THE GOVERNMENT PERFORMANCE AND RESULTS ACT

HEARING

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY

OF THE

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

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THE GOVERNMENT PERFORMANCE AND RESULTS ACT

TUESDAY, JUNE 27, 1995

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
INFORMATION, AND TECHNOLOGY,
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT,
Washington, DC.

The subcommittee met, pursuant to notice, at 2 p.m., in room 2154, Rayburn House Office Building, Hon. Stephen Horn (chairman of the subcommittee) presiding.

Present: Representatives Horn, Davis, Maloney, and Mascara.

Staff present: J. Russell George, staff director; Anna Gowans Young, professional staff member; Andrew G. Richardson, clerk; David McMillen and Matthew Pinkus, minority professional staff; and Elisabeth Campbell, minority staff assistant.

Mr. HORN. The subcommittee will come to order. This afternoon is the last of nine hearings we have held on Making Government Work. In this meeting, we'll learn how agencies are adapting to the Government Performance and Results Act, or GPRA.

Our weekly "Making Government Work" hearings began 2 months ago with an overview of the administration's National Performance Review process. From there, we focused on what should be the role of the Federal executive leadership in strengthening the management of Cabinet-level departments. The third hearing turned toward consolidating and restructuring the executive branch, assessing various ideas for rearranging or reducing several departments and agencies. We ended the month of May with a look at consolidating the maze of Federal programs and organizations, studying a number of the National Performance Review initiatives, and evaluating whether they were actually working.

In the second half of our series, we turned our attention to the Federal Government's field establishment, trying to look at ourselves as the public see us. We led by examining different kinds of possible corporate structures for Federal programs, such as electric power, aviation, and transportation. Next we called in several regional field administrators from around the Federal Government to understand their role better and to hear their ground-level suggestions. To see firsthand what they were talking about, we followed up with a field hearing in Chicago on June 19th, where we had various regional administrators and area administrators testify. Last week, we focused on quantifying governmental results through performance management, benchmarking, and reengineering, as many private corporations and companies have done.

Our series ends today, focused where it started, on the administration and how well it has complied thus far with the Government Performance and Results Act. Following today's meeting, we will begin work on a comprehensive report of testimony, issues, deliberations, opinions, and recommendations on just what should be our best approach to make Government work the way it is supposed to. The report will take into account all that has been said; the questions that have been raised; and the sense of this subcommittee on where and how the Congress, the administration, State and local governing bodies, and private America might best proceed toward making Government work.

The 1993 Government Performance and Results Act took a big step toward making the Federal Government more accountable and work more efficiently, effectively, and at less cost to the taxpayers. Congress recognized that developing the systems and expertise to do those things would take some time. As a result, the act gives executive agencies several years to try new things, run some "pilot projects," make mistakes, and learn from them. The first reports are due to Congress in 1997. Meanwhile, hearings such as today's help us decide if we're on the right track or need any mid-course corrections.

According to the act's provisions, Federal agencies should now be in the process of evaluating their missions, concentrating on core businesses, and streamlining their operations. They should also be developing strategic plans and systems that can measure performance. These are important tools to help the entire Government achieve better customer satisfaction and faster delivery times for its services.

The first witness today is the Office of Management and Budget's Deputy Director for Management, John Koskinen, who will be explaining how the Office of Management and Budget has been monitoring the agencies' pilot performance plans and make sure that they will meet the Government Performance and Results Act requirements. Next, Johnny Finch of the General Accounting Office will provide the GAO's evaluation of the pilot projects and the overall process. In the third panel, author Paul Light and National Academy of Public Administration President Scott Fosler will share their perspectives on how Government should be moving toward results-oriented management.

We conclude with several reports of agency pilot projects currently underway. With us are Anthony Williams of the Department of Agriculture; Joseph Thompson of Veterans Affairs; Vice Admiral Gene Henn of the Coast Guard; and Col. Ed Ward of the Air Force.

