



Government Performance Workshop: October 15, 2008

Governing For Results: Improving Federal Government Performance and Accountability

Suggestions for the New Federal Administration

Harry Hatry
Director, Public Management Program
The Urban Institute

Paper prepared for the Government Performance Workshop
October 15, 2008

*Sponsored by the Georgetown Public Policy Institute (GPPI), Accenture and
OMB Watch*

Governing For Results: Improving Federal Government Performance and Accountability Suggestions for the New Federal Administration¹

Background

Both candidates have clearly indicated that their primary interest is providing the best possible services to our citizens. To run the government for this purpose will require the best possible information on costs and results and the best processes for obtaining and using that information.

The current performance improvement movement can be said to have began when Congress unanimously passed the Government Performance and Results Act of 1993 (GPRA). The act enjoyed widespread support from both the Executive Branch and Congress, including OMB and GAO. Still in effect, GPRA requires each federal agency to develop and provide to Congress: (1) strategic plans (that cover at least five years from the fiscal year in which the plan is submitted; plans are required to be updated at least every three years); (2) annual performance plans, as part of each agency's budget submission; and (3) performance reports for the previous fiscal year to be provided within six months after the fiscal year ends. The first year of full implementation of GPRA covered fiscal year 1999.

Currently, the federal government's "formal" components include:

- Agency strategic plans
- Annual agency program performance plans
- Annual agency performance reports. These reports, required for each agency, have taken many forms. The current version is called the "Performance and Accountability Report" (PAR). No requirement exists for a government-wide performance report.
- The Program Assessment Rating Tool, commonly called PART, which OMB introduced in 2002. Ratings for each federal program are developed by OMB for each program's: (a) purpose and design, (b) strategic planning, (c) program management, and (d) results. Each federal agency provides material to OMB for each item on the rating questionnaire after which OMB budget examiners score each item.

¹ Jonathan Breul, formerly of OMB and currently at IBM, provided a number of very helpful suggestions.

The scores are combined into an overall score that is then summarized in an “effectiveness” rating. OMB identified and has rated since 2002 approximately 1,000 programs. Approximately 20 percent of these have been assessed each year, using the performance assessment rating tool. This has been a controversial process as discussed below.

- The Executive Branch Management Scorecard, commonly called the “President’s Management Agenda.” Each federal agency now regularly receives five OMB ratings. These are for management of human capital, competitive sourcing (recently changed to “commercial services management”), improved financial performance, expanded electronic government, and performance improvement. Agencies are rated on a red, yellow, and green “traffic light” rating scale.
- And, of course, the annual Executive Branch budget presentations to Congress, which include some of the quantitative information from the sources cited above.

In addition, two less formal components exist as part of the federal government’s efforts to improve results for the nation. These are probably even more important than the formal components.

- Major drivers of government results are each federal agency’s own internal performance management efforts. Agencies’ efforts throughout the year to allocate and use their resources, and to consider performance when preparing budget requests, are of vital importance.
- Congress’ own work in its appropriations and policy committees. This effort clearly stimulates the provision and use of information on results. Congressional decisions, of course, play a major role in achieving effective outcomes for the country.

About a decade has passed since GPRA began to be implemented (and about 15 years since GPRA was enacted). The time is right to review the overall process and afford the new Administration the opportunity to build and improve on previous efforts.

Content of This Report

The observations and recommendations below focus mainly on information content. Organizational and political issues are also extremely important in creating a sound, productive, and useful government-for-results process. However, these are addressed only indirectly below.

Observations and Recommendations

The twelve points made below are elements for a strategy for upgrading government performance.

1. Appoint leaders who believe that obtaining good results for the country and its citizens trumps political partisanship. Effective leadership throughout the federal government is vital to the success of governing-for-results – and not, of course, just at the top levels but also throughout the government and its agencies..

2. Spin off the three process sections of PART and increase the focus on results. PART has achieved some fine results by increasing agency and program management’s attention to program performance. However, the tangling together of management process issues with program results has distorted the assessment of program results. In addition, the PART process has imposed considerable burden both: on the agencies to provide OMB with the information needed to justify good scores on each of the many PART items; and on OMB budget examiners to examine both the process and results information. Understandably, the agencies have complained about this load. Too much time is invested in responding to and satisfying OMB and too little on using such information to improve programs.

Now, it is time to reverse current priorities by emphasizing results more and building agency interest and capacity in using the outcome information developed. OMB should be concerned mainly with the results sections of PART and GPRA. The three process sections of PART should become a separate, and diminished, process.²

At the very least, the process sections of PART should be separated from the results section. The scores on the first three PART sections, which focus on programs’ management processes, should be separated from the findings on program “effectiveness.” Results information should be examined as part of the budget process as well as part of the Executive Office of the President’s on-going decision making. The other PART sections probably need to be examined only on a less frequent basis and focus on those programs not performing well on those sections. As suggested below, a simplified, streamlined PAR should be the priority for OMB, the agencies, and their programs.

