public opinion polls, in the results of the recent elections, in the mail we get from our constituents -- and in the wide popular appeal of Rose Perot. Clearly, the public believes that government isn't working well, that programs don't perform as they should, and that money sent to Washington is in large part wasted.

It was with this in mind that I introduced the Government Performance and Results Act. It would require federal programs to develop long-term strategic plans for program performance, annual performance plans, and annual performance reports.

My purpose was to bring more accountability to the federal government by requiring some thought as to what our tax dollars are supposed to accomplish. Too often in Washington, there is a tendency to focus just on how a program is spending its money and whether it is following proper procedures -- with little concern over what the program is actually achieving. In other words, accountability is over process rather than result.

I think this needs to change. Particularly during this time of tight budget constraints, government should become more results-oriented. We need better information on which programs are working well and which are not. The best way to determine that in a fair, objective manner is to measure their performance against pre-established goals.

Also, managers should be given greater discretion and authority in the use of program resources -- in return for greater accountability for results. That is the best way to help them to do more with less.

These principles are incorporated in the legislation. Another feature of the bill is that it begins first with a series of pilot projects, before full governmentwide implementation. The federal government has relatively little experience, unfortunately, in setting goals for program performance. The task is a vital one, but may not be easy at first -- since it will require a new way of thinking here in Washington. I believe it best to focus our attention first on doing it right in a group of individual programs, then using them as role models for the rest of government.

And finally, after agencies have developed program performance goals, we should try to incorporate those goals directly into the federal budget -- which is called "performance-based budgeting." That shows what each budget dollar is supposed to accomplish in terms of results. This is what turns a budget from being largely a political document, into a real policy making device and a management tool. The legislation before you provides for a series of pilot projects in performance-based budgeting, showing alternative levels for service for alternative levels of funding.

Perhaps the most encouraging thing about watching this bill move through the legislative process has been seeing the broad support it has received. Its cosponsors in the Senate range the entire political spectrum of that body, from the most liberal to the most conservative. In fact, it past the Senate last year without any objection, under unanimous consent. And it incorporates reforms that have been strongly endorsed by both the National Academy of Public Administration and the American Society for Public Administration.

In the past year we have come to hear the phrase "reinventing government" a great deal. More than just the title of a best-selling book, it is a phrase that captures how fundamentally we must change the way government does business, if we are to regain the confidence of the American people in their public institutions.

I think it fair to say that the Government Performance and Results Act could rightfully be thought of as the first "reinventing government" bill moving through the Congress.

Tomorrow, the Senate Governmental Affairs Committee is scheduled to mark-up the bill. We could probably enact this long-overdue reform fairly quickly, as the Administration has requested -- perhaps even in time for the President to sign it into law during his "first 100 days."

We will then have shown the American people that we have gotten their message -- and that Congress and the White House, Democrats and Republicans, can work together for real change in government. In doing so, we will have taken a big step toward restoring the people's confidence in these institutions.

Mr. CONYERS. Thank you Senator Roth. I would like to get a look at that British manual.

Mr. ROTH. I will have to loan it to you. I only have one copy, but I would be happy to do so.

Mr. CONYERS. We have a lot of efficiency around here. We will figure a way to copy it off.

Mr. Clinger.

Mr. CLINGER. Thank you, Mr. Chairman. And thank you, Senator Roth, for coming to testify and for your initiative and leadership in this overall effort. I think we are actually going to see some results in this Congress on this bill, hopefully sooner rather than later.

The only comment that I have is that, is there some way that the program could impose initial measures on the managers in the terms of more paperwork? Do you see this as imposing additional costs or paperwork?

Mr. ROTH. Absolutely not. What we are trying to do is get the various agencies and departments to concentrate on performance results rather than process. We already have too much paperwork, too much red tape. What we are trying to do is simplify the process, get more flexibility to the administrators as they seek to reach their performance goals.

Mr. CLINGER. We thank you very much.

Mr. CONYERS. Thank you very much, Senator Roth. We are going to try to put this on as fast a track as we can here.

We are next honored to have the U.S. Comptroller General, Hon. Charles Bowsher, to come before his favorite committee.

It is good to see you again. Thank you very much for joining us. Introduce your assistants, and we will introduce your statement into the record in its entirety; and you may proceed in your own way.

Good morning to you, sir.

STATEMENT OF CHARLES A. BOWSHER, COMPTROLLER GENERAL, U.S. GOVERNMENT ACCOUNTING OFFICE, ACCOMPANIED BY DAVID MATHIASSEN AND BILL HUNT

Mr. BOWSHER. Thank you very much, Mr. Chairman, and Congressman Clinger.

It is a pleasure to be here today. With me is David Mathiasen on my right; and on my left is Bill Hunt. I am going to summarize my statement a bit, and I would appreciate your putting the full statement in the record.

You asked that we provide our position on the Government Performance and Results Act of 1993, H.R. 826, and also our views on legislative options for implementing recommendations from the President's National Performance Review.

First let me say that we do support H.R. 826 and recommend that it be enacted. We also believe that Congress might wish to consider establishing legislative implementation mechanisms such as granting the President new reorganization authority to handle the management reform recommendations that may flow from the National Performance Review or other initiatives. Early consensus on implementation mechanisms may increase the likelihood of success for the potentially broad range of recommended changes that may face Congress and the President. Although there appears to be

significant agreement on the need to change how government is managed, consensus breaks down as attention is turned to the specifics of what changes should be implemented.

Many policymakers and Federal managers have been working a long time to improve the basic systems necessary to overcome the management problems facing Federal agencies. However, we have concluded that management in the Federal Government is not in good shape. Your December 1992 report "Managing the Federal Government: A Decade of Decline," describes many of these problems. Our recent transition reports reinforced these findings. In addition, hundreds of open audit recommendations from our reports and from those of the inspectors' general have documented where the government has been ineffective in achieving needed improvements. H.R. 826 would be a very positive step forward in beginning to address these problems. It would require agencies to clearly define their missions, develop operational plans on how they will achieve their missions, with specific measures of results, and eventually link resources to performance.

H.R. 826 also builds on the Chief Financial Officers Act of 1990. Together, the two acts provide the basis for clarifying accountability for results. However, these measures alone, while desirable and important, constitute only part of the reforms needed in areas such as: A longer term management focus on procurement, recruitment, budgeting, and personnel; reforming agency organizational structures and functions, and establishing a framework for managing change that focuses more on the strategic uses of technology for achieving agency missions.

As I testified before the Senate Governmental Affairs Committee earlier this month, prompt action on performance measurement legislation, continued implementation of the CFO Act, and action on open-audit recommendations could constitute an important and immediate down payment to the American taxpayers, demonstrating that Congress and the administration are serious about improving government management.

I would like, for just a moment, to talk about how Federal roles have changed over the past 40 years. The role of the Federal Government has changed dramatically. This change has required greater reliance on the use of third parties to deliver programmed service. One result of using third parties is that while Federal spending has increased by more than 250 percent in constant dollars over the 40-year period, Federal civilian employment has remained constant.

I think, Mr. Chairman, we have to recognize that today many of our programs run by third parties are in the private sector. We saw that when we had the HUD problems about 4 years ago. Our defense weapons are, basically, produced by the defense industry. Our Medicare is, basically, processed by private sector insurance companies such as Blue Cross. And, certainly, some of the problems that we experience in the S&L crisis were in the private sector. So we must have successful oversight when third parties are processing much of the data. And that is something that we have not done enough of in recent times.

Management concepts have also changed. The hierarchical, centralized bureaucracies that were designed in the 1930's and the

1940's simply do not function as well in this rapidly changing knowledge-intensive society and economy of the 1990's. The kind of government that developed during that period with its reliance on rules, regulations, hierarchical chains of command, and direct provision of services worked well in a stable environmental and accomplished great things in its time. But today, it has become a dinosaur. The Department of Agriculture has an extensive and costly field structure of 11,000 field offices, many of which date from the 1930's. And they were set up before modern transportation systems, computers, and universal telephone coverage facilitated communication. The time has come to change the process, the mechanisms, and the way we seek to accomplish government missions such as in the Agriculture Department.

Also, I think we ought to look at the status of the Federal Government in implementing new concepts such as performance measurement.

In May 1992 we reported on the status of performance measurement in the largest Federal agencies and we found that few shaped their operations around their missions or focused on desired results. We surveyed 103 of the largest Federal organizations to determine to what extent they had created strategic goals.

The agencies reported the following: About two-thirds had a single, long term, strategic plan and three-fourths collected a wide variety of data to access program performance. However, when we visited a sample of these agencies, we found that most of them used this information at the program level, and that strategic planning and performance measurement were not tied together.

And only 9 of the 103 organizations reported having an administrative infrastructure in place for developing and reporting results. There were few offices that routinely collected performance data and reported on the progress made toward goals set up in their strategic plans.

In September 1992, we reported on the use of total quality management, sometimes referred to as TQM. This is a management approach that strives to achieve continuous improvement of quality throughout an organization based on facts and data. It emphasizes new concepts such as focusing on the customer, planning strategically, and measuring quality results.

TQM is being implemented by a significant number of Federal organizations, including our own. About 68 percent of the 2,800 military and civilian installations we surveyed reported that they were working on TQM. The greatest concentration of those installations implementing TQM were in early phases. The remaining Federal installations surveyed said that they were not currently implementing TQM but plan to do so sometime in the future. Although TQM is being initiated on a fairly wide scale, the depth of employee involvement is still very shallow; about 13 percent of employees from agencies with TQM efforts were reported as being involved in TQM projects at the time of our survey.

TQM efforts have really just gotten started at the Federal Government level. H.R. 826 would create, I think, a focus on effectiveness. This legislation would require all agencies to develop strategic plans, set agreed-upon goals and objectives, and measure their progress toward these goals.

The bill seeks to create an environment that would provide managers with the incentives and tools they need to focus on desired results. The bill, starts with a series of 10 pilot agencies in fiscal year 1994 and will encourage waivers from administrative rules in several of these agencies in the subsequent fiscal year.

The bill also provides for five or more pilots on performance budgeting beginning in fiscal year 1998. While establishing more direct links between budget levels and performance is a worthy goal, our recent work in this area in several States regarded as leaders in this field suggest that the goal remains elusive.

Performance measures have not attained sufficient credibility in these states to influence the budget decisionmaking process. To date, performance budgeting has not evolved naturally from improvements in performance measurement, in part, because of difficulties in achieving consensus on meaningful measures and the absence of underlying supporting mechanisms, such as cost accounting systems. The building block approach envisioned in H.R. 826, in which performance measures are developed and tested before being applied to the budget process, may increase chances for success.

Now, Senator Roth brought up an important concern about what some other countries have done in this area. The U.S. Government is not alone in attempting to address major management problems. Countries such as Australia, Britain, Canada, New Zealand, and Sweden began to fundamentally rethink how their public sectors operated in the 1980's by attempting to create more results-oriented environments.

In general, these governments attempted to change the incentives for individual managers and organizational cultures across their entire public service. Their common emphasis was to focus more on achieving results. This was done by introducing quasimarket mechanisms and incentives similar to those in the private sector, such as competition, individual accountability for performance, and a focus on customers.

But we in the Federal Government need to do more to change our culture and incentives to create a more results-oriented environment. Long-term progress may be made by aggressive action in three broad areas: One, clarifying accountability for program results; two, emphasizing a long-term focus; and, three, realigning the machinery of government.

I would like to talk a little more about each of these three key areas in clarifying accountability for program results.

In far too many instances, program managers focus on process rather than results. The CFO Act is part of the foundation for creating accountability for results. This landmark law represents the most far-reaching financial legislation in 40 years and provides an excellent blueprint for financial reform. H.R. 826 builds on this foundation by tying program results and resources to agency missions.

One tool used in other countries—such as Australia, New Zealand, and the United Kingdom—to gain commitment for implementing these concepts has been to grant managers greater discretion in the use of resources in exchange for greater accountability for results. These flexibilities have included: One, reforming their

civil service systems; two, recasting their budget execution systems; three, devolving centralized authority; and four, allowing a choice between government and nongovernment service providers.

Now, on the longer-term focus, we have often seen, in our government and in other governments, a misplaced focus on short-term issues; and this has become a major deterrent to good management.

This short-term focus is most visible in three areas: One, the political appointment process, in which many of our political appointees only serve a very short time; two, the annual budget process, which puts a great deal of pressure on annual budget targets; and three, underinvestment in our public service. The ultimate success of H.R. 826 will depend on making progress on these and other issues central to developing leadership continuity and a commitment to action.

The British have developed performance standards on a program-by-program basis. Based on these standards, the secretary of a department develops annual performance agreements for their agencies. And in addition, these standards are part of the individual multiyear performance agreements for the chief executive officers in charge of these agencies. So the political appointees set policy on what they want to achieve. Then they reach agreement with their senior civil servants on how to carry out these policies. Senior civil servants are evaluated on how well they carried out the policies.

The second change needed to create a more results-oriented government is to realign the machinery of the government.

All too often, the existing machinery of government stifles results-oriented agency action. The traditional posture of central management agencies has been to control and regulate agency actions and resource usage, encouraging Congress to take the same overly detailed approach. And individual agencies frequently have unclear missions and ineffective organizational structures.

In the last decade, the Federal Government's central management agencies—the Office of Management and Budget [OMB], the Office of Personnel Management, and the GSA—have begun to shift from being control-oriented to delegating authority. This is partly attributable to OMB's support for TQM. OMB's management staff has increased its emphasis on assisting rather than instructing agencies in resolving their management problems. However, the central management agencies still need to identify and promote agreement on ways to encourage and accelerate their efforts to devolve more authority to agencies.

Now, certain mechanisms will be needed to act on these management reform initiatives. The President's National Performance Review, with its 6-month duration, is important because it reflects a clear signal for action. In all likelihood, some of the review's recommendations will lend themselves to immediate corrective action by the executive branch. Other issues may take more time. And some may require legislative approval. In a report we prepared on governmentwide management initiatives during the 1970's, we concluded that broad management initiatives were more likely to endure when Congress authorized them in statute.

Congress and the administration will need to work closely together to ensure that the findings and recommendations of the National Performance Review are considered and acted upon. Where consensus exists, Congress may want to consider providing some type of fast-track legislative process as a mechanism for quickly acting of the recommendations of the National Performance Review.

In conclusion, Mr. Chairman, we believe that the Government Performance and Results Act of 1993, H.R. 826, could serve as the foundation for a broad range of efforts to improve Federal management. Most Federal managers want to be efficient and effective. When they run inefficient or ineffective operations, it is usually because something requires them to do so, because there are strong incentives to do so, or because they do not know how to fix them.

The National Performance Review and a commission could be complementary tools for action. The National Performance Review could give the President the ability to gain quick action on administrative streamlining recommendations. In addition, a broad-based bipartisan commission could be used to address a longer term agenda.

This completes my statement. We would be pleased to answer any questions, Mr. Chairman.

[The prepared statement of Mr. Bowsler follows:]

United States General Accounting Office

GAO

Testimony

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IMPROVING GOVERNMENT

Measuring Performance and Acting on Proposals for Change

Statement of Charles A. Bowsher
Comptroller General of the United States



IMPROVING GOVERNMENT:
MEASURING PERFORMANCE AND ACTING ON PROPOSALS FOR CHANGE

Summary of Statement by Charles A. Bowsher
Comptroller General of the United States

Public officials must be able to better assure citizens that their tax dollars are being spent to produce useful results. In far too many instances, federal managers focus primarily on ensuring that processes are carried out rather than on ensuring favorable results. Shifting this focus will be difficult and will require a long-term commitment from those involved.

The federal government needs to be made more comprehensible to the average citizen. To do this first requires that agencies themselves have a clear sense of their own purposes. The Government Performance and Results Act of 1993, H.R. 826, would be an important step forward in addressing this problem, and we recommend its enactment.

H.R. 826 would require a group of pilot agencies to develop strategic plans, set agreed-upon goals, and measure their progress toward those goals. It also would provide greater managerial flexibility to some of these agencies through waivers of certain administrative rules. Eventually, the bill calls for pilot tests to assess the feasibility of performance budgeting. While we support the goal of more directly linking performance to budget levels, our work suggests that a great deal more needs to be done before performance measures can serve as a credible basis for resource decisions.

Prompt action on H.R. 826, the Chief Financial Officers (CFO) Act of 1990, and hundreds of open audit recommendations could constitute an important and immediate downpayment to the American taxpayers, demonstrating that Congress and the administration are serious about improving government management.

Beyond these near-term efforts, Congress and the administration will need to work together on more contentious issues to ensure that managers have the tools they need to achieve the results we all want. Areas in need of a longer term management focus include procurement, recruitment, budgeting, information resources management, personnel, and agency organization and functions.