We thank you all for coming. We look forward to your testimony. I now ask the gentleman from Pennsylvania, Mr. Mascara, the ranking member, if he has an opening statement.

[The prepared statement of Hon. Carolyn B. Maloney follows:]

PREPARED STATEMENT OF HON. CAROLYN B. MALONEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Thank you Mr. Chairman.

This is the second in a series of hearings on performance measurement benchmarking and government re-invention and I commend the Chairman for his

will focus specifically on the implementation of the Government Performance and Results Act of 1993 (GPRA).

GPRA, which I was honored to manage on the House floor, was one of the first major steps taken by the 103rd Congress to re-invent government. It requires executive agencies to develop strategic plans, set goals and then evaluate results in the context of those goals. These steps, in turn, will help Congress in its consideration of funding for specific agencies.

By the beginning of the next century, GPRA will hopefully have a dramatic effect on the way the Federal budget is prepared, and how agency performance is measured. This would produce a profound change, both in the mechanics and in the culture of government. However, the Act is currently in its infancy, with only a small number of pilot programs being run. Nevertheless, this oversight hearing is very important—the best way to ensure that the plans of Congress are correctly implemented is to start early.

Federal managers today are impeded in their attempts to improve efficiency and effectiveness because they lack the program goals and performance measurements which GPRA requires. And as they work to provide public services, they are increasingly expected to perform with fewer resources. The implementation of GPRA, coupled with other re-invention efforts currently in progress, will provide incentives for new ways of getting things done. Implementing GPRA will not be easy, but its benefits will be great.

Mr. Chairman, I hope that our colleagues consider carefully the information gathered at this hearing as they ponder issues of government management and budget policy in the 104th Congress. I would hate to see us abolish programs, and even whole Cabinet Departments as recommended by this year's budget resolution, in a reckless and ill-advised way. We should consider the improvements in government management which have already been put in place, for they may help us resolve some of our current fiscal problems without the indiscriminate, meat-ax approach advocated by some.

Again, thank you for holding this hearing. I look forward to hearing from our witnesses.

Mr. MASCARA. Yes, I do. Good afternoon, Mr. Chairman. This is getting to be a habit—at the beginning of each week, I hurry and drive back from my district, park my car downstairs, and come directly here for a hearing. If we keep this up, soon I will be reciting sections of the Government Performance and Results Act, and actually know what I'm talking about.

All kidding aside, Mr. Chairman, I think you should be congratulated for holding this series of hearings on "Making Government Work." I haven't been able to attend each one; still I am confident that the body of testimony built over the course of the past nine hearings will prove to be useful to managers throughout the Government, as they continue to deal with the new world order of Reinventing Government and downsizing.

However, I would not be candid if I did not say that the testimony that will be presented this afternoon has only reinforced my concern I expressed last week about the Government Performance and Results Act. Departments and agencies certainly must rethink their missions, with an eye toward satisfying their stakeholders; that is, taxpayers and Members of Congress.

In this time of budget constraints, it is imperative that they sit down and decide what really is their core mission. They have to constantly reassess how they are going to deliver their governmental product with less money. At the same time, they have to dream up some method of measuring results that can prove to taxpayers and Members of Congress they are truly accomplishing something worthwhile.

The problem is, I am more and more convinced that the meas

are too esoteric and arcane to achieve. They may be requiring more policy wonking than even the most avid policy worker can tolerate.

GAO officials and the president of the National Academy of Public Administration are going to testify that the agencies and departments are probably not going to be able to achieve the timetables for reports and measurements required under the Government Performance and Results Act.

They will tell us that more than 300,000 Federal Government managers must be trained, if all this is going to work; and that agencies and departments simply do not have the money for such training. They will also tell us that agencies and departments do not have the funds, the computer systems, or the models needed to measure goals and customer satisfaction.

Apparently, the Office of Management and Budget has reviewed some pilot performance plans and found that agencies are having problems developing precise enough numerical values and base lines that can be used in budgeting. In fact, GAO testifies that after reviewing States regarded as leaders in this area, they have concluded that developing performance measurements that are credible enough to influence executive and legislative budget decisions will be a significant challenge, to put it mildly.