² Similarly, the Presidential Management Agenda process should continue to be kept separate from such tools as the PARs and PARTs. The new administration will very likely want to establish its own management agenda.

Technical note: The scores on the three sections of PART over the years have become quite high. The scores for the fourth section, the section on results have remained considerably lower. The implication is that little relationship exists between high scores and the process sections of PART and the results sections. This suggests that performance on the PART process sections has little, or at least a disappointing, effect on results. This problem is magnified by the way overall scores are calculated for each program and then summarized in statements of each program’s “effectiveness.” The summary rating appears to be quite misleading, especially if, as seems likely, many readers equate “effectiveness” with “program results.” But at least 50 percent of each program’s effectiveness score is based on these three sections and the scores for these sections is based primarily on subjective ratings by budget examiners. Thus, much of the “effectiveness” score is based on process questions with the implicit assumption that improving the process is the key to producing results. The effectiveness scores, thus, represent more of the judgments of OMB that the programs are well-managed rather than that they had good results. (Even the score on the Results section is based to some extent on the budget examiner’s judgment of the program’s level of achievement on the selected outcome indicators.)

3. Focus on the PAR process; streamline it; provide highlight versions. The concept of the PARs is good. However, they need to be streamlined and contain separate highlight reports. This will provide the Executive Office of the President, Congress, the agencies, and the nation a much improved running scorecard on key federal government outcomes. Currently, there appears to be considerable overlap and confusion about the relationship between the PARs and PARTs. PARS contain considerably more comprehensive outcome information than the PARTs but appear to have not been much used to assess results. Combining the two assessments will greatly simplify performance tracking – and free up time for using the information for both OMB and agencies.

4. Make the Performance and Accountability Reports (PARS) more useful and user-friendly by revamping the format and content. PARs provide much potentially useful performance information, but it’s hard to use in its current forms. To make these annual performance reports more readable and accessible:
 - Provide a summary/highlights table at the beginning of the report that lists each key performance indicator and presents the most recent two or three years of data and the performance year’s targets for the indicator. Readers can then quickly see the status of the indicators and spot possible problems. Better than an avalanche of data up front, this

format would encourage readers to seek details on performance indicators of particular interest. (Some of the new pilot “Highlights” reports have begun doing this, but still have a long way to go.)

- Considerably shorten them. Provide highlight reports to Congress. Some PARS have clocked in at 300 pages and weighing-in at three pounds. Remove the many (sometimes 100 or more) pages of detailed financial data into a separate report. Cater to the needs of the great majority of likely readers by presenting only a short summary of the agency’s financial condition. Of course, continue to provide the expenditure information for each program along with the outcome information.
 - Rid PAR documents of excessive graphic elements and extraneous content. Color and graphics can enhance PAR reports, but the current PARS too often are overloaded with text, graphs, data, financial data (as noted before), and the latest PART and PMA scores. The federal government should obtain advice on how to make these reports easier to read and then make them much more widely available (and used) than they currently are.
 - Require agencies and programs to distinguish between “outputs” and “outcomes” and between “intermediate” and “end” outcomes. Intermediate outcomes are important to track, but only indicate progress toward the more important end outcomes. The performance indicators have been improved considerably over the past ten years but the way they are presented is something of a mishmash that can be hard to sort through. Each performance indicator should be labeled and, preferably, grouped by indicator category. This will enable readers to see the relative importance of the data provided in the reports-- especially when large numbers of outcome indicators are being reported.
 - Greatly reduce the emphasis on, or delete, indicators of the “number, or percent, of targets met” as PAR indicators. A number of agencies have been highlighting such indicators. The targets selected for individual indicators are highly subjective and too easy to game. Similarly, lack of achievement on the most important indicators can be readily hidden under more satisfactory ratings of a barrage of less important indicators.
5. Strengthen agencies’ ability to provide more detailed, tailored performance information needed to address *particular issues that arise throughout the year*. Annual reports, such as PARTs and PARs, provide decision-makers with only highly limited information. They provide overall scorecards of key outcomes. However, budget, program, and policy decisions inevitably require considerably more fine-grained and tailored information. Agencies and their programs need the capacity to provide it for their own use, for higher-

level executive officials, and for congress, whether at budget time or any time throughout the year.

For example, often outcome indicator values should be disaggregated by geographic or other demographic population groups (such as by providing outcome information for individual age, gender, race/ethnicity, income class, or disability groups). Such information will often be considerably more useful, and actionable, than the limited aggregated data currently included in today's PARs and PARTs.

Needed is the capacity to provide such products as "Quick Response Analyses." These would likely involve accessing available information from programs' performance measurement system as well as collecting new information relating to the issue.