Congress may wish to consider a variety of legislative mechanisms, such as "fast track" approval, presidential reorganization authority, or a broadbased, bipartisan commission to implement reforms. These mechanisms could be used both where the need for change is apparent and where prompt action should be taken, as well as in those areas in which additional work is needed to better identify problems and build consensus to solve them.

Mr. Chairman and Members of the Committee:

It is a pleasure to appear before you today. You asked that we provide our position on the Government Performance and Results Act of 1993, H.R. 826, and also our views on legislative options for implementing recommendations from the President's National Performance Review.

We support H.R. 826 and recommend that it be enacted. We also believe that Congress might wish to consider establishing legislative implementation mechanisms, such as granting the President reorganization authority, to handle the management reform recommendations that may flow from the National Performance Review or other initiatives. Early consensus on implementation mechanisms may increase the likelihood of success for the potentially broad range of recommended changes that may face Congress and the President. Although there appears to be significant agreement on the need to change how government is managed, consensus often breaks down as attention is turned to the specifics of what changes should be implemented.

Many policymakers and federal managers have been working hard for a long time to improve the basic systems necessary to overcome the management problems facing federal agencies. However, like you, we have concluded that management in the federal government is not in good shape. Your December 1992 report, Managing the Federal Government: A Decade of Decline, describes many of the

problems. Our recent Transition Reports and High-Risk Status Reports reinforce these findings. In addition, hundreds of open audit recommendations from our reports and those of the inspectors general have documented where the government has been ineffective in achieving needed improvements. H.R. 826 would be a very positive step forward in beginning to address these problems. It would require agencies to clearly define their missions, develop operational plans on how they will achieve their missions--with specific measures of results, and eventually link resources to performance.

H.R. 826 builds on the Chief Financial Officers (CFO) Act of 1990. Together, the two acts provide the basis for clarifying accountability for results. However, these measures alone, while desirable and important, constitute only part of the broader reforms needed. These would include creating a longer term management focus on procurement, recruitment, budgeting, and personnel, reforming agency organizational structures and functions, and establishing a framework for managing change that focuses more on the strategic uses of technology for achieving agency missions.

As I testified before the Senate Governmental Affairs Committee earlier this month, prompt action on performance measurement legislation, continued implementation of the CFO Act, and action on open audit recommendations could constitute an important and

immediate downpayment to the American taxpayers, demonstrating that Congress and the administration are serious about improving government management.

FEDERAL ENVIRONMENT AND MANAGEMENT

CONCEPTS HAVE CHANGED

Any management reform agenda should be based on a careful review of agency missions and roles and an understanding of the management concepts and systems that agencies are attempting to use to achieve their objectives. In addition, such an agenda should build on the existing progress made by agencies.

Federal Roles Have Changed

Over the past 40 years, the role of the federal government has changed dramatically. This change has required greater reliance on the use of third parties to deliver program services. One result of using third parties is that while federal spending has increased by more than 250 percent in constant dollars over the 40-year period, federal civilian employment has remained roughly constant.

Traditional management reform has focused on ways to improve the management processes and organizational structures of federal agencies. Although this agenda is still relevant and pressing,

the results of most federal programs increasingly are becoming a function of the quality of performance by nonfederal entities--state and local governments, private contractors, and nonprofit organizations--that do not necessarily share federal program objectives. Reliance on nonfederal entities to implement federal programs has grown far more rapidly than the knowledge about how to design and manage these kinds of programs. Measuring the performance of these programs--as embodied in H.R. 826--will prove to be one of the more difficult but vitally important challenges in defining agency and program missions and developing concrete measures of success.

Management Concepts Have Changed

The hierarchical, centralized bureaucracies designed in the 1930s and 1940s simply do not function as well in the rapidly changing, knowledge-intensive society and economy of the 1990s. The kind of government that developed during that period, with its reliance on rules, regulations, hierarchical chains of command, and direct provision of services, worked well in a stable environment. It accomplished great things in its time. But today it is a dinosaur. For example, the Department of Agriculture has an extensive and costly field structure of 11,000 field offices, many of which date from the 1930s--before modern transportation systems, computers, and universal telephone coverage facilitated communication. The time has come to change

the processes, mechanisms, and ways we seek to accomplish government missions.

However, while some of these traditional management principles remain important, they need to be reassessed in the context of newer concepts guiding private sector corporations, state governments, and governments in other countries. The new concepts emphasize flattening hierarchies, decentralizing authority, creating a customer focus, encouraging competition, and achieving results. We must move boldly toward developing innovative operating plans based on clear definitions of agencies' missions and objectives. The operative concepts should be simplifying and streamlining business practices using modern reengineering techniques and seeking more ways to use emerging information management techniques and technologies that potentially could have enormous payoffs.

In all cases, it seems we may need to revise the systems we currently use to achieve desired results. Restructuring along these lines requires a focus on understanding the incentives that drive elected officials, public managers, and employees. For example, most programs are budgeted according to their historical funding levels rather than according to their desired results. This type of budgeting concentrates attention on inputs rather than desired outcomes. To change behavior within the federal government, we must change the basic incentives that shape that

behavior and provide line managers with the tools and the authority to act.

Status of the Federal Government
in Implementing New Concepts

During the past year, we have looked broadly at where the federal government is in relation to some of these new management concepts. Most notably, we have focused on agencies' capabilities to articulate their missions, measure results, and focus on their customers. Some agencies have made progress, but most still have a long way to go.

Performance Measurement

In May 1992, we reported on the status of performance measurement in the largest federal agencies and found few shaped their operations around their missions or focused on desired results. We surveyed 103 of the largest federal organizations to determine the extent to which they had created strategic goals and established at least some measures of progress toward meeting those goals. Agencies reported the following:

- About two-thirds said they had a single long-term strategic plan, and three-quarters said they collected a wide variety of data to assess program performance. However, when we visited

a sample of these agencies, we found that most used the information at the program level. While this information was useful at that level, it was fundamentally different from the information needed to manage or make strategic policy decisions for the agency as a whole. For example, one agency had developed extensive information on distributing grant awards but could not link this to the overall goals articulated by the department.

-- Only 9 of the 103 organizations reported having an administrative infrastructure in place for developing and reporting results. By this we mean that there were few offices that routinely collected performance data and prepared regular reports on the progress made toward goals set in strategic plans.

In follow-up visits to over a dozen agencies, we found that the agencies used their performance measurement systems for a variety of functions. Some were using them to ensure organizational accountability and efficiency. Others were using them to make budget decisions and determine individual employee rewards. Relatively few of these agencies had well-developed results-oriented performance measures although, in recent months, there has been increased activity toward developing such measures.

For example, the Department of Defense (DOD) created the Defense Business Operations Fund to increase the cost visibility of its \$81 billion industrial and commercial-type activities. In the long run, DOD intends to use the unit costing approach to allocate resources based on what it actually costs to do the job. Also, because the Fund focuses on output, employees would have to know what they produce and establish effective customer-supplier relationships. According to DOD, this focus will require a change in the organizational culture and roles of managers. We think that the Fund's concepts and principles are sound. However, DOD has had trouble implementing the Fund's objectives and we are concerned that DOD may not be successful.

Total Quality Management

In September 1992, we reported on the use of Total Quality Management (TQM) by federal agencies. TQM is a management approach that strives to achieve continuous improvement of quality through organizationwide efforts based on facts and data. It emphasizes many of the new concepts, such as focusing on the customer, decentralizing authority, planning strategically, and measuring quality results.

TQM is being implemented by a significant number of federal organizations, including GAO. About 68 percent of the 2,800 military and civilian installations we surveyed reported they

were working on various phases of TQM, with the greatest activity concentrated in the early phases. The remaining federal installations surveyed said they were are not currently implementing TQM, although half said they plan to do so in the future. Although TQM is being initiated on a fairly wide scale, the depth of employee involvement is still shallow; about 13 percent were reported as being involved at the time of our survey.

The responses also showed that as agencies progressed in implementing TQM, so did their efforts in strategic planning, measurement and analysis, customer focus, and quality assurance. And as agencies increased their degree of development and maturity in their TQM efforts, they reported fewer barriers and more employee involvement. More important, the level of reported benefits achieved from TQM efforts--improved customer service, timeliness, and reduction in costs--increased substantially for federal installations as they progressed further in TQM implementation.

H.R. 826 WOULD CREATE

A FOCUS ON EFFECTIVENESS

While progress is being made in some federal agencies, the pace and scope of management improvement efforts need to be accelerated and expanded if there is to be any real improvement

in the delivery of services to the public. While making improvements will not be easy or quick, H.R. 826 provides an important tool for changing behavior in the government.

This legislation would require all agencies to develop strategic plans, set agreed-upon goals and objectives, and measure their progress toward those goals. The bill seeks to create an environment that would provide managers with the incentives and tools they need to focus on desired results. The bill starts with a series of at least 10 pilot agencies in fiscal year 1994 and will encourage waivers from administrative rules in several of these agencies in the subsequent fiscal year. While we endorse this bill, it will not produce by itself the degree of change necessary. Encouraging waivers of administrative rules falls far short of giving Federal managers the tools they need to achieve the results we all want. Accountability is important, but it is meaningless without authority.

The bill also provides for five or more pilots on performance budgeting beginning in fiscal year 1998. While establishing more direct links between budget levels and performance is a worthy goal, our recent work in this area in several states regarded as leaders in this field suggests that the goal remains elusive. Performance measures have not yet attained sufficient credibility in these states to influence the budget decisionmaking process.

To date, performance budgeting has not evolved naturally from improvements in performance measurement, in part, because of difficulties in achieving consensus on meaningful measures and the absence of underlying supporting mechanisms, such as cost accounting systems. The building block approach envisioned in H.R. 826, in which performance measures are developed and tested before being applied to the budget process, may increase chances for success.

CREATING A BROADER FRAMEWORK FOR
ADDRESSING MANAGEMENT PROBLEMS

Changing the federal government's focus from ensuring that funds are spent properly to managing dollars to produce agreed-upon results will be difficult and will require a long-term commitment from those involved. The U.S. government is not alone in attempting to address major management problems. Countries such as Australia, Britain, Canada, New Zealand, and Sweden began to fundamentally rethink how their public sectors operated in the mid-1980s by attempting to create more results-oriented environments.

Furthermore, some state governments--such as those in Florida, Minnesota, Oregon, and Texas--have recently begun to do the same. Many of these governments have already created performance measurement systems. However, their systems were only one

element of a broader set of reforms needed to focus their agencies on achieving results. While all of these governments may not have experienced success in their attempts to make sweeping changes, clearly they all can offer valuable concepts and lessons learned to the federal government.

In general, these governments attempted to change the incentives for individual managers and organizational cultures across the entire public service. Their common emphasis was to focus more on achieving results. This was done by introducing quasimarket mechanisms and incentives similar to those in the private sector--such as competition, individual accountability for performance, and a focus on customers.

But we in the federal government need to do more to change our culture and incentives to create a more results-oriented environment. Long-term progress can be made by aggressive action in three broad areas:

- clarifying accountability for program results,
- emphasizing a long-term focus, and
- realigning the machinery of government.

Clarifying Accountability for Program Results

In far too many instances, program managers focus primarily on process rather than on results. The CFO Act is part of the foundation for creating accountability for results. This landmark law represents the most far-reaching financial legislation in 40 years and provides an excellent blueprint for financial reform. H.R. 826 builds on this foundation by tying program results and resources to agency missions.

One tool used to gain the commitment for implementing these types of concepts in other countries--such as Australia, New Zealand, and the United Kingdom--has been to grant managers greater discretion in the use of resources in exchange for greater accountability for results. These flexibilities have included (1) reforming their civil service systems, (2) recasting their budget execution systems, (3) devolving centralized authority, and (4) allowing a choice between government and nongovernment service providers.

Emphasizing a Long-Term Focus

A misplaced focus on short-term issues is a major deterrent to good management. Several factors create a federal environment that encourages short-term action in the face of long-term management problems. These factors are most visible in the

political appointment process, the annual budget process, and underinvestment in the public service. The ultimate success of H.R. 826 will depend on making progress on these and other issues central to developing leadership continuity and a commitment to action.

The British, for example, have developed performance standards on a program-by-program basis. Based on these standards, the secretary of a department develops annual performance agreements for their agencies. In addition, these standards are part of the individual multi-year performance agreements for the chief executive officers in charge of these agencies.

Realigning the Machinery of Government
to Support Results-Oriented Action

All too often, the existing machinery of government stifles results-oriented agency action. The traditional posture of central management agencies has been to control and regulate line agency actions and resource usage, encouraging Congress to take the same overly detailed approach. Individual agencies frequently have unclear missions and ineffective organization structures.

In the last decade, the federal government's central management agencies--the Office of Management and Budget (OMB), the Office of Personnel Management, and the General Services Administration--have begun to shift from being control-oriented to delegating the authority to act in certain areas. Credit for this shift is partly attributable to OMB's support for TQM and the creation of the position of deputy director for management. OMB's management staff has increased its emphasis on assisting, rather than instructing, agencies in resolving their management problems. However, the central management agencies still need to identify and promote agreement on ways to encourage and accelerate their efforts to devolve authority to the agencies.

Because H.R. 826 requires agencies to define their missions and goals and report on results, it will help agencies realign their efforts to serve the public. In many cases, the federal government has become too complicated for the average citizen to understand. The government should be made comprehensible and "citizen friendly." To do this first requires that agencies themselves have a clear sense of their own purposes.

MECHANISMS MAY BE NEEDED TO ACT
ON MANAGEMENT REFORM INITIATIVES

A range of management improvement efforts are underway or under active consideration. In some cases, consensus on the need for

change appears to exist and prompt action should be taken. In other areas, additional work is needed to better identify problems and build consensus around the solutions. However, in all cases, appropriate and complementary mechanisms need to be established to act on the reform initiatives so that the momentum for change can be maintained.

The President's National Performance Review, with its 6-month duration, is important because it reflects a clear signal for action. In all likelihood, some of the Review's recommendations will lend themselves to immediate corrective action by the executive branch. Other issues may require more time than the National Performance Review has available and some may require legislative approval. In a report we prepared on Government-wide management initiatives during the 1970's, we concluded that broad management initiatives were more likely to endure when Congress authorized them in statute.

Congress and the administration will need to work closely together to ensure that the findings and recommendations of the National Performance Review are considered and acted upon. Where consensus exists, Congress may want to consider providing some type of "fast track" legislation as a mechanism for quickly acting on the recommendations of the National Performance Review.

Congress may also want to consider providing the President with new reorganization authority. The Reorganization Act Amendment of 1984, which has lapsed, provided for expedited review of presidential reorganization plans. Congress had a limited period of time to consider the president's plan and pass a joint resolution to approve it, or else the plan died.

Under that law, the president could move agencies and/or functions within the existing framework of executive departments. For example, the President could propose consolidating an agency or function under the Department of Agriculture with a similar agency or function under the Department of Commerce.

However, the president's reorganization authority was limited. The president could not abolish enforcement functions or statutory programs, assign new functions to an agency unless the function was already authorized by law, or abolish independent regulatory agencies. In addition, each reorganization plan also could only deal with one "logically consistent" subject. Given these limitations, the Congress may wish to deliberate on broadening or otherwise amending the scope of this law.

In those areas, such as fundamental reforms to the federal personnel system and streamlining the budget process, where consensus does not exist on which direction to take, some other mechanism, such as a broadbased bipartisan commission--which is being considered by the Senate--may be helpful in building

agreement on the changes that need to be made and developing implementation strategies. The commission bills pending before the Senate provide for the same types of expedited enactment procedures as those contained in the Reorganization Act Amendment of 1984.

CONCLUSION

In summary, Mr. Chairman, we believe the Government Performance and Results Act of 1993 could serve as the foundation for a broad range of efforts to improve federal management. Most federal managers want to be efficient and effective. When they run inefficient or ineffective operations, it is usually because something requires them to do so, because there are strong incentives to do so, or because they do not know how to fix them.

The National Performance Review, reorganization authority, and a commission could be complementary tools for action. The National Performance Review and reorganization authority could give the President the ability to gain quick action on administrative streamlining recommendations. In addition, a broadbased bipartisan commission could be used to address a longer term agenda of legislative issues that may require additional study and consensus building.

This completes my prepared statement. My colleagues and I would be pleased to respond to questions.

RELATED GAO PRODUCTS

Improving Government: Need to Reexamine Organization and Performance (GAO/T-GGD-93-9, Mar. 11, 1993).

Defense Business Fund (GAO/AFMD-93-52R, Mar. 1, 1993).

Performance Budgeting: State Experiences and Implications for the Federal Government (GAO/AFMD-93-41, Feb. 17, 1993).

Government Management Issues (GAO/OCG-93-3TR, Dec. 1992).

Financial Management Issues (GAO/OCG-93-4TR, Dec. 1992).

Quality Management: Survey of Federal Organizations (GAO/GGD-93-9BR, Oct. 1, 1992).