I guess my view is, has anybody thought about the possibility that what is required here may simply not be doable or useful. What is even more disturbing is the revelation by the National Academy of Public Administration that the requirements of the Government Performance and Results Act are not tied in with the reinventing government efforts, nor the Chief Financial Officers Act, or our efforts at procurement reform.

Federal managers apparently view the requirements of the Government Performance and Results Act as just another complication and pain, not anything useful. This again begs the question of what is the point. Leave it to the military, but I was most impressed with the testimony that will be presented by Vice Admiral Henn on the Coast Guard. He will clearly and concisely lay out the Coast Guard's goals and how they will measure results.

Perhaps other governmental agencies and departments need to take lessons from him on how to focus on the obvious, not the obscure. The bottom line is, I am a very practical person. I helped run a county government for years. I was a very hands-on, straightforward manager. I'm afraid the Government Performance and Results Act may actually be complicating rather than simplifying government, as we all desire.

I say maybe this all needs to be rethought. Thank you very much, Mr. Chairman.

Mr. HORN. Thank you. As you know, we will swear in the first witness. We have a tradition on this committee of swearing in witnesses.

[Witness sworn.]

Mr. HORN. We are delighted to welcome Mr. John Koskinen, the Deputy Director of Management for OMB. Please proceed. You know the routine—if you can summarize in 5 minutes, we'd appreciate it. It leaves more time for questions. But we can be a little

do the other witnesses, immediately after the introduction. Please proceed.

STATEMENT OF JOHN KOSKINEN, DEPUTY DIRECTOR FOR MANAGEMENT, OFFICE OF MANAGEMENT AND BUDGET

Mr. KOSKINEN. Thank you, Mr. Chairman. I'll try to meet the 5 minute standard; I may go over just a little in terms of summarizing what I have to say. I'm very pleased to be here this afternoon to give the committee an update on our progress thus far in carrying out the Government Performance and Results Act. This series of hearings, which the chairman has just described, has provided an excellent overview of the issues involved in improving the operation of the Federal Government. We're pleased to have played a small part in this endeavor.

GPRA seeks to bring about effective and efficient government—a goal that transcends politics or ideology. This is truly a bipartisan law, with an equal number of Members from both sides of the aisle sharing in a sponsorship of this legislation during its consideration by the Congress. I would note particularly the leadership shown by the chairman of the full committee, Mr. Clinger, in supporting this legislation before the House.

Our general overview is that we are, overall, making good progress, although it is uneven and we have much more to do. The pilot project stage has proven to be an invaluable aspect of this legislation, providing departments and agencies time to prepare, test, and see what works and what does not. Over the past 18 months, the Director of OMB has designated 27 departments and agencies as pilot projects. All Cabinet departments and many of the larger agencies were designated. Within the designated departments and agencies, over 70 individual program or component organization pilots were included in these 27 designations. The designations also meet the specification in the law that the pilot projects encompass a representative range of government functions, from the military and foreign affairs to regulation, research and development, and processing of claims and providing benefits.

Of the 25 major government functions that OMB identified, we lacked designated pilots in only 2—direct delivery of health care and electric power generation and distribution. These pilots are not being done on a limited scale. The pilots cover over 425,000 civilian and military personnel.

In the aggregate, the pilots cover more employees than any United States corporation except General Motors; substantially exceed the total number of civil service employees at the national level in Australia, Canada, New Zealand, and Sweden; and are about 80 percent of the total civil service in the British central government.

As should be expected from any large endeavor, some of the pilots have turned out better than others. We think of this as good news on all counts. It is good news that some pilots have shown that good performance plans can be produced, and the basic concepts are sound. But having pilots which are struggling and finding this a difficult course can also be good news, since we learn what has gone awry, possible remedies, and what is essential for overall success.