6. Do far more to encourage the use by federal employees at all levels of information on results to manage and make program and policy decisions. Providing information should not be done merely to satisfy OMB's need for accountability information.³ Now that performance data has become more available, federal employees should be encouraged to use it to help them improve the results of their programs. Steps in that direction include:

- Provide training to managers and their staffs in performance improvement, including use of performance data. Provide similar training to OMB budget examiners. Many of them have had limited experience in examining and analyzing program outcome information.
- Encourage agencies to provide regular (e.g., at least quarterly, not only annual, performance reports to their employees – for both information and motivational purposes. Consider posting the reports on outcome indicators relevant to the employees work in common areas of the agency's facilities. As indicated by recent OPM and GAO surveys of federal employees, it appears that not much information on program performance gets transmitted to lower level managers and their personnel. Most Federal employees are likely to be highly interested in such information as the feedback obtained from surveys of agency customers on the quality of their own program's services.
- Encourage use by managers of regular "How Are We Doing?" sessions. At these regular meetings, managers and staff together review the latest performance report to discuss what they are doing well, what they are doing not so well, and how to make

³ The extent to which PART scores and PAR data have been used in budget decisions (such as to identify programs to cut) is not clear.

improvements. A more elaborate and more time-consuming version of this process, the “Stat” movement, has been catching on among mayors, governors, and their department heads. (The best known examples are New York City’s CompStat and Baltimore’s CitiStat processes.) Whether this process would be useful, and of interest, to the presidential level is unclear. Federal agency managers down the line, however, can also use a considerably simpler process that doesn’t require dedicating extensive staff time to administer the process but does follow the same basic format.

- Make far greater use of recognition awards for excellence in getting results. This is a low-cost way to encourage and recognize programs and their employees for achieving high levels of outcomes or—almost as important-- for making major improvements in outcomes.
- Tighten up on program performance targets. Too many agencies set target at easy to achieve levels. Call for “stretch” goals. (This can be tough to do when casting blame is prevalent for not meeting performance targets.) Provide real recognition for meeting such goals.
- Encourage inclusion of outcome indicators and targets in more agency service contracts; that is, use “performance contracting” when feasible. Payments to vendors might be based at least in part on reaching specified targets. This approach is already being used to a limited extent at all levels of government.

7. Continue OMB’s practice of making performance findings public, but present the information better to encourage its wider use. OMB has done an excellent job in making its findings on the PART process, the performance management agenda, and even the PARS publicly available on federal websites. However, as noted earlier, the quality of presentation of many of those documents leaves much to be desired. *It is not surprising that members of Congress and their staffs do not use most of this information. Much of it is too detailed, is much too time-consuming for busy staff members to plow through, and does not bear directly on the current issues law-makers are addressing.*⁴

8. Pay more attention to tracking key outcomes affected by multiple agencies and multiple programs, that is, *focus more on cross-cutting issues.* The need to take this broader view has

⁴ For FY 2006, the federal government’s budget document, for once, was attractive (using color and photographs) and suitable for perusing by individual citizens. It even contained a small amount of data on results.

wide agreement, including by OMB. Many key public issues are affected by multiple programs and multiple agencies (as well as by state and local governments and the private sector). Juvenile delinquency prevention, substance abuse programs, economic development, and environmental protection are but a few examples of programs that cut across many federal programs in many federal agencies. So far, unfortunately, federal attempts to coordinate bodies have met with limited success.

The Executive Office of the President should periodically identify major crosscutting issues. OMB might develop a matrix identifying the key outcomes sought and each federal program expected to significantly affect each of those outcomes. This would encourage such next steps as identifying the individual roles and responsibilities of each program in producing successful outcomes and coordination in tracking the results. Performance partnerships might be formed. This process would also help identify overlapping and duplicative federal programs. Working groups of representatives from each program could be established to coordinate agency actions, including identifying and tracking performance indicators.

Findings might be presented in special annual PAR reports on each cross-cutting issue.

OMB would do well to focus on such cross-cutting programs and less on micro-managing individual programs.

9. Require that budget proposals, including Annual Performance Plans, provide out-year estimates of major outcomes expected for each key outcome indicator. Many federal expenditures cannot be expected to yield major results during the budget year. Without such future-year outcome information, those reviewing such budget requests will not have sufficient information on what the nation is expected to get for its money.

10. Routinely obtain sound explanations from agencies and programs for unexpected outcomes, especially poor outcomes. GPRA (Section 1116(d)(3) calls for such explanations, but often those explanations given have been nominal. (Some state legislatures, such as Texas and Louisiana, require state agencies to provide explanations whenever the target is missed by a certain percentage.)