Performance Measurement: An Important Tool in Managing for Results (GAO/t-GGD-92-35, May 5, 1992).

Program Performance Measures: Federal Agency Collection and Use of Performance Data (GAO/GGD-92-65, May 4, 1992).

Organizational Culture: Techniques Companies Use to Perpetuate or Change Beliefs and Values (GAO/NSIAD-92-105, Feb. 27, 1992).

Service to the Public: How Effective and Responsive is the Government? (GAO/T-HRD-91-26, May 8, 1991).

Management Practices: U.S. Companies Improve Performance Through Quality Efforts (GAO/NSIAD-91-190, May 2, 1991).

Financial Reporting: Framework for Analyzing Federal Agency Financial Statements (GAO/AFMD-91-19, Mar. 1991).

Managing the Cost of Government: Building an Effective Financial Management Structure (GAO/AFMD-85-35, Feb. 1985).

Selected Government-Wide Management Improvement Efforts--1970 to 1980 (GAO/GGD-83-69, Aug. 1983).

Evaluating a Performance Measurement System: A Guide for the Congress and Federal Agencies (FGMSD-80-57, May 12, 1980).

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Mr. CONYERS. Comptroller General Bowsher, let's just you me talk about this whole thing because you got my attention first.

It is not really in your remarks, but I think you made an important aside when you started talking about the reality that a lot of our Federal work goes on, really, outside of the Federal Government. You indicated that much of our medical service, our health care delivery system and so do other things.

Would you amplify that for just a moment?

Mr. BOWSHER. When you look at some of the bigger programs in the Federal budget today and some of the ones that had great budget increases and contributed to our large budget deficits, many of them are operated, to a great extent, by the private sector or by State and local governments.

One of the things that the Federal Government has not done a good job of, I believe, is determining whether or not the controls are there to ensure that these programs are run well.

I think the S&L crisis, which occurred following deregulation in the early 1980's, is a good example. We did not watch carefully what was happening in this case. And when it exploded in the late 1980's, we saw that not only did we have an economic recession, but we had a lot of institutions that had really let their controls deteriorate or never had the controls in the first place. The Bank of New England a good example of a financial institution that just expanded, took over more and more, and literally lost control of its operations.

This fell back, then, on the American taxpayer. And I think that the bank regulators should have done a much better job of looking at whether and how well these controls were in place. The legislation passed in 1991 has many of the reforms that we need. But it is interesting that some people are now fighting these kinds of reforms.

So those are some of the things we have to look at carefully as part of this "reinventing government." That is, where are the expenditures really taking place? Where is the performance being done? We have to look to where the program is actually being operated in addition to the Federal role.

Mr. CONYERS. You strike almost a subject for another hearing when we start talking about this, because I think of Medicare and Medicaid, which has now pressed us to the wall in terms of the need for health care reform and looking at it from an accounting and auditor's point of view, it might have—we might not be in the predicament that we are had we looked at these kinds of controls and what we ought to be doing in a regular way.

Then savings and loan where we are—I forgot what the latest revised downward figure is of how much we are going to have to swallow. It is still enormous.

And then you mentioned the Bank of New England, and then I think of BCCI. And then out of that problem grew the Resolution Trust Corporation, which almost brought a whole set of new issues, didn't it, to you?

Mr. BOWSHER. Yes. We have done a lot of work on the RTC.

Mr. CONYERS. RTC is a floating problem of its own. And we won't be able to go into all of that now, but it sounds like we may be working up on another hearing.

And then the other thing that you mentioned that flows out of that statement that you made in a side fashion is the whole issue of privatizing. I may be wrong, but my feeling of that subject is that more and more things are still going out of the government, never to come back again. Sometimes the costs get out of hand, which is the very reason we took it away from the government and said, let the private sector do it.

Then we start trying to track it. And low and behold that which leaves government—I don't know how the gravity law got in here, but it never comes back, regardless of where the costs go.

Are we looking at this through the same lenses?

Mr. BOWSHER. Actually, I think there is nothing wrong with privatizing some of the operations of the government. But it is important that when the government prioritizes the responsible agency should know what goal it is trying to achieve with the program, what performance measures will be used, how performance will be reported, and what controls exist to ensure that things are going well? The government should not just pass a program out to the private sector and not monitor its performance. That is an important area, I think.

It is the same with our own operations inside government.

Mr. CONYERS. And then this all touches on another related tangential subject; deregulation. True or false?

Mr. BOWSHER. Well, again, on deregulation you have to follow up to see whether it is working. And in the case of the S&L crisis, we didn't do enough of that and we paid a heavy penalty.

Mr. CONYERS. Now, we come to two other subject matters: The Chief Financial Officers Act and total quality management.

Just briefly, because these are both subjects too large to dispose of here—but do you have any shorthand advice for us on making that our—that the Chief Financial Officers Act, which we on this committee made a big to do about—that it really comes through and delivers the bacon?

Mr. BOWSHER. Mr. Chairman, the CFO Act has many pilot achievements. And I think we ought to have hearings sometime this year on how well it has been working and on its advantages and disadvantages.

One of the problems was that we did not get as many qualified CFO's as we had wanted. The Clinton administration has a great opportunity to pick people that have the needed qualifications. I have talked to Mr. Panetta about how important it is to get the right people in those jobs, to get the systems up, and then to have the information flowing back.

One of the problems with measurement and performance budgeting is that if you don't have the information flowing back, you don't know how well it is working.

Mr. CONYERS. You raise an important point and an excellent suggestion. Now, total quality management, TQM, that has been around a long time. Sell me on it some more, would you please? I want to be an enthusiast.

Mr. BOWSHER. Well, I think it is an important management development. We were asked by one of the committees—I think it was the Senate Finance Committee—to review the Malcolm Baldrige award. So we went out and looked at some companies that

have adopted TQM. We looked at finalists—not just the winners—in the program. And I became convinced that they had made dramatic strides, especially in some industries like the automobile industry. If you go to see some of these automobile plants, you will see dramatic improvements.

Mr. CONYERS. These are American-owned companies?

Mr. BOWSHER. Both American and Japanese plants in the United States.

Mr. CONYERS. You realize I am from Detroit.

Mr. BOWSHER. My first job out of college was in Detroit working for the Chrysler Co. I remember going up on Lee Iacocca's invitation because he said he had to draw down the last \$300 million of the Federal loan and he wanted me to see that he had a good financial plan and good models. Many people didn't think that Chrysler could design new models, but they could.

Then we went to Chrysler's Jefferson plant and looked at the manufacturing facilities. They had new robotics from the beginning, but the plant itself was old and in depressing condition. This was from 1953 to the early 1980's.

Today when you go to see the new plants—and I have been to the Cadillac plant in Detroit—you not only see modern technology but a better trained and happier work force. It really has improved. When we visited Motorola in Chicago, the CEO said they were getting as big a payoff in the service part of the company as in the manufacturing. That is what got me interested in adopting TQM for GAO. So we are implementing TQM at GAO.

Basically, what we are trying to do through TQM is to improve our customer relations, especially with the Congress, and deliver our reports in a more timely manner. We are also trying to improve our people through better training and recruiting.

In the area of improving processes, there are a lot of features of TQM that could help many government agencies. So I think it is a new technique that has come to be. But we have to be willing to implement TQM over a long period. One of the things I worry about is the short time periods that our political appointees serve, resulting in a lack of continuity that is needed to implement TQM.

Maybe we should try to define the role of the political appointee in terms of setting policy or establishing what is to be achieved, and the role of the SES, the senior career people, in terms of leadership in achieving these established policies. Although this model is yet to be proven, I think it has some possibilities.

Mr. CONYERS. Thank you very much. Are you familiar with Senator Roth's study that he—

Mr. BOWSHER. I don't think I have seen that study, but we have studied the British and the Australians and other countries.

Mr. CONYERS. Are they telling you something similar to this?

Mr. BOWSHER. Yes, they are. And I would be happy to get a photocopy of that report at some point.

Mr. CONYERS. We will be happy to do that.

Finally, our study that put all of the existing inefficiencies, to put it kindly, in the government, that we discovered inside the same covers, to me, is the first effort of that kind that has been made in the Congress; and I think that it serves as a benchmark work for us to begin not only keeping track of this under one set of cov-

ers but also to followthrough to see what is happening in terms of how long it took to clean it up and by what method we finally got to it.

And you know I am pretty proud of that study. Am I well-founded in my optimism and pride about this work of the government operations staff?

Mr. BOWSHER. Well, the study did indicate many of the problem areas we have in government. And those are the ones that we must cure. In other words, we must improve the Federal Government's operations in all these areas.

Mr. CONYERS. If we had been working on this together, Chuck, could we have had a thicker, bigger document?

Mr. BOWSHER. I think you used many of our own studies in the report, so I am not sure it would have been more.

Mr. CONYERS. Do you have any recommendations about how we continue this in going back into it in this new session of Congress and keep going over these?

We don't want to put this out every 2 years. We put out the same \$310 billion worth of crap. I mean, if we are worth our salt, those numbers have got to go down or at least we have to have different examples, or we are just standing here counting problems.

Mr. BOWSHER. I have said before to some of the committees that the oversight that the Congress does, ought to be more oriented to performance measures. If the 25 largest agencies had a good set of performance measurements and some good mission statements, and if the Congress used this information to hold oversight hearings as to how well these agencies are performing, the Congress would play a much more effective oversight role than what they have traditionally.

Mr. CONYERS. Thank you very much. Mr. Clinger.

Mr. CLINGER. Thank you, as always, for your excellent and thoughtful testimony before the committee. One of the thoughts that I have is how transferable is the TQM concept from the private sector to government?

Obviously, one of the major incentives for TQM in the private sector is that they are operating on a profit motive. They don't have the same incentive in government. Clearly the incentives in the government seem to be the other way. There is sort of a built-in incentive to expand your empire, to get a bigger turf and more people rather than fewer.

How do we get the same kind of drive of a TQM in a government setting when you don't have that profit incentive to drive the process?

Mr. BOWSHER. I think that is a very good question, Mr. Clinger, because the government does not have the profit incentive. But what we do have today is a very large budget deficit. And the American people have spoken clearly in recent elections that they want a more efficient and smaller government if that can be done.

We must, I think, downsize some of our operations in an organized fashion over a sufficient period of time to ensure that our good people can work more effectively and efficiently than they have in the past.

The Agriculture Department is a good illustration where, because of the pressure of the budget deficit, you might be able to modern-

ize and slim down a big old Federal agency and still deliver every bit as good of service to the farmers of this country.

And I hope that the Congress would pressure the Agriculture Department, through annual oversight hearings, on how well it was doing with its plan. What hurts this process, as I said in my opening testimony, is that our annual budget, for the most part, does not allow for a 4-year agreement on what an agency must do to really modernize, improve, downsize, and still provide better service than had been provided in the past.

So I think, unless we adopt some of those mechanisms, both in the executive branch with OMB, as well as with the Congress, then the profit incentive problem that you pointed out will tear it apart because people will say that the incentives are wrong, and therefore it cannot apply in government.

I think we must change those incentives to make TQM work in the government. It is an unproven concept.

While we were in Japan in 1990 to look at the health care and capital market problems that they were working on, we met with a Japanese professor from the University of Tokyo to discuss TQM because of our own efforts at GAO. He was absolutely thrilled that any government agency was willing to look at TQM. He said, we have done so well in Japan with our manufacturing, and we have done so poorly with some of our government agencies, such as in the areas of health care. We visited some of those health care facilities, and I would agree with him wholeheartedly.

The Japanese have two cultures, one that is highly efficient in the area of manufacturing, and other parts of society that are not nearly as good. He was identifying, I think, the very essence of the problem. He said the Japanese Government has no interest in TQM. And, he said, if GAO or some other agencies in the United States could make it work, it would have great worldwide implications. I think that is what is happening in Australia and New Zealand.

Dave Mathiasen is with me. He has met extensively with these people. A good start, at least.

Mr. CLINGER. One of the problems I see down the road is that while I have the highest respect for our civil service—I think it is outstanding—there is nevertheless a built-in inertia to change because there is a sense of “don’t rock the boat.” We see that in the former Soviet Union they are trying to downsize an enormous bureaucracy. This has proven to be a horrendous task.

It seems to me that the most effective place to exercise the kind of oversight you feel will make this work would be this committee, because we don’t have a vested interest in the government agencies. Too often the authorizing committees have an ambivalent approach to downsizing, or changes, or elimination, because it affects their jurisdiction. This committee can approach it, I hope, with a more impartial, balanced view of what needs to be done and therefore apply the kind of pressure that needs to be applied.

Mr. BOWSER. I think this committee and Senator Roth are key to the whole effort and to what the President and Vice President are trying to achieve.

I will let Dave explain what some of these countries have done with their political appointees interfacing with civil servants, because it is a new approach in government.

Mr. MATHIASSEN. In Australia, and the United Kingdom, and New Zealand, they try to develop a clear division of authority between policy setting, which belongs to the political leadership, and policy execution, which is delegated more to the career civil servants.

In addition to that, there is an interesting observation by an Australian colleague from their finance ministry about the tremendous incentives their senior civil servants have in the form of both more authority and much more responsibility.

Of course, administrative expenses or the running costs, as they call them, are not the big budget items in Australia any more than they are in the United States.

He made the point that when senior managers and middle managers are held responsible for their own operations, they get much tougher on the other levels of government and on the private contractors. They experience a change in behavior, the culture changes. They sort of say "I am given an increased amount of authority and responsibility on contracting and hiring and firing, but I am also cutting my staff by 20 percent."

Managers begin to look at the other levels of government or at the other third parties that actually spend a lot of money in a very different light and they become tougher and more sensitive to efficiencies further down the line.

Another innovation is that senior managers agree to contracts based on performance measures for their agency. They operate under a 5-year contract which is then reviewed after 3 years and then is subject to renewal. It is taken very seriously. It is not just a pro forma matter, under which after 5 years you automatically get your contract renewed. I think that also is clearly a change in behavior.

In Australia they have had an interesting innovation on how they manage their administrative expenses. They permit the managers to borrow money from the next year and to carry money over from the previous year so they can take care of lumpy problems, such as buying a computer. But they do that in the context of agreed-upon productivity reduction every year in the overall budget level.

They trade flexibility for an agreement to cut back every year through productivity gains.

Mr. BOWSHER. The senior civil servant in this situation is on a 5-year contract and if the political leadership does not feel that person is achieving these goals, he or she can then ask somebody else to take that role.

My counterpart—

Mr. CLINGER. That is a very good incentive.

Mr. BOWSHER. It is a little more like the private sector.

My counterpart from New Zealand was here charging that it was these management changes that woke up the New Zealand Government to the need for good cost information. They even became interested in accrual accounting because they did not want phony dollars being presented to them, because it could really affect how

they looked on their 5-year contract against a performance measurement.

We are seeing in other countries real progress, which brings about a change in their cultures and gets to some of the issues that you are bringing up, Mr. Clinger.

Mr. CLINGER. Thank you very much.

Mr. CONYERS. Mr. Craig Thomas.

Mr. THOMAS. Thank you, Mr. Chairman.

First of all, I am enthusiastic about this bill and am a cosponsor. I certainly hope that we can make some efficiency changes. We don't want to let it distract from the notion that there is probably too much government and we are doing things we don't need to do and to do it efficiently is not something we need to make it grow.

Mr. BOWSHER. I would hope as part of this "reinventing government" effort that we would look at areas that we do not need to do and look at programs we do not need any more.

Mr. THOMAS. It would be a great idea—we tend to measure programs by how much money we put into them rather than by what they accomplish. I know that it is difficult to do that. As an example, I saw the Forest Service spend years and years making a forest plan locally and then we line item their budget and there may not be any relationship between the budget and the plan they have broken their backs to produce.

Mr. BOWSHER. I think you have put forth an excellent example of what often happens because of the way we run our government. People finally do put together such plans and then the budget process does not line up with them at all.

Mr. THOMAS. A great deal of the activity of course is in the regulatory area. This not only is expensive to the government, but to those who represent it.

It seems to me there needs to be a regulation there—whether or not the regulation is consistent with the statute, whether or not we are doing it efficiently, and whether or not the regulation is producing the result it was designed to produce.

Do you see this applying to EPA and others in terms of the regulatory process?

Mr. BOWSHER. I do. We have overlapping and duplicative regulations in banking that does not get the job done nearly as well as is done in other countries with a much smaller effort. I think we ought to rethink all oversight as part of this process.

Mr. THOMAS. I think the regulatory burden dampens the economy. We were talking about overtime the other day instead of creating new jobs—one of the reasons we have not created new jobs is that is the alternative.

Thank you.

Mr. CONYERS. We are very much happy to have had this discussion between all of us. It is very helpful.

Let me ask you, are you implying or am I extracting in the larger discussion that we really need a new budgeting system?