In fact, we often learn more from those projects having problems than from those which are an instant success. GPRA specifies, in addition to the performance pilots that at least five departments and agencies be designated as managerial, accountability, and flexibility pilots. While the performance measurement pilots are numerous and wide ranging, similar attributes do not apply to the managerial, flexibility pilot project proposals.

We have received only a quarter of the nominations of these pilots than we did for the performance measurement pilots. And this is a matter of some concern. We do not yet know the reasons why we are having these difficulties. A number of explanations have been offered, but the root causes are still to be ascertained. Based on conversations with the agencies, let me cite several circumstances which may have contributed at least in part.

The first was the Workforce Restructuring Act, which was enacted after GPRA. The mandated reduction of Federal employment requires that we monitor how agencies are reducing FTEs. Prior to the enactment of that act, the agencies had signalled great interest in obtaining waivers from non-statutory controls on employment levels, thus enabling them to manage to dollars, not to people.

A second explanation is that the request for managerial flexibility pilots may have fallen too quickly on the heels of the performance measurement pilots. A third possible explanation is that agencies, upon review, are finding that many of the restrictive requirements they would like to have waived are internally imposed and were not required by central management agencies.

A half dozen other possible explanations have been offered, and some of these may also have played a role. Thus, we have analytic work to do, and we intend, in weeks ahead, to assess in more detail why this portion of GPRA has encountered the difficulties it has. Even though any pilot project designations would be made late in fiscal year 1995, we believe we can obtain the full 2 year test of these pilots that is contemplated by GPRA.

The second stage of GPRA begins with agencies' strategic plans. GPRA requires that agencies develop strategic plans that include a mission statement, a description of long-term general goals and objectives, and a description of how the goals and objectives will be achieved, along with the relationship between these long-term goals and the annual performance plan.

An agency's strategic plan is to be submitted to Congress and OMB by September 30, 1997. The strategic plans are the foundation for GPRA implementation, and the annual performance plans and reports are based on and derived from strategic plans. OMB will soon issue guidance on the preparation and submission of these plans. The guidance is being developed collaboratively with the departments and agencies, relying on a working group with over 60 representatives from approximately 30 departments and agencies.

Beyond the pilot projects and strategic plan guidance, OMB and the agencies are moving rapidly to develop and use more and better performance information, both in the budget process and in the budget itself. During the fiscal year 96 budget process, OMB called for more performance information to be provided by the agencies

We also had a structured OMB-wide dialog about performance last September, which was unique in the recent history of OMB.

In an effort to continue our cooperative work with the agencies in this area, the written results of this dialog were shared with the agencies. OMB elected from the beginning not to create a large staff whose sole responsibility would be GPRA implementation. This decision is premised on the fact that OMB can be no more than a catalyst in the implementation of GPRA.

It is on the shoulders of the agencies and the tens of thousands of managers across the Government that this law will succeed or fail. Based on the need, ultimately, to rely on the efforts of agency managers to implement GPRA, we have been working with three interagency councils I chair to build on their insights and suggestions, and to encourage their ongoing participation.

Congressman Mascara noted the importance of involving organizations such as the Chief Financial Officers Council, which has created a GPRA subcommittee that has developed a thoughtful and thorough analysis of the role of the CFO in each agency in the operation of GPRA. The President's Council on Integrity and Efficiency, which includes the Inspectors General of the major agencies, has been developing a menu of possible performance measures for IG offices, and has been discussing the role of the IG offices in reviewing agency implementation of GPRA.

Finally, the President's Management Council, comprised of the chief operating officers of the major agencies, has established an accountability subgroup, and is looking at various ways to improve the ability of Federal agencies to manage for results. To help begin the fiscal 1997 budget process, we are just completing a spring review on program performance at OMB, covering selected key programs in every Cabinet department and major agency.

The review on program performance was also a natural outgrowth of our work on Phase II of reinventing government. Again, the Congressman raised his concern about whether GPRA implementation would be tied into reinventing government. Phase II of the National Performance Review focused on the "what" of what the government does, asking each agency to define its basic Federal missions, and to identify the key programs necessary to achieve those missions.