A related problem for federal officials is the widespread misunderstanding that the outcomes calculated are due primarily to the work of the federal program. In fact, performance reports are like baseball scorecards: they tell only whether the team is winning or losing and by how much, but not why. Most, if not all, outcome indicator values reflect not only the work done by individual federal programs but also by other federal programs and by external entities,

including state and local governments, and by the private sector. External factors, including such acts of god as hurricanes, also come into play. Federal agencies, OMB, Congress, the media, and the public should not automatically conclude that missing a target signals that the program's own work was bad. As OMB itself says, a poor outcome could also mean that, for example, the program was underfunded.

Performance reports would do well to include a basic statement that notes the limitations of the outcome information in identifying causes. Such qualifiers may allay some federal officials' fear that they will be unfairly blamed for not meeting expectations.

11. Continue to evaluate some programs in depth, but also encourage pre-assessments of the program's "evaluability." Timely and valid in-depth evaluations of selected individual programs should be part of any performance improvement process. Congress mandates some such program evaluations. In addition, the federal government should revive its sponsorship of low-cost examinations of program evaluability. These so-called evaluability assessments were introduced in the 1970s but are seldom conducted today. These examinations assure that the subsequent (and usually costly) evaluations have a reasonable chance of providing timely, useful, and sufficiently valid findings.

OMB in recent years has complicated program evaluations by pushing hard for randomized controlled trials (RCTs), the so-called gold standard of program evaluation. Where applicable, RCTs can indeed provide the most valuable information possible. However, they are very costly, can take many years, and are very difficult to control. Further, the findings may not apply outside the setting of the trial; their external validity may be limited. "Evaluability Assessments" can help agencies decide which settings call for RCTs and which might require another form of evaluation.

12. Finally, the federal government needs to more systematically examine the future implications of federal budgets, programs, and policies. Since the 1960s, such systematic forward-looking assessments have been done by the Department of Defense. But the focus of most federal government agencies has been generating data on past performance. Federal officials do need such scorecard information to allocate resources throughout the year.

Budgeting, policy making, strategic planning, program planning, and budgeting are about the future. Historical data can provide considerable help in estimating the likely near-term effects of current practices and policies, but often not the longer-term effects. And historical

data are not likely to be of much limited help in estimating the effects of new innovations in program practices or policies.

Major development and investment decisions require some idea of what the future might look like. The process of mapping one or more tomorrows has been called “system analysis” (a term that has been used by DOD), “policy analysis,” or “program analysis.” This should be part of development of agency strategic plans. By whatever name, estimating into the future is a very difficult business, one reason it is so badly neglected. Federal agencies have been attempting to use systematic analytical procedures on certain issues such as global warming and international policy. The need is for strategic planners in other federal agencies to do more than to merely extrapolate current policy and practice, using historical data.

This need will arise early in the new administration. The incoming president will almost certainly want to focus major attention immediately on a particular set of key issues. A useful key step is to develop a “strategic plan” that addresses each issue. These plans will require the best possible short and long term planning effort and best possible past and projected outcome information. The issues will almost certainly cross agency and program lines. They will need the best possible historical information, such as from the PARS, and more in-depth agency information. They will certainly require the development of much new information not currently available.

Summary

PART, as it now exists, has served its purpose. It is now time for OMB and the federal agencies to place a greater focus on presenting and using information on results to improve services. The PARs should be streamlined to highlight key outcome information and be considerably more reader-friendly. Priorities for the next years should be helping agencies to: use performance information to improve services; provide timely detailed information relating to issues as they arise during the year; and to more systematically analyze the likely future impacts of federal budgets, program and policy proposals, and strategic plans.

12 Suggested Actions
(See Text for Details)

1. Appoint leaders who believe that obtaining good results for the country and its citizens trumps political partisanship.
2. Spin off the three process sections of PART and increase the focus on results.
3. Focus on the PAR process, streamline it; provide highlight versions.
4. Make the Performance and Accountability Reports (PARS) more useful and user-friendly by revamping the format and content. (See text for suggestions.)
5. Strengthen agencies' ability to provide more detailed, tailored performance information needed to address *particular issues that arise throughout the year.*
6. Do far more to encourage the *use by federal employees at all levels of information on results* to manage and make program and policy decisions. (See text for suggestions.)
7. Continue OMB's practice of making performance findings public, but present the information better to encourage its wider use.
8. Pay more attention to tracking key outcome affected by multiple agencies and multiple programs, that is, *focus more on cross-cutting issues.*
9. Require that budget proposals, including Annual Performance Plans, provide out-year estimates of major outcomes expected for each key outcome indicator.
10. Routinely obtain sound *explanations* from agencies and programs for unexpected outcomes, especially poor outcomes.
11. Continue to evaluate some programs in depth, but also encourage pre-assessments of the program's "evaluability."
12. Finally, the federal government needs to more *systematically examine the future implications* of federal budgets, programs, and policies.