Mr. BOWSHER. I have always been one for redoing the budgeting system in the Federal Government. I came into this government in 1967 at the Pentagon and saw how we got consumed by that process. I was surprised when you adopted it in 1974 as the congress-

sional process. You have authorizing, appropriations, the congressional budget process, and now Gramm-Rudman.

I think you have too much process. In other words, no organization could handle the amount of process that is in the Federal Government's budget process today. The budget process is long overdue to be streamlined and made more efficient. And as Congressman Thomas pointed out, the budget process needs to be more in sync with the program plans and the performance measurements that we need and placed on a longer term basis.

Ratcheting up and down every year is tough to live with if you are trying to run something.

Mr. CONYERS. Do you have studies that would further advise us, or do we have to hire somebody?

Mr. BOWSHER. We have done studies in the past and would be pleased to bring over some of the work we have done.

Mr. CONYERS. You mentioned Agriculture, how it could stand a streamlining, that there were new people that will argue to the contrary. Is that being undertaken?

Mr. BOWSHER. We did a big management review of the Agriculture Department and Secretary of Agriculture Madigan started with that.

The new Secretary, Mike Espy, has looked at it and I hope he will go forward with some of that streamlining. We do not know yet what his position will be on it.

Mr. CONYERS. Thank you so much.

Mr. BOWSHER. Thank you, Mr. Chairman.

Mr. CONYERS. We are now pleased to have the comptroller from the State of Texas, John Sharp, here. We invite him to come forward. He is a former State representative, a State senator, Texas Railroad Commission leader, now State comptroller and now working with the Vice President—as a matter of fact, we met over in the White House a couple of weeks ago where the enthusiasm with reference to your work in Texas led you to international attention, then of course, to the Government Operations Committee.

Mr. SHARP. Thank you.

Mr. CONYERS. We are delighted to have you here.

Please, if you have any reflections about the conversations that have gone on, we would invite your comments as well.

STATEMENT OF JOHN SHARP, COMPTROLLER OF PUBLIC ACCOUNTS, STATE OF TEXAS

Mr. SHARP. Thank you, Mr. Chairman and members for giving me the opportunity to be here.

I am John Sharp, the chief financial officer of the State of Texas, an elected position.

I have submitted for the record a much longer statement than I will give today. I would like to summarize what I have been asked to talk about, the President and Vice President's National Performance Review.

The President has asked me to serve as a special advisor to the National Performance Review now getting started under the Vice President, which is being modeled after the Texas Performance Review. The Texas review probably was very much like the work that this staff did.

From what I have seen of your committee's work, it is incredible work, \$310 billion over 5 years. I think that is indicative of what we tried to do in Texas.

The difference between what we did in Texas and what had been done before by others was that this time the process was open to the public and we used public employees to come up with the numbers. In the past, what had happened in State government is everyone went on a slash-and-burn mission. Frankly, any of us could come up with \$200 or \$300 billion of cuts that won't pass.

We found probably what your staff has found and what the GAO and OMB have found—we did good common sense work, but we put it before the public. That is what the National Performance Review is going to do under the Vice President. It is going to do good work, draw on the work this committee did, GAO did, OMB did, the work that a lot of people have done over the last 10 years, but has been put on the shelf.

That work is going to be taken off the shelf and put in a strong spotlight. When the public sees it, they will not tolerate what is going on in this government any more than they did what was going on in State governments.

I would suggest in listening to comments that you find a way to force a vote on it. We were able to do it in Texas because we have a balanced budget amendment and because Governor Richards called for special legislation. We talked about it for 30 days and the members had to be for some of it to balance the budget and go back home.

The comptroller general mentioned fast-track legislation and I would highly commend that to you. Some way or another you have to get the work that this committee did, the work that is going to be added by the National Performance Review, to a vote, up or down, without amendments. I am sure it is different here, but we found in Texas that everybody was for cutting spending, except the spending in their legislative districts.

It is kind of like everybody wanted to go to heaven, but nobody wanted to die to get there. There was a bipartisan agreement on that.

I have been asked about the difference between Republicans and Democrats when it comes to spending tax dollars. The difference is that both of us spend every dime in the Treasury and the Republicans feel bad about it. We couldn't find any difference between the two. You have to come up with a good, efficient work plan, which will be the easiest part.

Some of my staff are working with the Vice President's staff on a work plan and they are going to use, from what we have been told, all of the work that has been done by various groups. Then they are going to have an advocate and I think the Vice President himself will be strong about selling the package, and about educating the public on what is wrong with government. The key thing to remember in our experience was not to go with a slash-and-burn mix to abolish agencies for the hell of it just to have a bunch of numbers out there.

We tried to find out how you maintain the same level of service and spend less money doing it. We found the government had forgotten who the customers were. That is the essence of manage-

ment, knowing who your customers are and what your customers want.

I would urge you to find a way to force a vote, to make sure that a vote happens up or down much like base closing or fast track, to make sure that it is voted on. Otherwise I think you run the risk of another excellent report that doesn't get adopted.

[The prepared statement of Mr. Sharp follows:]

*The Honorable JOHN SHARP,
Texas Comptroller of Public Accounts,
testifying before the U.S. House of Representatives
Subcommittee on Legislation & National Security,
Washington, D.C.
March 23, 1993*

Mr. Chairman and members of the Subcommittee: Thank you for the opportunity to appear before you this morning, and to offer whatever insights I can toward your efforts to deal with performance measures in the federal government.

My name is John Sharp. I'm the elected chief financial officer of the state of Texas—the Comptroller of Public Accounts. As you know, the President has asked me to serve as special advisor to the National Performance Review, which is now getting started under the direction of the Vice-President.

But if you want to know the truth, Mr. Chairman, the best way to fix any government that has been destroyed by top-down management is to turn the place upside down and shake it, then shovel out the garbage by the truckload. Every assumption about government and its operations must be questioned, and the answers have to be—frankly—*revolutionary*.

The process should begin with a basic premise: If this government didn't exist, and we were starting all over again, how would we do it? I doubt any of us would design a system that costs so much to give so little to so many.

Two years ago, we faced a similar situation in Texas. Lawmakers had arrived in Austin to face a serious dilemma. On the one hand, they saw the prospect of a nearly \$6 billion shortfall. And on the one hand, the prospect of a personal income tax, which is about as popular in Texas as fire ants at a church picnic.

The first bill that passed that session was Senate Bill 1, whose primary purpose was to reduce state agency budgets by 1 percent, with the savings to be deposited in a reserve fund.

But the last paragraph of that bill was particularly interesting. It authorized performance audits of all state agencies, a task that the Legislature put into our hands and gave us all of four months to complete.

The bill also stipulated that anyone could be appointed as an auditor. That allowed us to bring together 104 people from throughout state government and the private sector to examine the details of how state government works.

We told them to avoid the politics of issues. "If it makes sense," we said, "recommend it. Don't worry about who you might offend."

State leaders hoped we might be able to find about \$200 million in savings. We found that much the first week. The next week, we found \$200 million more.

The next thing we did was set up a toll-free hotline so that Texans—and particularly state employees—could call in anonymously with their money-saving tips. Frankly, I thought the hotline was just a public relations gimmick. To my surprise, we received more than 4,000 calls in the first 20 days, about 90 percent of which came from mid- and lower-level state employees, who struggle day-in and day-out with the Texas bureaucracy.

These people had been disgusted for years with the way top-down managers were running their particular agencies, and they had countless ideas about how to provide their customers with better service. The problem was, nobody had ever asked them before. We asked. And Vice-President Gore's National Performance Review should, too—immediately.

In the end, we published *Breaking the Mold*, which contained nearly 1,000 specific recommendations to save more than \$4.2 billion. The Legislature passed about \$2.4 billion, thereby winding up with a \$1.5 billion tax bill instead of a \$6 billion tax bill.

This year, we've published our second round of recommendations, affectionately known in Texas as *Jaus II*. Our new report, *Against the Grain*, contains more than 460 proposals and a total savings of \$4.5 billion, of which the Legislature has already passed about \$3 billion with more than two months left to go in the regular session.

And that, Mr. Chairman, is the essence of the Texas Performance Review.

Now, the Lone Star State is a unique place. But in one respect, it's just like every other state in the nation: Everybody is for cutting spending, except in their own districts. It's like the old saying: "Everybody wants to go to Heaven, but no one wants to die." We learned that right off the bat in this process.

We also learned some other important things about government. We learned that budget-cutting is the hardest thing to do and that raising taxes is the second-hardest

thing to do—which is why raising taxes happens so much more often than reducing the budget.

We also learned the difference between government and business when forced to cut back. When businesses do it, they try to make sure their customers never notice. If a bank lays off a teller, for example, they send someone else up front to work the counter. If they have to let a secretary go, they make sure their customers aren't inconvenienced.

Government rarely works that way. Government makes sure the taxpayers feel their cuts real good and real hard, so that we will all call our congressman, our senator, our state representative or city councilmember and demand more money for the programs they cut. They'll close the Washington Monument on a holiday so we'll demand more money for the Parks Service. They'll close summer school classes at major universities—as they did back in Texas—and say to those students: "This wouldn't have happened if the Legislature had given us more money." And at the very same meeting when the university big-wigs decided to suspend summer classes, they voted to buy a \$2.3 million airplane so the regents could fly around in comfort.

And when we looked at human resources, we found that there were 14 major state agencies and 22 smaller bureaucratic offices, providing health and human services through 303 different programs. That's fine if you happen to have a child with a single disability, and you can make a single trip to the deaf commission, for example, or to the blind commission.

But what happens if you are a working mother who is single, and you have a child with seven different disabilities? What happens is, you learn right away that the government is going to run you through seven different agencies every month. Pretty soon, you won't even have time to go to work, because it will be a full-time job just to get your child the help that he or she needs.

So we recommended a vast consolidation of all of those agencies and offices into just one—a simple concept. And in the future, that single, working mother will be able to walk into one office, and the person in that office will say: "We're going to take care of the needs of this child." Period. That's high-quality, low-cost service for those who foot the bill.

Which brings me to the most important point in all of this. We went about our Texas Performance Review quietly. We didn't talk about our ideas until we were ready to release them. The auditors themselves worked on a secured floor that required a special ID for access, and each of them saw only the single section of the report he or she was working on. And when we were ready, we released our findings and our recommendations all at once.

Our opponents—the lobbyists and entrenched bureaucrats—never had the time to marshal all of their forces against us. They tried mightily. But, frankly, there weren't enough lobbyists to go around.

You see, in Texas we have what we call the *Cockroach* form of government. The special interests and high-dollar lobbyists do alright in our state kitchen at night. They have the run of things, and they get nice and fat. But when we turn the lights on, they scatter into the corners. And at the risk of being an ungrateful guest, Mr. Chairman, the *Cockroach* form of government is alive and well in this town, too.

Finally, the difference between the Texas Performance Review and other such projects is that our work didn't just get shoved up on a dusty bookshelf somewhere. Texas was in a crisis situation. The press knew it, and they wouldn't let anyone else forget it. Bubba may not have known exactly what was in our reports, but he knew they proposed deep structural changes in a state government that had long since lost touch with his daily needs.

Mr. Chairman, no one believes they're getting what they should deserve from their government. And they're right.

My grandmother had it all figured out when I was just a kid. "If your outflow is greater than your income," she used to say, "your upkeep will be your downfall." If that wisdom was good enough for my grandmother, it ought to be good enough for the federal government.

The government is strapped for cash. But many of its policies and programs are bankrupt, too. They're locked into a two-pronged approach to every new challenge: cut services or raise taxes. But all too often, service cuts are random, slashing away at muscle as well as fat. The fact is, government waste is rarely isolated in a single program. It's marbled throughout the whole structure.

We've been called to arms by a crisis situation, forced into adopting more and more measures to streamline our operations. And I feel confident that we are well on our way toward reinventing our state government in Texas. Today, I think it's reasonable to describe what is happening in Washington as a "crisis," too.

But it can also be a unique opportunity. This is your chance to find all of those people who have found all of those ways to make all of that money from the government. I'm not talking about cutting services or firing dedicated employees who want to do a good job if the system would only let them. I'm talking about tracking down the leaches and lobbyists—and simply cutting them out of the process.

The kind of massive change we are bringing about in Texas started only after we woke up one day and realized that we were facing the biggest challenge in our history. Mr. Chairman, this is a time of "either/or" choices for the nation, too.

You can rehash all the old ideas and do a little minor tinkering with the existing order. Or you can seize this opportunity to redesign the federal government and find a better way of doing business for the people of this country.

I'll be happy to answer any questions.

Mr. CONYERS. Are you referring to the Vice President's commission; the final report that he put out should be voted on by the Congress?

Mr. SHARP. Yes, sir.

Mr. CONYERS. You live dangerously, don't you? We are putting a lot on the Vice President here. As I remember it, in the White House, we said that we are going through every agency, every department, every bureau, item by item, and look at whether we need it and make recommendations on it.

You are going to be working on this with the commission?

Mr. SHARP. Yes, sir.

Mr. CONYERS. Now, as big as the Texas government is, with all due respect, we are talking about the Federal Government now. Do you think 6 months is long enough to do that?

Mr. SHARP. When we were told to do ours in 4 months, we thought they were crazy. At the end of 4 months, we came to the conclusion that we couldn't have done it any better if we had had 1½ or 2 years.

What we discovered—and I suspect you will discover the same thing here—is that an awful lot of very good work has already been done. It is a question of packaging that work into a product that works.

You have some good work here already produced by your staff—the first thing we did when we began the process was read all of the Sunset Commission auditors' reports and all the other reports that have been done for the last 10 or 15 years and put on a shelf.

Most of those were still valid. A surprising thing was that an awful lot of the suggestions that were adopted as a result of our report came from lower- to mid-level employees who were disgusted at the management of their agencies. They always knew what was wrong, had wonderful ideas, but couldn't get the ideas to the top because somebody, for whatever reason, didn't want to change.

What this process allowed them to do and the reason so many of the mid to lower level State employees bought into the process and into the process of change was because it allowed them to get their ideas of change on the front burner, which they had never been able to do before.

Mr. CONYERS. Are the Vice President and his commission and you going to hold hearings before we see this at the end of 6 months?

Mr. SHARP. I am not sure—that is a decision to be made at a much higher pay grade than mine, Mr. Chairman. I am simply an advisor. My understanding is that the Vice President is going to do the work over a period of 6 months and submit his work to the President.

Mr. CONYERS. Would you want us to hold hearings on the report when it came back?

Mr. SHARP. I don't know. I would assume there would be hearings.

Mr. CONYERS. Let me ask you this: Is Governor Ann Richards willing to loan you to the Federal Government for the next 5½ months?

Mr. SHARP. We have some of our staff that are certainly going to do that; yes, sir.

Mr. CONYERS. What I think—you know, this administration is known for its boldness and its courageousness in facing up to the red ink and we are taking decisive moves on the deficit, on the budget, on reinventing government, but this is really a very fast track.

It took you 4 months in Texas. I would suggest that at a comparable timeframe, if it took 4 months in Texas, it could take 1½ years at the Federal Government level. That might be an equal amount of investment in the time and the study and the number of departments, bureaus and agencies that you would have to go through.

I don't know how you could do this job in 4 months in Texas but 6 months in the U.S. Federal Government.

Mr. SHARP. Again, Mr. Chairman, I am not inside the Beltway, but I suspect you have a lot of the work already done for you. I am not sure that the purpose of our performance review was to look at every single pencil, all the way down to the lowest levels.

What we did was identify some very obvious things that were wrong with government that ought to be changed by government. For you, many of these things are already identified. Many have been identified by your staff, by GAO, and others, and certainly there will be other things identified quickly.

What we are talking about here is putting those in a package and getting a vote on it.

Mr. CONYERS. You know what could happen to this administration if they don't perform on this subject? That was a question.

Mr. SHARP. I think they are going to perform. I think that the President and the Vice President are serious—from all the meetings I have been in—are very serious.

Mr. CONYERS. I am not questioning their commitment or degree of sincerity. Some problems don't turn on how sincerely you approach them, as you well know.

Mr. SHARP. What is your question, Mr. Chairman? Maybe I am missing something here.

Mr. CONYERS. I said do you know what might happen to this administration if they fail in the task which you are working with the Vice President on?

Mr. SHARP. I suppose the same thing that happens to all politicians that fail in tasks that they are working on.

Mr. CONYERS. Right. You got it. That makes it very, very serious, doesn't it?

Mr. SHARP. Yes, sir.

Mr. CONYERS. Then why wouldn't we—if that much is riding on it, would it be wrong to take 8 months or 10 months or 12 months—because the only thing I would have is one of the chief lieutenants of the Vice President down here in the legislature saying that the comptroller from Texas told us it would only take 6 months based on his experience. That would be all I would have hanging out there.

They would say, "Why did you think you could go through the entire Federal Government and reinvent it, office by office, in 6 months?"