Our spring review then asked, what performance information is available now, and what might be produced as part of the fiscal year 1997 budget submission for these key programs? Our goal is, in fact, to achieve the aim discussed by the Congressman, which is to relate GPRA information, performance information, into not only the budget process, but into the NPR reinventing government process.

Within OMB and within the agencies, we have begun to develop an overarching, unifying framework for bringing together the various laws and initiatives which have a performance focus. These include GPRA, the Government Management Reform Act, the Chief Financial Officers Act, the Federal Acquisitions Simplification Act, the Federal Managers Financial Integrity Act, the Inspector General Act, as well as initiatives originating from the National Performance Review, such as development of customer service standards and agency performance agreements.

This is a large and complex task. However, managed as separate exercises, these varied laws and initiatives lose the synergy and economy of effort that can result if the undertakings are fitted together. Even worse, failure to coordinate and integrate these initiatives risks undermining their effectiveness and creating confusion, frustration, and aggravation.

Nether OMB nor the agencies have enough resources to continue to try to carry out these activities in a non-integrated manner. Longer term, GPRA should disappear. That may appear to be a startling thought with which to conclude this statement, in light of my enthusiasm for GPRA. However, if GPRA works as envisioned, government managers will absorb it into day-to-day agency administration and program management.

For this to happen, we must guard against creating a separate GPRA bureaucracy in each agency that provides the documents and information required by the statute, in an effort that is divorced from this day-to-day management of the agency. That's why I suggest that the true measure of success of GPRA will be the extent to which the concepts of management and good business practices set out in this law become the accepted way that the Government works, without reference to any particular statutory framework or requirement.

If GPRA carries through on its promise, I am confident it will ultimately be viewed as one of the most important pieces of legislation enacted in this decade, and will change the dialog between the public, the Congress, and the executive branch about government programs and their goals, performance and funding. Thank you, Mr. Chairman, I appreciate your allowing me to run over just a little bit.

I'll be happy to answer any questions you or the committee may have.

[The prepared statement of Mr. Koskinen follows:]

PREPARED STATEMENT OF JOHN KOSKINEN, DEPUTY DIRECTOR FOR MANAGEMENT, OFFICE OF MANAGEMENT AND BUDGET

Good afternoon, Mr. Chairman. I am very pleased to be here this afternoon to give the Committee an update on our progress to date in carrying out the Government Performance and Results Act of 1993 (GPRA).

GPRA seeks to bring about effective and efficient government, a goal that transcends politics or ideology. This is truly a bi-partisan law, with an equal number of members from both sides of the aisle sharing in the sponsorship of this legislation during its consideration by the Congress. I would note particularly the leadership shown by the present Chairman of the full Committee, Mr. Clinger, in supporting this legislation before the House.

We are nearing the second anniversary of GPRA's enactment, and about halfway to that time in 1997 when GPRA comes into effect throughout the Federal Government. So this is also a good point for taking stock of what has been done to date, and what remains to be done in the months ahead.

Let me preface the assessment by stating that, as a government, we are confronted with formidable challenges. This is an era of great fiscal constraint, and very tight budget resources mean every dollar must count. This is also a time of low public trust in the government's ability to do things right. To regain the public's confidence, the government must work better, and be shown as working better.

We must, therefore, find ways for not only sustaining the delivery of services to the public, but improving on that delivery. We must find ways to operate more effectively, produce more efficiently, and be a government that looks to its citizens as having rightful expectations for being treated fairly, responsively, and with good effect.

Some assert that if GPRA did not exist, we would—given these times—have h to invent it. The need for transforming how government functions and is manag was recognized and acted on in other countries before we started on this path. one sense, GPRA is an American analog to initiatives begun in Australia, the Un ed Kingdom, and New Zealand over a decade ago. Similar initiatives are being sta ed elsewhere—Sweden, for instance,—or are being given a new emphasis, such in Canada. We are also not without counterpart efforts at the state level: Oreg and Minnesota are two examples.