I will say "Sharp told me. That is why."

Mr. SHARP. Mr. Chairman, I stand by that. I think you are going to find that you couldn't have done any more in 1 year than you did in that 6 months. The reason I believe that is true is because much of the work has already been done, much of the work has been done and put on shelves just as it was true in Texas. We didn't believe that we could do it in 4 months, but it happened.

At the end of that period of time, we found the same thing to be true. Other States that have adopted the same approach and have put short time fuses on. If at the end of that 6 months you haven't looked at everything you wanted to do, there is no sin to extending that, but I think at the end of the 6-month period of time, you will have something to present to the Congress, including a lot of the work this committee has done and others that will be a meaningful change and a very successful report that is going to improve services of government and make those services much less expensive.

I have no doubt about that.

Mr. CONYERS. I am trying to, you know, get infected with your confidence. I want to feel that way, too. But you know, around here, a lot of guys going out the door say "See, Joe told me it was going to be OK, not to worry."

If it is as large a commitment as I think it is, we could all be looking for Joe at the end of 6 months. Joe says, "Well, I don't want the ball."

Mr. SHARP. Mr. Chairman, you did a study in this committee and found \$310 billion over a 5-year period of time that you thought was inefficient and wasted by the government. I suspect if you took that \$310 billion and were able to pass that as part of this performance review that the American public would probably think you were a success in that review, and that is only the work of one committee.

My suggestion is that a great deal of the work of this performance review has been done. It is a job of packaging it and adding to it and refining it and presenting it back to the Congress.

Mr. CONYERS. Mr. Clinger.

Mr. CLINGER. Thank you, Mr. Chairman.

Mr. Sharp, thank you for your testimony.

Mr. Chairman, you don't think in case Vice President Al Gore's National Performance Review Committee doesn't reach a conclusion inside of 6 months that anybody on this side would question that?

Mr. CONYERS. Perish the thought.

Mr. CLINGER. Mr. Sharp, you indicated that whatever happens we ought to get a vote and you suggested that some sort of a model, the paradigm might be the military base closing.

Lets say hypothetically the commission draws up a list of bases to be closed and unless the Congress acts within a period of time, all those bases will be closed. You have to accept the whole package. Is that the kind of thing you see here?

We anticipate that we are going to have a very comprehensive, very wide-sweeping number of recommendations for change in the Federal Government. I would be a little concerned if that package was going to be subjected to an up-or-down vote on the whole package without any opportunity to amend or change.

Is it your idea that it has to be inviolate or would you contemplate there will be an opportunity for the Congress to work its will?

Mr. SHARP. My suggestion is my own. My point is—I doubt political bodies operate much differently, whether they are city councils or State legislatures or congresses—if we had not had a vote forced on the package, we would have had a very difficult time.

Mr. CLINGER. Was it an up-or-down vote on the package?

Mr. SHARP. No. Had that been the case, we suspect we would have passed it all. We passed 60 percent. The Governor called a special session, focused on our package and made that happen.

My experience is that cutting spending is much harder than virtually anything else that you do. When I was in the legislature and someone was threatening something in my part of the world, I was helping somebody else while they were helping me, and that domino effect is a problem.

It seems to me that the only way that you can guarantee success, that it won't be another Hoover Commission, another report that winds up on the shelf, is that you find some way—whether it is similar to the base closing measure or whatever—to force a vote.

Mr. CLINGER. I think you are right, that there needs to be some action, because we do too much around here that sits on the shelf. We might well lose if it was an up-or-down vote on the overall package with the kind of sweeping change we are talking about.

You indicated that the most important point of your review was the way in which it was conducted. You did this pretty quietly. It was not given high visibility until you were through the process.

We are doing it differently in this instance. It is going to be conducted in a very highly visible fashion.

Does that pose any problems for you?

Mr. SHARP. I don't think so.

The point is that in the past a lot of this stuff in Texas was done just for show. Somebody would say "We are going to abolish this or that and come up with savings and we don't need a State income tax or whatever," knowing that nothing would pass.

We involved a lot of State employees in this process and in doing so we came up with a very detailed report about how you could continue the services that people were now getting, whether it was education or whatever, but do it at less cost and defend and justify it.

Again, a lot of things that were in our report were things that had been sitting on shelves for 10 years or so and we took them off the shelf and refined them. We also added a lot of things, but a bunch of the work was already done and I suspect that is the case here.

Mr. CLINGER. Thank you.

Thank you, Mr. Chairman.

Mr. CONYERS. What a pleasure talking with you today, Mr. Sharp.

Next we have the Hon. Leon E. Panetta, Director of Office of Management and Budget, former Chair of the Budget Committee, friend of all Members of Congress.

We have your statement, Leon, and it will be recorded in its totality into the record today.

We had had a very interesting discussion that you would have appreciated with Mr. Bowsher, who talked about some of the problems in trying to become more efficient when so many of our services are actually performed by third parties and outside services—Medicare and Medicaid, which is essentially in State government and private hands, deregulation, and its effect on how things got out of hand, privatizing, which is an issue this committee keeps turning back to.

You mentioned the Chief Financial Officers Act and how we make it work and the total quality management theory, which he is looking at with great favor and we are examining, too. So your comments with reference to our initial legislation introduced by Democrats and Republicans both in the House and the Senate are very timely and appropriate.

We welcome you here.

STATEMENT OF LEON PANETTA, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Mr. PANETTA. Thank you, Mr. Chairman. Nice to be back before the committee and back on the Hill.

Let me basically summarize, if I can, the points in my statement and then I will be happy to answer any questions you may have.

First of all, thank you very much for conducting these hearings and for the major role that you have played and Mr. Clinger has played and this committee overall in trying to deal with improving the operations of government.

I think the work you did on the CFO bill, the work you have done on research and reviewing what has happened in government, has all been extremely helpful in bringing us to this point. I think we are at a major crossroads in terms of how we confront the issue of budget and government and what the role of government is in our society today.

We want to take a bold approach, not just to the budget, but also to the role of government, and the two are interrelated. One of the mistakes I think made over the last 12 years was the idea that if you just slash away at government, you don't have to worry about how government then performs its role or people didn't care about whether government had a role to play.

The concern is that bad management produces bad spending and what you have is a situation where we have to deal with both. You can't just deal with one in isolation of the other. You have to confront budget issues and ways to try to discipline spending, and there are ways to try to improve our approach to that.

I think a lot of what we have in the economic plan reflects the need for that kind of discipline in terms of spending, but it has to be interrelated with how we improve government and the role of government in our society.

You can't isolate those. OMB to some extent has unfortunately been an example of how sometimes the focus on the numbers on the budget side detracts from the emphasis on the management side. So there was this kind of single-minded look at what do we do about numbers, about budgets, how do we deal with the problems of the deficit, how do we deal with programmatic problems in terms of funding.

The management side of OMB never received a great deal of attention in terms of the role that we have and the responsibility we have to make sure that we are not only being prudent with the way we spend money, but we are also being prudent in the way we manage those programs and how they deliver services.

We deeply believe that there is a role that government has to play in our society, but we also believe that we have to do a much better job in the way we perform those services.

I don't think there is any question that the November election was not only about the need for change in terms of our fiscal policies. There was also a need for change in the way government serves people.

There is a credibility problem out there with the American public about government. I am sensitive to that as a former Member of Congress. You and I know that a major part of our case work in our offices is due to the failings of government. Most of the case work that you deal with in your office, as was the case in my office, is because somebody screwed up, because somebody did not get their Social Security check, because a veteran's benefit wasn't delivered, or somebody did not get their passport.

Somewhere in the process, it got screwed up so they come with outrage to the congressional office because they are mad that the system didn't work. That is the kind of frustration we need to make sure we deal with.

There is a legitimate role for government to play. There is a legitimate function that has to be performed here in serving the needs of people, but it has to be done better and we can do that. That is really the reason that we deal with the issues that are before this committee.

I want to indicate the support of the administration for the Government Performance and Results Act of 1993, H.R. 826 here, S. 20 in the Senate, dealing with the issue of performance-based budgeting.

We had already begun to work on that in terms of dealing with the agencies. I indicated to the secretaries that we would be reviewing each of their budgets on the basis of trying to establish some kind of performance-based approach.

The approach here, as you know, includes four different ways to do that. It establishes a strategic plan, which we agree with. We think you have to set up a basic plan that deals with how we are going to approach performance budgeting. It establishes annual performance plans that constitute a major part of the analysis we will have with regard to how these agencies do their job.

One concern that we are aware of is that, in trying to establish performance-based budgeting, I don't want to create a blizzard of more paperwork so that we have a situation where people in the field will check a bunch of boxes that won't have much meaning by the time they come back here.

I share that concern because I don't want to develop a performance-based system that ends up creating a lot more paperwork for everybody to perform and dodging the main issue, which is are you doing your job.

I would like to work on a more hands-on approach that emphasizes good supervision and field visits rather than just another

form for them to fill out and boxes to check. I want to share the concern with you.

Third, we would also ask that waivers be provided. The third part of this bill does allow us that opportunity. The waivers we would provide give the flexibility to people at the local level to be able to do things without having always to run back to Washington and check it out. That is part of the theme obviously in reinventing government, but there is a lot of logic to that; give people at the State and local level a lot more flexible, decisionmaking authority and if they screw up, they will have to bear responsibility for it.

We hire people out there to assume that kind of responsibility. Part of the problem is when you deal with people at the field level, they are very nice and accommodating, but they always send it back to Washington and ultimately it gets messed up back here.

We want to have people in the field who can make decisions and bear the responsibility for decisions they make and have authority to make the right decisions.

The fourth part deals with pilot tests. I think you have to test these things so we make sure this is a system that can work and that we can test how the agencies meet the goals we have established.

I think it is a good bill. I think it sets out a comprehensive agenda for action. We wanted to work with you in getting this legislation through. We think it gives us the opportunity to send the message to people in government that we are not going to establish programs for the sake of programs.

We want to make sure the programs are doing the job and serving people. We think it is a good bill.

The National Performance Review, you mentioned it in previous questions. The National Performance Review, as you know, is a major effort by this administration to basically do a bottom-to-top review of government in terms of what are the changes that we need to make, what are the programmatic changes, what are the administrative changes, what are the reforms that we want to implement in order to make government truly more responsive to people.

We will be doing a number of things. The Vice President has assumed the leadership on this. He is very committed to making the process work. It is a huge task.

You are right, Mr. Chairman. I sit back myself and think about the monumental job that lies ahead in the next few months to try to do this. The Vice President and I have had a long series of discussions about how best we can try to accomplish this in a short timeframe. He is committed to that.

It is an ambitious schedule, but these people in the administration don't sleep anyway, so no problem. First, we are relying on the vast knowledge possessed by the employees that are out there.

The Vice President definitely wants to reach in to each of the agencies in the fashion of the Texas example to try to get people within these agencies to give us their best thoughts about what they think needs to happen within the departments and agencies.

Second, we want the review to have the support of the American people, so we will reach out to the American people as well. That effort has been working almost too well. We have been over-

whelmed with suggestions by the public as to what changes can be made.

The 800 numbers were overwhelmed in the few days following the press conference on the national review. People do care and have a lot of thoughts on how government can be improved. We want to place special emphasis on improving the quality of Federal services to the people of this country.

It is the taxpayers who pay for the services and we have the responsibility to make sure the services do the job in terms of helping people. We want to make sure this is bipartisan. Every effort at reorganization of government has been bipartisan in the past.

It can't work unless it is bipartisan so we want to continue to urge our colleagues on both sides of the aisle to work with us.

Lastly, we are determined that the review will not just produce another report. What we produce is going to be an agenda for action that will involve in part administrative action, but in part legislative action, and we need to work with you as we arrive at those kinds of conclusions.

It is not something that can just be slam dunked. I realize that. I have seen reorganization efforts in the past that have huge goals and they usually wind up getting pretty much set aside for whatever reason because the goals sometimes are too much.

We have some short-run goals here that we want to put in place that we think could be put in place quickly as a result of this review. We have long-term goals. Some efforts will take more attention in terms of the kind of major reorganization we think needs to take place.

This is going to be a continuing process. I will soon have as a Deputy at OMB Phil Lader, who accompanies me here. He has not gone through the confirmation process, but the President has announced his appointment. He is out of the business community. He has worked on management issues.

He is very much involved with the Vice President and his task force. He is a key person for me at OMB heading up the management effort because we think that needs to be emphasized as we restore management to the OMB role.

Legislation has been introduced on the Senate side that would establish a commission to produce the reforms and restructuring of the Federal Government. I respect the sincerity and the concerns of those who have introduced these various proposals for establishing a commission. Our concern is that we would really prefer that the Senate defer action on these kind of commissions until we have had a chance to proceed with the national review, until we have had a chance to bring forward our results. I think, as you know, the problem with commissions is that they are kind of an excuse for failed leadership. That is the way I view commissions.

Any time we establish a commission, it is because somebody in a position of authority has failed to do what they are supposed to do. So we have lot of commissions that were established over the years. I respect Members who want to establish additional commissions because for one reason or another they think that is the only way to get things done.

We think that is a role of leadership and that is why the Vice President is conducting this review. We would ask that any com-

mission ideas be deferred until we have had a chance to complete the action and at the end we may want to sit down with the Congress to determine what is the most expeditious way to bring these to a vote, do we need a single vote, do we need to establish a commission to confirm the recommendations of the national review—those are issues we want to deal with you on as we try to develop legislation that will produce the quickest action we can achieve.

Thank you for the invitation to testify today. My thanks to you, Mr. Chairman and to Mr. Clinger and others, for the work that you have done on these issues.

I want to express our continuing and strong commitment to making sure that we do in fact improve the management of government. I have spent a great deal of my life in public service and I believe deeply in what this country is all about. Maybe it is because I am the son of immigrants who believed that this country had a tremendous amount of opportunity to offer people if they would believe in what this country was all about.

I believe in our system and I believe that it can perform for the people of this country, but it isn't going to happen by itself. It will take vigilance and people who care. If there is one difference that we try to bring to this process it is that we truly do care about how government serves the people of this country.

With that in mind, we look forward to working with you.

Mr. CONYERS. Thank you very much, Director Panetta.

[The prepared statement of Mr. Panetta follows:]

STATEMENT OF
LEON E. PANETTA
DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET
before the
House Committee on Government Operations
March 23, 1993

Mr. Chairman, Representative Clinger, members of the Committee. I am pleased to appear before you today to discuss two major initiatives for making our Government function better, and significantly improving the quality of the services provided to the American people. I have a brief statement, which I ask be made part of the record, and then would be happy to answer your questions.

Mr. Chairman, while I may have moved to the other end of Pennsylvania Avenue, I very much treasure the years I spent on this Hill. While it has been barely two months, being at the other end of Pennsylvania Avenue has given me a new perspective, and a greater appreciation for the foresight and hard work shown by you, Mr. Chairman, and the other members of this Committee in forging legislation to bring about constructive and fundamental improvement in the way this Government operates. In particular, I wish to recognize your leadership with regard to the Chief Financial Officers Act. The CFOs Act is helping us build a foundation for greater accountability and agency reporting on program and financial performance.

H.R. 826 Government Performance and Results Act of 1993

Let me begin with H.R. 826, the Government Performance and Results Act of 1993.

This bill consists of four major parts. The first part requires that agencies periodically develop strategic plans, with the first plans to be completed by September 30, 1997. These strategic plans serve as the starting point and basic underpinning for the setting of performance goals and measurement of performance. The fundamental purpose of the strategic plan is to guide the content of annual performance plans.

Annual performance plans (and subsequent performance reports) constitute the second major part. The performance plans consist of a set of performance goals for the agency's program activities, and the means to be used for gauging progress or accomplishment in achieving these goals. Performance goals are to be defined with sufficient precision to permit ready assessment of whether the goal is being achieved. Six months after the end of each fiscal year, agencies are to report on the actual performance achieved compared to the performance goals that were set in the plan for the fiscal year.

Let me add a point of personal concern about this part -- and, I believe, this is a concern shared by the Congress. We must be on guard that this legislation not become the salvation

of those who would suffocate the effort under a blizzard of paper and process. We must neither plan nor expect to produce great volumes of plans, measures, and reports that burden rather than help. While I am not all that taken with the acronym, a good slogan might be: "Keep It Short and Simple."

The third part would allow agencies to propose waivers of administrative procedural requirements and controls in return for specific individual or organizational accountability to achieve a performance goal. I will point out that agencies are not authorized, under the provisions of H.R. 826, to propose a waiver of a requirement or control established in law. We anticipate that waiving of only administratively-imposed requirements may not be enough as we seek to give managers sufficient flexibility in return for improved results. We expect that agencies will, during the course of the pilot projects, identify a select number of statutory requirements which we may seek legislative authority to waive, and thus reduce significant impediments to enhanced flexibility and greater accountability.

The fourth part requires pilot tests of performance budgeting in fiscal years 1998 and 1999. The bill defines performance budgeting as presenting "the varying levels of performance, including outcome-related performance, that would result from different budgeted amounts." In this context, performance budgeting would represent a choice based on

performance/cost optimization. With this bill, we will immediately undertake a more limited -- but very useful -- form of performance budgeting, in which the performance goals that are annually set will conform with the level of resources requested in the budget. The Congress has wisely sequenced the pilot test of a more complex form of performance budgeting until we, and the agencies, have had sufficient experience in measuring performance and determining the cost of achieving certain levels of performance.

Together, these parts present a unified scheme of planning, execution, assessment, and, where necessary, adjustment of plans and goals. The center element -- execution -- is also the central element, for it imposes a new discipline on Federal officials, one of 'minding the store', or perhaps more aptly, 'delivering the goods'. With H.R. 826, we take a major step toward making our Government accountable to the American people. More than ever, agency officials must manage for results.

This bill sets out a comprehensive agenda of action, initially with a set of pilot projects that begin in fiscal year 1994. These pilot projects subsequently lead to full-scale governmentwide implementation starting in FY 1998. The pilot projects are intended to test and demonstrate the underlying concepts that form the structure of this legislation. I would add that, in the course of the pilots, we anticipate

looking at how we might adapt performance measurement, performance budgeting, and managerial waiver provisions in S. 20 to those Federal programs largely administered by States and local governments.

At the conclusion of the pilot projects, OMB and GAO will report to Congress on the results. Full-scale, government-wide implementation of the bill's planning, measurement, and reporting requirements is scheduled to begin in September of 1997.

Mr. Chairman, this Administration wholeheartedly supports H.R. 826, and I want to thank you, Representative Clinger, and Representative McDade for introducing it. We would very much welcome any impetus that the Committee might give toward securing quick consideration by the House of this bill.

I am urging swift passage of H. R. 826 because this legislation presents us with the opportunity to bring about a very fundamental transformation in the way Government goes about doing business. With its emphasis on results, on accountability, and on actually managing programs, this bill is the foundation for much of what we seek to do as we go about the task of reinventing Government.

The Administration also asks that this Committee consider several amendments to H.R. 826, which I hope would be considered

favorably by the Committee. These amendments have been discussed with Senate Committee staff and we believe they will be approved by that Committee at its markup of S. 20 tomorrow.

The first of these amendments addresses a concern we have in Section 11, "Effective Dates and Procedures". This section requires a future Congressional vote and approval before the Government initiates certain basic management practices called for in the bill. This vote fails to recognize the inherent powers and authorities of the Executive to administer and manage Federal programs. We propose that this section be deleted in its entirety.

A second set of amendments would allow more flexibility in how alternate forms of performance goals could be defined, and in reporting actual performance against such alternate forms.

Let me turn now to the National Performance Review.

National Performance Review

Mr. Chairman, we are in week three of the National Performance Review, and before outlining the role that OMB is likely to play in that Review, I would like to describe several features of the Review, features that distinguish it from previous efforts.

First, we are relying on the vast knowledge possessed by Federal employees on what programs and activities are working and which are not, and on their suggestions for making our Government work better. Secondly, this Review is seeking support and ideas of the American public on what changes ought to be made. Third, we are placing a special emphasis on improving the quality of Federal services to the citizens of this country. They are, after all, the ones who pay for these services. Fourth, this effort is to be bipartisan. Finally, we are determined that this review not produce just another report that is applauded, and then ignored. We intend that the Review produce a blueprint for action, with recommendations that can be acted on administratively as well as others requiring legislation. And we intend to provide OMB staff to assist the Vice President in this effort.

We expect two major end-products from this Review: a short and long-term action plan. In the short-run, we plan to develop an agenda for the upcoming FY 1995 budget cycle that includes policy initiatives that should be implemented, and improvements to government operations that can quickly be put into place.

Emerging from the Review will be an agenda of longer-run initiatives that, because of their complexity, may take several years to implement. To jump-start these initiatives, we will make special efforts to design pilot projects that could expand

our notion of what is politically and substantively feasible and which thereby provide momentum for further reform. Since so many of the Federal Government's activities depend on partnerships with the states, I also expect our review will identify a number of pilot initiatives which we may pursue jointly with several states to improve service delivery and effectiveness.

I want to underscore that as this process goes forward this Spring, we pledge to work closely with this Committee and other interested Hill members to assure that we are getting at the issues that all of us collectively feel are the most important. Indeed, the team approach we plan to use to conduct these reviews will draw on the best thinking of all in government who have thought carefully about these matters. We welcome your input and look forward to working together.

The Need for Legislation

We expect that many of the recommendations produced as a result of this initiative will require either new legislation or amendments to existing law.

As you are aware, the Senate's Committee on Governmental Affairs is currently considering four bills that would establish commissions to produce reforms and restructurings of the Federal Government. The task of each commission would vary, although all

four bills would require recommendations covering consolidation and elimination of agencies.

While these bills go a long way in highlighting the need for action, we have asked that the Senate defer action on any of the commission bills currently introduced. We do so based on a belief that the better course would be to use the recommendations of the National Performance Review to help define the nature and content of any legislation in this area. We are concerned that an attempt now to define the statutory parameters is premature. We also might want the Congress to consider some type of permanent or continuing authority, rather than simply a one-time, one-shot Congressional consideration and action procedure.

In suggesting the approach of waiting for the Review recommendations, let me emphasize that the Review is designed to address many of the structural and operational concerns that the commissions were intended to cover. Deferring action also allows the Vice President and the Executive Branch, over the next six months, to produce a set of recommendations in lieu of having a commission do so. We also do not wish to defer initiatives in these areas until a bill chartering a commission is enacted. Waiting for a commission might delay this effort unnecessarily for many months.

There is much to be said for developing legislation that would work toward producing quick Congressional action on such recommendations. We look forward to working with this Committee as we define more precisely the nature of such legislation.

Mr. Chairman, let me conclude by expressing my appreciation for being invited to testify before your Committee today, and for the opportunity to show our very strong commitment to improving the management of this government. I would be happy to respond to your questions. Thank you.

Mr. CONYERS. I share your concern and your objectivity and I agree with you with reference to the ideas of another commission. I think we have got to give this administration some clear sailing. That is a feeling I think we share on both sides of the aisle over here.

Perhaps you noted a little anxiety in my discussion with the Texas comptroller who is working closely with the Vice President's Review Commission, National Performance Review, and so what I need you to do with your people is to review this hearing—we will have it replicated for you, because the comptroller general, I think, had a very revealing discussion with us that hits a lot of things that are squarely in your arena.

I don't know—some of them you can respond to for the record. I have questions too that I am going to put to you, but there are other things that you might want to comment on generally. Maybe we would want to sit with Mr. Clinger and Mr. English and just talk them through, because they are really critical.

As you point out, there are some relationships that are unavoidable—they are almost like laws of science that you can't get around them. One of the things that keeps bothering me is that maybe we have to look at a longer budgeting vehicle. Maybe this 1 year business is—it doesn't give anybody a chance to get settled in.

Here we have a 4-year term, which for governmental purposes is short enough, but then we are doing budgeting every year and I think that that deserves some further examination by all of us. I know of no one in government that is more experienced and has given that more thought than yourself.

So I think that the one thing that could be very disturbing is that this National Performance Review be misunderstood as some kind of a quick fix where we come back and try to pull a fast one. As I begin to look at this, everybody is watching to see how the serious, committed people that are now there on the other end of Pennsylvania, what they do.

You know, commitment and sincerity plus 35 cents will get you a cup of coffee, but you still have to have the 35 cents. I was there. I haven't been following it daily, but we better put this thing together so it works, because there is no more—we are all out of alibi, smoke, and mirrors and it was the other guys. It is us now.

What I need to do—and I promise to spend more time and give it the attention and the gravity that I am suggesting to you that it deserves—I have got to bring that same kind of commitment myself, but we better be darn careful that this is more than pulling off old ideas on the shelf and dusting them off and saying "OK guys, swallow this and call me in the morning."

I think we are going to have to look at this carefully. I think you know this and I think your experience makes you critical in this process.

I have met with the Vice President on this already, and he is the first one to say that I am looking for people that know where we are going on this.

I am pleased to join with you and him, but we have to have some very thorough analysis and some proposals that can stand real scrutiny, and you and I have been through the commissions and the platitudes; this is going to be great if we do this. I mean we

are loaded with that kind of strategy. So join with us in trying to make it really pan out.

I am nervous about a 6-month period for a job of this magnitude. I have no idea how many people are working on this. The comptroller general is flying back to Texas. Sharp said it was cool. Great. I have known Sharp all of several weeks. His reputation is impeccable. His credentials are unquestionable.

He has never worked at the Federal level. It worked in Texas, I guess. That is a pretty slim reed for us to be walking out here on saying "We are adopting the Texas model and in 6 months you guys are going to be real surprised, this is going to work."

I have heard too many weapon systems—I have seen all these guys lined up here telling me how submarines would float and airplanes would fly, but then we didn't know that it was a computer-intensive system, Mr. Chairman.

So we got into 2 years of delay and billions of dollars of overrun. But don't worry; we have a fix on it now. Not to worry. The next time we come here, it will be OK.

I have been through this. So, you know, I appreciate your spirit and your experience, but we have to make sure that this one flies.

Mr. PANETTA. You bet.

Mr. Chairman, as you say, having worked on these issues so long with you, we share a healthy skepticism about the kinds of issues that we will be dealing with and the ability to try to pull it together and get an action plan in place.

I think it is a healthy skepticism because you have to look at the problems and try to work through them. You mentioned the idea of not just doing budgeting year in and year out.

I have been a long-time supporter of getting into a 2-year budget cycle. That gives you a chance to spend 1 year focusing on what funding you want to do and conducting more oversight in a second year.

If more committees did more oversight in terms of the various programs that they work with, that would help with the things we are trying to do. It is when people fight year to year for their funding life that you lose sight of the job that is being done.

On the national review itself, I do think it makes good sense and I would recommend to the Vice President that he take the opportunity to sit down with yourself, Mr. Clinger, probably John Glenn and Bill Roth on the Senate side and whoever else is interested in this just to talk through some of the issues that relate to this kind of review and get some of your experience as we try to fashion this approach.

The Vice President, we are working on an approach to this. As a matter of fact, we have already begun at the Office of Management and Budget to kind of lay out a review process that we want to be able to do with each agency for our budget purposes to be able to look at budgeting as well as where changes need to be made.

So the Office of Management and Budget will clearly be an asset for the Vice President as he tries to pull this together. He is, as you know, extremely dedicated to getting this process done. He knows what some of the problems are in reviewing the entire government.

I think one of the things that may make sense here, looking at the size of the problem that we are working with, is targeting perhaps some examples of how you can in fact improve the management of services.

I think General Bowsher has suggested this at other times when I have talked to him. For example, to look at the IRS, which is an example of real constant contact between government and people, and try to ensure that that operation works correctly and that it is sensitive to people in the way it provides services.

Looking, for example, at Social Security and the way that the Social Security Administration provides services and maybe focusing on that. Immigration is another. There are a series of key agencies that have almost a day-to-day relationship with people that perhaps we need to focus on.

Mr. CONYERS. You know what I have had to bring up to the Vice President already? Over in the Veterans' Administration, there is a computer contract that I won't say that it smells, but you won't have to have the background of comptroller general to understand that it is laden with problems.

I brought this to the attention of the new Secretary of the VA and said there is a study coming out, I think it is GAO, that would either give us relief or really put up some more flags on the computer screen. So let's not spend out into the contract too fast. Just take it easy.

We are not accusing anybody of anything and everybody's integrity is still intact, but just go easy. You know what he told me? He had been in office all of 10 days. He said, "We have looked at it and we don't see any problems. We don't see any reason not to go forward."

Now, you know, I am at a loss to understand, since this didn't occur on his watch—he is now becoming a party to a problem that really never was his in the beginning. Now maybe he is being advised by a high-ranking official. I don't really know and I haven't bothered to find out. But all I know is it is now going to become part of his problem that he didn't heed some friendly word of caution if the GAO report develops negatively, and if this committee pursues inquiry and if he has to come back up here.

He will be coming up here about—I mean he will be part of the whole thing. Now, we don't need a National Performance Review on some of these matters.

Mr. PANETTA. You are right. As a matter of fact, that is why what I have already begun as part of our review process is to do a review on contracting out because of the problems pointed out by Capitol Hill.

There were failures of auditing. They are paying people for contracting out on jobs not performed. Instead of having people responsive to these programs, we are basically shipping out the responsibilities. We are paying for those jobs and not getting a return on it.

I have begun looking at that. I am looking at all the procurement policies to try to review those because again that is something we have to be sensitive to. From what I have seen in the short time I have been in this job, there are some very bad habits that developed in which people basically provided favors through government

without asking the question "Is this the right thing to do?" and "Are we in fact spending money in the wisest fashion?" and those habits are still around and we have to change them.

Mr. CONYERS. You are right. Mr. Clinger.

Mr. CLINGER. Thank you very much.

Mr. Director, it is always a pleasure to have you here. And I think the fact that you have been here twice this month suggests that you are interested in working with us and addressing a lot of these problems, and we are grateful for that.

Mr. PANETTA. I will use whatever excuse I can to come back here.

Mr. CLINGER. We appreciate your support of H.R. 826. It is a very important piece of legislation which obviously has bipartisan support. I want to ask about a related management issue. Shortly after you took office, I wrote you at that time expressing my support for the management function which we have discussed somewhat here. Namely, what I believe to be the congressional intent that in passing the Chief Financial Officers Act to make the deputy for management a coequal with what is now Ms. Rivlin's position. This would demonstrate your commitment to supporting the management responsibilities of OMB as being coequal to the budget responsibilities at OMB.

And you responded to my inquiry, but I am concerned with a comment that would seem to call in question the status of OMB's management function. The article in the March edition of Government Executive magazine said Lader's selection was delayed because Alice Rivlin objected to making him her coequal in the chain of command.

Disregarding the veracity of the comment, could you discuss the priority that you place on management responsibilities at OMB, and specifically whether you would consider Mr. Lader's management duties to be coequal with the management duties of your other deputy.

Mr. PANETTA. Well, I have to tell you one of the joys of the first few months has been the opportunity to work with the two deputies that I do have. Alice Rivlin, there is nobody better than she in terms of knowing the budget side and having worked in this town a long time. She really does understand the changes that need to be made.

She has been a very important right-hand individual in dealing with development of the economic plan. She has been extremely important in the job as deputy in that context.

Phil Lader is also a joy to work with as deputy on the management side.

And what I basically do is work through both deputies and have both deputies participate in most staff meetings, because there really is no—there is no way to distinguish. I think you could say this is the management stuff and this the budget stuff; but the fact is, when it comes down to it, we are not going to give people money if they can't manage right.

And money also becomes a very important tool to use as an incentive for people to do the right things administratively, in other words, to do the job. So frankly, the way I have worked with both of them is very much as a team. I have both of them in each of

the staff meetings. All of us meet together when it comes to issues related to the national review, for example, with the Vice President. And I basically work with both of them in their capacities.

Phil does handle the management side in terms of looking at ORIA and the procurement policies in the areas under his control, and Alice does basically serve as my deputy in dealing with the budget side, but also in management issues, because she has an interest in that. I have used both of them as a coequal team in dealing with the operations at budget, and it has worked perfectly.

It is not just—you can put on paper whatever you want to put on paper as, you know, what are the roles of this particular individual in this capacity, but it does not work very well unless the personalities are the right people; and fortunately we have the right personalities in those positions. We work as a good team.

Mr. CONYERS. Mr. Glenn English.

Mr. ENGLISH. Thank you very much, Mr. Chairman.

Leon, it is nice to have you with us again. I wholeheartedly support the aims of this legislation and the approach, but I have been around here long enough to be very, very skeptical of these kinds of approaches. I don't think there is any question that there is—within the bureaucracy of this government, there is a vested interest in maintaining the status quo. And I think that we will see that played out in the pilot programs and, should this be expanded beyond the pilot programs, into the entire government.

And how we define what the objectives are and how we define success is obviously going to be extremely important. And quite frankly, I don't know how you deal with that.

As I understand the legislation, each agency is going to come up with a program and define for themselves exactly what success is. I would assume that the Office of Management and Budget will review that. And I would assume that you will make the judgment calls as to whether or not it is or is not a legitimate goal.

But again, I think that as these objectives are massaged by the bureaucracy and by the career people, and I think the example—the chairman has shown a perfect one, within a matter of days, political appointees are coopted by that bureaucracy. And I think that while they may be very sincere in their belief that their particular organization has done an outstanding job in carrying out the programs, that may or may not be the case.