Nearly all these national and state efforts came about as government leade sought the means for responding to tight fiscal pressures, and a recognition that t usual way of running government would no longer suffice. More importantly, the e periences elsewhere are proving to be successful, are continuing, and are growin

A General Overview

Let me turn to the implementation of GPRA. We are, overall, making go progress, although it is uneven and we have much more to do.

This law is carried out in two stages. The first stage primarily features two se of pilot projects, and builds the foundation for the second stage of GPRA. The seco stage begins in 1997, with government-wide implementation of GPRA requirement It is during this second stage when GPRA should bring about very fundament changes in the management and budgeting of government programs and operation

The pilot project stage has proven to be an invaluable aspect of this legislatio providing departments and agencies time to prepare, test, and see what works a what does not. We must be mindful that changes as fundamental as those GP seeks to introduce do not happen overnight. Other countries with more experien in GPRA-type reforms indicate they can take five years and more before becomi the normal routine in agency operations and administration.

So far, the basic conceptual construct for GPRA as legislation seems to be soun which is not surprising since GPRA is grounded in proven, common sense practic long used by American business. What GPRA seeks to change is an approach to go erning and managing which has concentrated mainly on the money coming in a the money going out. Instead, GPRA focuses on what government programs acco plish, or fail to accomplish; on what we as taxpayers and as a government are g ting for our money. Simply put, we are creating the government's bottom line.

While, at this juncture, it appears that sufficient flexibility is already embedd in this legislation to allow any needed mid-course adjustments to be made witho having to revise the law, I do wish to raise a note of concern and caution.

GPRA is comprehensive, far-reaching legislation. As its potential becomes mo widely understood, an increasing number of new legislative proposals would ada certain GPRA provisions, or overlay new GPRA-related requirements on speci government functions or programs. These separate legislative initiatives complica our attempt to integrate various performance-related laws into a cohesive fram work. I would hope that the full committee would take the lead in insuring th we continue to support the implementation of GPRA without the imposition of ne and unnecessary additional performance requirements.

Performance Measurement Pilot Projects

As I remarked earlier, GPRA implementation occurs in two stages. Let me no report in detail on the pilot projects.

The law specifies that OMB, in consultation with the agencies, should designa at least ten departments and agencies as pilot projects for performance measur ment. The agencies are to prepare for these pilot projects annual performance pla with performance goals (targets), and annual program performance reports compa ing actual performance with the target levels in the plans.

Over the past 18 months, the Director of OMB has designated 27 departmen and agencies as pilot projects.[1] All Cabinet departments and many of the larg agencies were designated. Within the designated departments and agencies, over individual program or component organization pilots were included in these 27 de ignations.

The designations also meet the specification in the law that the pilot projects e compass a representative range of government functions, from the military and fo

[1] The Social Security Administration (SSA) was designated as a pilot project when it was p of the Department of Health and Human Services. SSA has subsequently become an indepen ent agency, so the total number of departments and agencies covered by these designations w 28. In the course of the pilot project period, several of the designations have been withdra

gn affairs to regulation, research and development, and processing of claims and 'oviding benefits. Of 25 major government functions that OMB identified, we lack ›signated pilots in only two: direct delivery of health care, and electric power gen- ation and distribution.

These pilots are not being done on a limited scale. The pilots cover over 425,000 vilian and military personnel. In the aggregate, the pilots cover more employees an any US corporation except General Motors; substantially exceed the total num- r of civil service employees at the national level in Australia, Canada, New Zea- nd, and Sweden; and are about 80 percent of total civil service in the British ntral government.

Some pilots are very large, constituting whole agencies, such as the Social Secu- y Administration, or entire component agencies, such as the Defense Logistics gency, the IRS, and the Forest Service. Other pilots are quite small. We chose not impose limits on size because the pilots are a learning experience. Scale is less itical than the knowledge gained and applied.

The pilot projects have submitted performance plans for fiscal years 1994 through 96. The initial program performance reports (for FY 1994) are also being submit- d at this time.