I also, after having spent a number of years on this subcommittee and having chaired this subcommittee and numerous programs and judging the success, I also noted that there is really a lack of interest on the parts of various administrations as to the results of many of the recommendations and findings of this subcommittee, the General Accounting Office and other outside groups because there is a political goal as well.

If the administration finds, in fact, the agencies are not meeting—are not being successful in meeting the objectives of various programs, if they determine they are being unsuccessful, then that, too, I think carries a black mark as far as the administration and the President of the United States and all those who are associated with him; and it carries over to the Congress and certainly the programs that we pass.

See, I have got to say that I am hopeful, but very skeptical that we will see this really achieve the hopes that we all have. So I would urge you to look very, very carefully, weigh very carefully whether or not the goals are worthy goals and whether that is really something that we will see measured under this pilot program. Because I think if the goals become massaged, I think it would be as worthless as the paper it is written on.

Mr. PANETTA. Well, Glenn, there is nobody better than you in understanding how this thing works. You have overseen some of this stuff at Agriculture, and you know what that Department works like. And you have also seen it in your capacity on this committee, that what you have described is exactly right.

There is a natural instinct not to be forthcoming with problems that are there. There is a natural instinct to basically want to keep the iceberg floating in the right direction without changing things and maybe moving a few things on top.

But I just want to tell you that the approach I have seen from both the President and the Vice President, and it is the approach that I bring to this job, is that you have got to go in and you have got to open this process up, and what you find, you find. But we have got to be very honest with the American people about the changes that need to be made here. It doesn't do us a lot of good to go through this process—I think the chairman is exactly right—if we go through this process and the end result of going through this national review is that we don't change the way the government works in a visible manner. Then I think what it is going to do is undermine the credibility of this process.

We have a lot riding on this. It is not just us. It is Democrats, and also Republicans to some extent, because our whole reason for being here is that people want us to make sure that government does work right and that they are getting government services, that they are getting their money's worth.

So I think, as I have said on the economic plan sometimes, I don't think either the House or the Senate can afford not to do something on the economic plan. On this issue, I have got to tell you, I don't think we can afford not to do something.

Mr. ENGLISH. I want to say, too, that while we are talking about doing this in the administration, I think that this subcommittee, its Senate counterpart—and certainly the chairman does in achieving that—but I think that that is what the Government Operations Committee is all about. And while we have had various legislative committees that have set up their own oversight and done oversight in—certainly, in regard to my legislative committee that I serve on, this is the oversight committee. This is the committee that is equipped to do that job. And I am hopeful that the administration will look to this committee and its Senate counterpart in helping to achieve these objectives.

Mr. PANETTA. Frankly, I think the sooner we can set up, you know, kind of a continuing dialog on the national review, the better off we will all be, because there is a fountain of experience here that we need to make use of.

Mr. ENGLISH. Thank you, Mr. Chairman.

Mr. CONYERS. Thank you, both of you. It has been a good morning of excellent exchanges.

We are now happy to have from the Department of Treasury, Mr. Russell Morris; and from the National Academy of Public Administration, Mr. Scott Fosler. Welcome, gentlemen. Your written testimony will be incorporated in full into the record.

You may begin, Mr. Morris.

STATEMENT OF RUSSELL MORRIS, COMMISSIONER, FINANCIAL MANAGEMENT SERVICE, DEPARTMENT OF THE TREASURY

Mr. MORRIS. Thank you, Mr. Chairman. I am pleased to have the opportunity to appear before you this morning and present the findings of the Financial Management Service Survey of Private Sector Performance Measures.

The Financial Management Service, a bureau of the Department of the Treasury, supports Treasury's responsibilities for minimizing the financial cost of government by operating an effective financial infrastructure for the Federal Government and by assisting program agencies in implementing financial management improvements. Our mission is to improve the quality of government financial management.

The Financial Management Service works closely with the Office of Federal Financial Management within the Office of Management and Budget to ensure that our efforts are consistent with implementing the Chief Financial Officer's Act of 1990. In addition, our efforts in the domain of performance measurement have been in close cooperation with the General Accounting Office.

In 1989, the Financial Management Service initiated a program entitled Project USA, for Unified Systems Approach. The idea behind this initiative was to approach the government as a series of "business lines" or industries, and to assist the managers of agencies within these industries by forming teams of agency managers to identify best practices models to serve as benchmarks in management improvement efforts.

Under the banner of Project USA and with the participation of numerous Federal agencies, as well as the Private Sector Council, the Financial Management Service has published studies on managing guaranteed single-family housing loans, managing seized and forfeited assets and strategic financial management planning, in addition to the most recent study, the report on a survey of private sector performance measures.

In conducting the survey on which the performance measures report is based, the Financial Management Service was assisted greatly by the Private Sector Council. The Private Sector Council is a nonprofit organization formed in 1983 to serve as the professional bridge between business and the Federal Government. Under the auspices of the council, senior executives from member U.S. companies work in a cooperative effort with public sector managers, to help improve management in the Federal Government.

Over the past 2 years, a Private Sector Council work group of executives from Eastman Kodak, Westinghouse Electric, Chase Manhattan Bank, and Pacific Telesis—

Mr. CONYERS. Excuse me, Mr. Morris. My staff has advised me to give you 5 minutes and see how far you have gotten. That means

if you would summarize, you would get the whole thing in. If you don't, you get to wherever reading 5 minutes gets you.

Mr. MORRIS. Thank you, Mr. Chairman.

As you indicated that the entire text will be included in the record, I think perhaps the highlight of the testimony is the recommendations that the survey respondents provided to the government; 39 of 41 respondents recommended that the government utilize performance measurement practices. And one of the individuals who opposed the recommendation commented as follows, "One should not implement performance measures but should implement world-class management practices and processes; measures are tools to help you manage." The point being that measurements by themselves, outside of a comprehensive management approach, are not particularly worthwhile.

Mr. Chairman, why don't I close my comments, since you have the text and offer time for questions if you have such.

Mr. CONYERS. All right. That is fair enough. I appreciate your courtesy, Mr. Morris.

[The prepared statement of Mr. Morris follows:]

TESTIMONY OF
COMMISSIONER RUSSELL MORRIS
FINANCIAL MANAGEMENT SERVICE
UNITED STATES DEPARTMENT OF THE TREASURY
before the
COMMITTEE ON GOVERNMENT OPERATIONS
SUBCOMMITTEE ON LEGISLATION AND NATIONAL SECURITY
UNITED STATES HOUSE OF REPRESENTATIVES
MARCH 23, 1993

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Over the past 2 years, a Private Sector Council work group of executives from Eastman Kodak, Westinghouse Electric, Chase Manhattan Bank, and Pacific Telesis, has worked closely with us on the performance project.

Mr. Chairman, with your permission, I would like to submit the report for the record, and take just a few minutes to summarize the findings of the Survey.

We sent surveys to all 75 Private Sector Council member companies, and received 41 responses. The Survey is not, and was not intended to be a statistically significant representation of American industry. Rather, the purpose of the Survey was to provide useful benchmark information for Federal agencies interested in developing performance measures.

The Survey requested information of four types: what types of measures are used; for what purposes are they used; how measures are developed; and what recommendations are offered to Government agencies in developing and using performance measures?

TYPES OF MEASURES USED:

Not surprisingly, financial measures are used by all respondents -- they are all publicly owned corporations -- but at least 90 percent of the respondents stated that they also used:

measures of efficiency,
measures of inputs,
measures of outputs,
measures of product quality, and
measures of customer satisfaction.

Of ten types of measures identified in the Survey questionnaire, on average, the respondents utilize 8.6 different types of measures.

USES OF MEASUREMENT:

The Survey respondents utilize performance measurement for a variety of purposes; but the Report suggests that the following are most important:

- * To monitor overall corporate progress against broad goals and objectives.
- * To monitor progress against improvement goals, in both product quality and process efficiency.
- * To compare among components within the company.
- * To ascertain customer satisfaction.

- * To compare the company with competitors.

Additionally, almost all of the respondents indicated that performance measures are reflected in management performance plans, and affect management incentive plans.

HOW MEASURES ARE DEVELOPED:

The Survey data suggests that substantially more performance measures are developed on a bottom-up basis than through a top-down regime. This finding is supported by comments that were appended to the Report in which several responders recommended that performance measures should be developed by those whose efforts are measured if they are to be effective tools.

Three-fourths of the respondents indicated that customers are involved in developing performance measures relating to customer needs and customer satisfaction, and less than half of the respondents indicated that customers are involved in developing measures for other objectives.

About two-thirds of the respondents indicated that they do not utilize a central office to manage or monitor performance measurement practices. One-third do maintain such offices. Some of the commentators expressed strong views that central bureaucracies undermine the value of the effort.

RECOMMENDATIONS FOR THE GOVERNMENT:

Thirty-nine of the 41 respondents recommend that the Government utilize performance measurement practices and one of the individuals who opposed the recommendation made the following comment: "One should not implement performance measures, but should implement world class management practices and processes. Measures are tools to help you manage."

These responses were supplemented by a variety of comments that in one sense mirror the management literature on the subject, and in another sense contain the reality of people who have been there. By and large, the sense of this section of the Survey echoes the above comment -- measures, alone are not the answer, but performance measurement is a valuable tool for effective management, when applied in conjunction with management processes that have clear objectives and fair reward systems. It is also notable that several respondents offered assistance to the Federal Government in implementing performance measurement processes.

COMPARISON WITH GAO DATA:

Mr. Chairman, as you know, last year, the General Accounting Office published a Report on a survey of Federal agency program performance measures. The two surveys are not directly comparable, but we have included a table in the Report that makes certain comparisons.

Without venturing too far into speculations, I believe that you could say the following about the comparison.

- Of the two groups surveyed, the corporations seem more likely to have quantifiable strategic plans to which performance measures are related.
- The corporations tend more to look to external customers.
- Government organizations are somewhat more likely to have a central controlling office.
- Companies are more likely to benchmark against external organizations.

Mr. Chairman, I hope that this Report and my summary are useful to the Subcommittee in its deliberations. I would be happy to respond to any questions that you or other members may have.

Mr. CONYERS. Mr. Fosler, you are president of the National Academy of Public Administration, and you have an extensive background in the subject matter that brings us here together. We would appreciate your comments here today about what we have discussed, as well as a summary of what is in your paper.

STATEMENT OF SCOTT FOSLER, PRESIDENT, NATIONAL ACADEMY OF PUBLIC ADMINISTRATION, ACCOMPANIED BY JOSEPH WHOLEY, CHAIRMAN, PANEL ON PERFORMANCE REVIEW; AND BARBARA DYER, DIRECTOR, NEW ALLIANCE FOR REDESIGNING GOVERNMENT

Mr. FOSLER. Thank you very much, Mr. Chairman and members. The academy, I believe you know, is a private, nonprofit and nonpartisan organization that was chartered by Congress to improve the effectiveness of government at all levels, Federal, State and local. Our organization has undertaken many initiatives on the two vital topics of this bill, and the results of our work support the concepts embodied in this legislation.

We agree with the President and his Budget Director that Congress should enact this law. Let me summarize the key points that we would like to stress.

First, this bill, we believe, should be part of the larger effort to reinvent government, to fundamentally change the way the Federal Government funds and implements programs and oversees performance. It should not add another layer to an already complex and bureaucratic process with which we are all too familiar.

Second, we support the amendment that OMB director Leon Panetta suggested to the Senate Governmental Affairs Committee to provide more flexibility in how ultimate performance goals are defined and how actual performance is reported. And we also agree with David Osborne's testimony last week that the timetable for full implementation should be accelerated if possible.

Mr. CONYERS. You mean less than 6 months?

Mr. FOSLER. No, here we are talking about the bill before us.

Mr. CONYERS. Oh, OK.

Mr. FOSLER. The timetable in H.R.826 of something like 7 years—that we accelerate it so that we can put this bill into effect much sooner.

Third, we believe that executive agencies will need some additional resources to implement the bill. The General Accounting Office and OMB had testified that program performance measurement need not be a significant cost or administrative body; however, our work at the Education Department has shown that program managers do, in fact, need time to develop and implement new performance indicators and eventually a performance measurement system.

Fourth, the field of performance measurement needs standard definitions. Within the field, there are a variety of terminology, systems, and definitions for specific measures of performance. Under one approach, activities are classified as inputs, outputs, outcomes, and impacts; under another, these are called context, process and results. Measures with the same or different names may have very different meanings, and we believe some action should be taken to standardize these.

Fifth, an administrative entity, or entities, needs to facilitate and coordinate the performance measures, both government wide and within each agency. The design and implementation of such measures requires technical expertise, and this expertise should be readily available and in tune with the agency or program in question.

All of the elements prescribed in H.R. 826—the strategic plans, performance plans, managerial flexibility, performance budgeting and performance measures—are needed in order to achieve the goals of this bill.

Mr. Chairman, you also asked that we explain to you our new Alliance for Redesigning Government. And let me briefly explain to you what we have done.

In no other message in this election year do we believe there was such force as the demand for change. People may differ on whether they want more or less government, but they all want better government; and despite the widespread view that government doesn't work, thousands of public sector pioneers around the country are discovering new ways to govern—Governors and agency directors, legislators, council members, Federal program managers, Members of Congress.

Outside of government they are community organization leaders, foundation officers, business and labor leaders and scholars. Some may be creating new ways to expand access to prenatal care, others are shaping a world-class public work force. Others may be testing ways to best involve the public in setting priorities for government.

Bit by bit, these pioneers are uncovering the pieces of a new paradigm for governing. But they lack a place where people can turn for help and information. In a sense, we have a body of activity nationwide that lacks a central nervous system. While together these experiments suggest a new direction for American governance, no one can systematically lend definition and clarity to this swirl of activity. This is why we created the Alliance for Redesigning Government. We believe that it will fill the gap.

The alliance, which we formally announced at a news conference yesterday, will be a network for people around the Nation who are developing new and better ways to make government work. Its mission is to serve as a vehicle for connecting people and ideas, a source of information, an originator of ideas, and a training ground for current and future public leaders. The alliance, housed at the academy, includes Democrats and Republicans, Members of Congress, Governors, and mayors and city managers, business and labor leaders, nonprofit activists, journalists and scholars. Attached to my statement are our press release and a list of members of the advisory panel that David Osborne will chair.

We hope that our Alliance will help the administration and Congress, not only in implementing H.R. 826, but also in undertaking additional measures to redesign all levels of government, making each of them a more effective force for the American people now and in the 21st Century.

[The prepared statement of Mr. Fosler follows:]



STATEMENT OF
R. SCOTT FOSLER
PRESIDENT
NATIONAL ACADEMY OF PUBLIC ADMINISTRATION

BEFORE THE
COMMITTEE ON GOVERNMENT OPERATIONS
U.S. HOUSE OF REPRESENTATIVES

ON
H.R. 826 - FEDERAL STRATEGIC PLANNING
AND PERFORMANCE MEASUREMENT

MARCH 23, 1993

Mr. Chairman and Members of the Subcommittee:

My name is Scott Fosler, and I am President of the National Academy of Public Administration. The Academy is a private, non-profit and non-partisan organization chartered by Congress to improve the effectiveness of government at all levels -- federal, state and local. I am pleased to respond to your invitation to appear at this hearing on H.R. 826, a bill providing for the establishment, testing, and evaluation of strategic planning and performance measurement in the federal government.

H.R. 826 - STRATEGIC PLANNING AND PERFORMANCE MEASUREMENT

Our organization has undertaken many initiatives on these two vital topics, and the results of our work support the concepts embodied in this legislation. We agree with the President and his budget director that Congress should enact this law.

The Academy has long supported the idea of reducing constraints on managers and focusing on performance. As far back as 1983, in a report called *Revitalizing Federal Management*, we supported a "shift of emphasis away from detailed operational controls . . . and toward development and experimentation with innovative management approaches, linked to evaluation and reporting of agency managerial performance." In a 1988 report, *Congressional Oversight of Regulatory Agencies*, we urged Congress to focus more on performance, saying that the key to effective oversight is balance -- a balance of ad hoc oversight with "independent, systematic, and long-term analysis of laws and programs." And in response to rising concern about the lack of quality information on program performance at the state and local levels, we devoted our entire 1989 Fall Meeting to exploring how performance information at those levels could be improved.

In 1990, the Academy established, as one of its strategic goals, the encouragement and improvement of government performance through goal setting, performance monitoring, and regular reporting. We have taken several steps to support this goal. At our 1991 Fall Meeting, our Fellows passed a resolution recommending the use of goal setting, performance monitoring, and regular reporting in government at all levels. We also established a Panel on Improving Government Performance, chaired by Professor Joseph S. Wholey, Director of the Washington Public Affairs Center of the University of Southern California, who is here with me today. Under the panel's direction, the Academy has:

- ◆ sponsored a Monthly Discussion Forum on Improving Government Performance, to encourage dialogue and introduce new ideas on this subject, and
- ◆ provided advisory and consulting services. Currently, the panel is working with the U. S. Department of Education to design performance indicators for several programs and then to produce a guidebook to help other Education Department managers develop performance indicators for their own programs.

With this as background, I want to turn to the bill itself.

First, this bill should be part of the larger effort to "reinvent government" -- to fundamentally change the way the federal government develops and implements programs, and how Congress oversees performance. It should not merely add another layer to an already complex and bureaucratic process with which we are all too familiar. The focus needs to shift from preventing bad things from happening to reinforcing the good things that do happen. One essential goal should be to revamp the executive and congressional oversight processes in order to free up federal executives, supervisors, and front-line workers to carry out the strategic goals required by this bill.

The bill takes some initial steps in this direction by granting limited "managerial accountability and flexibility waivers" allowable within existing law. The next step should be a sweeping review of such laws to weed out unnecessary impediments to managerial flexibility and effective, customer-oriented program performance. We note that the new Clinton-Gore technology policy provides for updating government policies in areas such as privacy, information security, records management, information dissemination, and procurement to "take account of the rapid pace of technological change." Still other laws and regulations should be reviewed and revised to provide a climate for effective performance.

Second, we support the two sets of amendments that OMB director Leon Panetta suggested in testimony before the Senate Governmental Affairs Committee last week to (1) permit adjustment of the bill's permanent provisions based on knowledge gained by the three-year pilot projects, and (2) allow more flexibility in how alternate forms of performance goals are defined and in how actual performance is reported. We also agree with David Osborne's testimony last week that the timetable for full implementation should be accelerated, if possible. Seven years is a long time to wait for full implementation.

Third, we believe executive agencies will need some additional resources to implement the bill. The General Accounting Office and OMB have testified that program performance measurement need not be a significant cost or administrative burden. However, our work at the Education Department has shown that program managers do, in fact, need time to develop and implement new performance indicators, and eventually, a performance measurement system. The Congressional Budget Office last year estimated that the Senate counterpart to this bill would cost \$5- to \$10-million a year for 1994-1996. Our concern, however, relates more to how other efforts to reduce federal employment and administrative costs will affect agencies' abilities to implement this performance measurement bill and also meet their other program responsibilities. We already know that the Chief Financial Officers Act's implementation has been slowed by the need to implement it largely without additional funds. Will the implementation of this strategic planning and performance measurement bill be hobbled in the same way?

Fourth, the field of performance measurement needs standard definitions. Within the field, there are a variety of terminology systems and definitions for specific measures of performance. Under one approach, activities are classified as "inputs, outputs, outcomes, and impacts." Under another, they are called "context, process, and results." Measures with the same or different names may have very different meanings. Congress and OMB need to see that agencies use the definitions set forth in section 4 of the bill, and develop whatever common terminology they need to permit comparisons across programs and minimize potential conflict and confusion.

Fifth, an administrative entity (or entities) needs to facilitate, coordinate, and oversee the development of performance measures, both government-wide and within each agency. The design and implementation of such measures require some technical expertise. This expertise, in turn, should be readily available and attuned to the agency or program in question. OMB, which will have significant influence over how performance indicators are applied, is hardly an uninterested party. OMB represents the President, who will want to report "good" performance. The same holds at the agency and program level. Can OMB provide unbiased leadership in implementing this bill? And can federal managers do the same in evaluating their programs' performance?

The generic question is this: How can we assure that political and career executives monitor and report the performance of their own programs without regard to self interest? We need "neutral parties," based in a central location and in departments and agencies, with the responsibility to ensure the performance measurement system's quality -- that is, its technical capacity, its objectivity, and its utility.

In the short run, pilot projects will provide valuable experience that public officials can use in fully implementing the program a few years down the road. The Academy stands ready to assist OMB and the agencies in implementing this bill. Our experience in examining performance measurement and helping agencies to develop performance indicators could prove valuable at all stages.

I also want to stress the importance of the strategic planning requirements of H.R. 826. The basic starting point and underpinning of effective performance measurement -- and good management as well -- is a multi-year strategic plan tied to the articulated mission of an organization.

Take, for instance, the Federal Emergency Management Agency. Pursuant to a congressional mandate, the Academy just completed a major study of federal, state, and local governments' capacities to respond effectively to major natural disasters. We found that FEMA did not have a strong sense of mission. In fact, the agency envisioned at its creation has not yet been built. While a "federal response plan" had been developed, the agency had neither long-term strategic goals nor the capacity to monitor program performance. We believe this had much to do with its poor reputation and faltering performance following recent catastrophes.

All of the elements prescribed in H.R. 826 -- strategic plans, performance plans, managerial flexibility, performance budgeting, and performance measures -- are needed in order to achieve the goals of this bill.

ALLIANCE FOR REDESIGNING GOVERNMENT

Now let me turn to our new Alliance for Redesigning Government. David Osborne and Ted Gaebler, co-authors of *Reinventing Government*, wrote:

Those who today are reinventing government originally set off to solve a problem. . . . Just as Columbus never knew he had come upon a new continent, many of today's pioneers -- from governors to city managers, teachers to social workers -- do not understand the global significance of what they are doing. Each has touched a part of the new world; each has a view of one or two peninsulas or bays. But it will take others to gather all this information and piece together a coherent map of the new model they are creating.

If no other message came out of the election year, it was the demand for change. People may differ on whether they want more or less government. But they all want better government. And, despite the widespread view that government does not work, thousands of public-sector pioneers around the country are discovering new ways to govern. They are mayors and city managers, governors and agency directors, union leaders, legislators and council members, federal program managers and even members of Congress. Outside of government, they are community organization leaders, foundation officers, business and labor leaders, and scholars. Some may be creating new ways to expand access to pre-natal care; others are shaping a world-class public workforce. Some may be designing new budget systems and others may be testing ways to better involve the public in setting priorities for government.

Bit by bit, these pioneers are uncovering pieces of a new paradigm for governing. But they lack a place where these pieces get tied together, a place where people can turn for help and information. In a real sense, we have a body of activity nationwide which lacks a central nervous system. While, together, these experiments suggest a new direction for American governance, no one can systematically lend definition and clarity to this swirl of activity. This is why we created an Alliance for Redesigning Government. It will fill the gap.

The Alliance, which we formally announced at a news conference yesterday, will be a network for people throughout the nation who are developing new and better ways to make government work. Its mission is to serve as a vehicle for connecting people and ideas, a source of information, an originator of ideas, and a training ground for current and future public leaders.

The Alliance, housed at the Academy, includes Democrats and Republicans; members of Congress, governors, mayors, and city managers; business and labor leaders; community and nonprofit activists; journalists and scholars. Attached to my statement are our press release and a list of members of the advisory panel that David Osborne will chair.

The Alliance's products will include a fax newsletter and electronic bulletin board, conferences, curricula for public policy schools, and an aggressive media campaign of magazine articles, newspaper op-ed pieces, and TV and radio commentaries. Also included will be "design labs" -- workshops through which public officials at all levels devise more effective ways to deliver services.

We hope that our Alliance will help the administration and Congress, not only in implementing H.R. 826, but also in undertaking additional measures to redesign all levels of government, making each of them a more effective force for the American people now and in the 21st Century.

Mr. Chairman, this concludes my prepared statement. I would be pleased to respond to any questions.

**ALLIANCE FOR REDESIGNING GOVERNMENT**National Academy of Public Administration

Contact:
Barbara Dyer (202) 347-3190

Embargoed for:
March 22, 10 a.m.

Governors, Mayors, Business and Labor

Announce Initiative to Overhaul Federal, State, Local Governments

An extraordinary coalition of political and private sector leaders announced today the creation of a new initiative to literally overhaul traditional government systems at the federal, state, and local levels.

The Alliance for Redesigning Government, housed at the National Academy of Public Administration (NAPA), includes Democrats and Republicans; senators, governors, mayors, and city managers; business and labor leaders; community and nonprofit activists; and journalists and scholars.

The Alliance plans to address the critical problems plaguing government by creating a network -- linked by a fax newsletter, electronic bulletin board, referral service, and other methods -- of thousands of individuals across America who are trying to reinvent their government.

Its creation was announced at a March 22, 10 a.m. news conference at NAPA -- 1120 G St., N.W., Suite 850 -- by *Reinventing Government* co-author **David Osborne**, Oregon Gov. **Barbara Roberts**, American Federation of Teachers President **Albert Shanker**, NAPA President **R. Scott Fosler**, and Alliance Director **Barbara Dyer**.

The Alliance will do more than debate problems. Much more. Its leaders are focused on devising solutions. They want to make all government work by sharing lessons about where it already does.

And, they think the time is right. Americans are demanding change, as witnessed by last year's elections. Whether they want more or less government, Americans clearly want better government.

"Hundreds of thousands of people -- in cities, in states, in counties, even in federal bureaucracies -- are working to reinvent their governments," Osborne said. "Some are trying to change their budget systems. Some are struggling to transform their own organizations. Some are working to restructure major systems, like education, or job training, or child welfare. Virtually all of them share one problem: they don't know where to turn for information and help.

"The reinventing government movement is like an organism without a central nervous system. There's no mechanism to get information from one group to another. People don't know who has already invented the wheel they're trying to invent, who the experts are, who the consultants are -- or even where to turn for referrals. The Alliance will be that central nervous system -- a source of information, a place to go for referrals, and a vehicle for connecting people and ideas."

Gov. Roberts said, "We bring a wide variety of experiences and a great diversity of ideas, but we all share a common goal: To make government at all levels more effective and responsive to the people of America. We know we can make government work smarter by sharing the proven reforms and ideas."

These leaders, who serve on the Alliance's Advisory Board, constitute a virtual "Who's Who" of creative thinkers about the problems of government. Along with Osborne, the Alliance's chair; Roberts and former Indianapolis Mayor **William Hudnut**, the co-vice chairs; and Shanker; they include Sen. **William V. Roth Jr.**; Sen. **Joseph I. Lieberman**; Colorado Gov. **Roy Romer**, chairman of the National Governors' Association; Massachusetts Gov. **William F. Weld**; Newark, N.J. Mayor **Sharpe James**; Austin, Tex. City Manager **Camille Barnett**; NYNEX executive vice president **Tom Tauke**; **Gerald McEntee**, president of the American Federation of State, County and Municipal Employees; and Rockefeller Institute provost **Richard Nathan**.

The board will shape the Alliance's overall direction. As director, Dyer will run its day-to-day operations. She will work closely with Fosler and will, in turn, tap the extraordinary knowledge base of NAPA's 400 Fellows, each of whom has made a distinguished contribution to public life. Along with Dyer and Fosler, the Alliance's founders were Osborne and syndicated columnist **Neal Peirce**.

The Alliance already has received funding from the Ford Foundation, ARCO, NYNEX, and Richard Dennis of the Dennis Trading Group, in Chicago; it will be soliciting more from foundations, corporations, individual donors and governments at all levels.

"An entrepreneurial approach to government is an idea whose time has come," Hudnut said in a prepared statement. "People want us to get beyond the choice of merely paying higher taxes or getting less in services. The demand is there for us to manage better. The Alliance will address that demand and bring to it creative new responses."

Along with the newsletter, its products will include conferences, curricula for public policy schools, and an aggressive media campaign of magazine articles, newspaper op-ed pieces, and TV and radio commentaries. Also included will be "design labs" -- workshops through which public officials devise more effective ways for all governments to deliver services.

The Alliance has one project under way. In conjunction with the Council of Governors' Policy Advisors (where Dyer previously served as director of policy studies); the Corporation for Enterprise Development; the National Association of State Budget Officers; and the National Governors' Association, it is designing a prototype human investment budget for states. The Ford Foundation has provided \$110,000.

In addition, the Alliance is working closely with Ford on a proposal to develop a high-performance public workforce. The Alliance also is drafting its proposal for a fax newsletter, for which it will seek funding.

The Alliance network will include not just elected officials -- members of Congress, governors, state legislators, mayors, and city council members -- but appointed officials as well as civil servants. It also will include community organization leaders, foundation officials, business and labor leaders, and scholars.

Some are creating new ways to expand pre-natal care. Others are shaping a world-class workforce. Still others may be designing new budget systems and testing ways to increase public involvement in setting priorities.

What they lack, though, is a place to turn for information and help. As Osborne said, the Alliance will serve as a kind of central nervous system -- a vehicle for connecting people and ideas, a source of information, an originator of ideas, and a training ground for current and future public leaders.

**ALLIANCE ADVISORY BOARD MEMBERS****National Government - Elected**

Senator Joseph Lieberman, Connecticut

Senator William Roth, Delaware

National Government - Appointed & Career

Anna Kondratas, Senior Fellow, The Hudson Institute

Elsa Porter, Fellow, NAPA, Washington, DC

Peter Szanton, President, Szanton Associates, Washington, DC

State Government - Elected

Governor Barbara Roberts, Oregon - Alliance co-vice chair

Governor Roy Romer, Colorado

Representative Beverly Stein, Oregon

Governor William Weld, Massachusetts

State Government - Appointed & Career

Nancy Grasmick, St. Supt. Schools, Maryland

Sandra Hale, President, Enterprise Management Int'l., Minnesota

Curt Johnson, Deputy Chief of Staff, Minnesota

Local Government - Elected

Mayor Bill Frederick, Partner, Holland and Knight, Orlando

Supervisor Grantland Johnson, Sacramento

Mayor William Hudnut, The Hudson Institute, Indianapolis - Alliance co-vice chair

Mayor Sharpe James, Newark

Mayor John Norquist, Milwaukee

Local Government - Appointed & Career

Camille Barnett, City Manager, Austin

Robert Bobb, City Manager, Richmond

Ted Gaebler, Director, The Gaebler Group, San Rafael

Henry Gardner, City Manager, Oakland

Union Members

Gerald McEntee, President, AFSCME
 Albert Shanker, President, American Federation of Teachers
 John Sweeney, President, Service Employees International Union

Scholars

Alan Altshuler, Director, Taubman Center, JFK School of Government
 Richard Nathan, Provost, Rockefeller Institute
 Ellen Schall, Professor, RF Wagner School of Public Service, New York University

Foundations

Craig Kennedy, Advisor, Dennis Trading Group Inc., Chicago

Community, Non-Profit Leaders

Gail Christopher, President, Gail C. Christopher Int'l Inc., Chicago
 Alfred Ramirez, President, 2000 Partnership, Los Angeles

Private Sector

Tom Tauke, Executive Vice President, Government Affairs, NYNEX

Association Leaders

Mark Abramson, President, Council for Excellence in Government
 John Parr, President, National Civic League
 Deborah Wadsworth, Executive Director, Public Agenda Foundation

Opinion Shapers/Media

Peter Harkness, Editor, **Governing Magazine**
 David Osborne, Writer/Consultant - **Alliance chair**
 Neal Peirce, Syndicated Columnist, Contributing Editor, **National Journal**

Mr. FOSLER. I am pleased that I have accompanying me both Dr. Joseph Wholey, who is the chair of our Panel on Performance Review; and also Barbara Dyer, who is the director of our New Alliance for Redesigning Government.

Mr. CONYERS. Is this the gentleman sitting to your right?

Mr. FOSLER. This is Dr. Joseph Wholey.

Mr. CONYERS. OK. Glad to see you here this morning. Do you have a comment that you wanted to make?

Dr. WHOLEY. One thing I wanted to suggest to the committee, Mr. Chairman, is that you might want to consult Dick Riley on what has been accomplished in the South Carolina education system. There is a wonderful performance measurement system there that has resulted—at least it has been part of a big education reform movement that has resulted—in better education for the children in South Carolina.

So I think it would be kind of nice to consult Secretary Riley and ask him to perhaps bring some people up from South Carolina on what is in H.R. 826.

Mr. CONYERS. Have you discussed this with my staff?

Dr. WHOLEY. This is my first opportunity, Mr. Chairman.

Mr. CONYERS. Well, we don't usually run with these ideas that come in, that you invented off the seat of your pants. We have been working for weeks putting this hearing together. And you are telling me to call Governor Riley and find out about a wonderful study.

Do you mind if my staff and you talk first and find out if they should bother with it, much less me?

Dr. WHOLEY. That would be fine, Mr. Chairman.

Mr. CONYERS. OK. Good idea. And Governor Riley is a good friend of mine, by the way; but I can't run down every suggestion that comes out of a committee hearing. We would never get out of here.

Dr. WHOLEY. Fair enough.

Mr. CONYERS. Now, we are going to go over all of your testimony and ask unanimous consent that all the members of the subcommittee be allowed to submit questions, to which, if you receive any, you would submit answers back in writing.

Mr. FOSLER. We would be happy to answer any questions.

Mr. CONYERS. Thank you very much. And I appreciate your cooperation, joining us here today for the hearing; and the hearing stands adjourned.

[Whereupon, at 12:26 p.m., the subcommittee adjourned, to reconvene subject to the call of the Chair.]

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