As should be expected from any large endeavor, some of the pilots have turned t better than others. We think of this as good news on all counts. It is good news at some pilots have shown that good performance plans can be produced, and the sic concepts are sound. But having pilots which are struggling and finding this difficult course can also be good news since we learn what has gone awry, possible medies, and what is essential for overall success. In fact, we often learn more from ose projects having problems than from those which are an instant success.

We must not lose sight of the fact that GPRA is a very demanding initiative: it quires many government officials to manage programs and operations in a very fferent way from the past, and it focuses on how well they are doing as managers. we had an across-the-board, immediate success from all these pilots, I would be ncerned, if not convinced, that GPRA wasn't changing very much in the way agen- s do business or managers run their programs.

From the better plans, we have been preparing excerpts—called exemplars—for e by other pilot projects. We will also continue working with the agencies on de- loping profiles of what is being done right, and what is off the mark. We have liberately avoided sculpting a model plan or model report—for fear that this uld suggest that the government's many disparate programs and activities could planned and managed in cookie-cutter fashion. Government managers are not ro- ts, and the government is not an assembly line. GPRA places a premium on ini- tive, on an entrepreneurial spirit, and this is best fostered by providing latitude d recognizing that each program is unique.

In the course of the past year, as the pilots gain experience with several iterations these plans, we are seeing improvement, overall, in the quality of the plans. We ll begin our assessment of the initial set of program performance reports in the xt month.

MANAGERIAL ACCOUNTABILITY AND FLEXIBILITY PILOT PROJECTS

GPRA specifies that at least five departments and agencies be designated as man- erial accountability and flexibility pilots. The pilots must be selected from the set designated performance measurement pilot projects. These pilot projects pri- arily involve waivers of administrative procedural requirements to give managers re discretion in how they manage, while holding them more accountable for pro- am performance. The administrative requirements are those established by other encies—usually a central management agency such as GSA, OMB, OPM, or easury—and which impose limits or controls affecting how programs and oper- ons are managed.

While the performance measurement pilots are numerous and wide-ranging, simi- attributes do not apply to the managerial flexibility pilot projects. We have re- ved only a quarter of the nominations for these pilots than we did for the per- mance measurement pilots. The nominations were from seven Cabinet depart- nts and one independent agency, and included 14 individual pilot projects. With e nominations were approximately 60 waiver requests.

In several instances, the proposed pilot project consisted of only a single waiver quest. For some nominations, the group of requested waivers were narrowly awn, leaving the potential impact on performance difficult to gauge. And some minations consist of waivers that are substantive and, if authorized, could impact ganizational or program performance. Overall, however, this set of pilot project

nominations is not likely to provide a full test of the managerial flexibility and accountability provisions of GPRA.

This is a matter of some concern. In other countries with GPRA-type reforms, managerial accountability and flexibility are viewed as key factors in the success of these reforms and were the basis for these provisions in GPRA.

We do not yet know the reasons why we are having these difficulties. A number of explanations have been offered, but the root causes are still to be ascertained. Based on conversations with the agencies, let me cite several circumstances which may have contributed, at least in part. The first was the Workforce Restructuring Act, which was enacted after GPRA. The mandated reduction of Federal employment requires that we monitor how agencies are reducing FTEs. Prior to the Workforce Restructuring Act, the agencies had signaled great interest in obtaining waivers from non-statutory controls on employment levels, thus enabling them to manage to dollars, not to people.

A second explanation is that the request for managerial flexibility pilot projects followed too quickly on the heels of the performance measurement pilots. A third possible reason is that agencies, upon review, are finding that many of the restrictive requirements they would like to have waived are internally imposed, and were not required by the central management agencies.

A half dozen or more other possible explanations have been offered, and some of these may also have played a role. Thus, we have some analytic work to do, and we intend in the weeks ahead to assess in more detail why this part of GPRA has encountered the difficulties it has.

With respect to the pilot project nominations we did receive, we are proceeding with the review of the proposed waivers by the central management agencies that established the requirements from which a waiver is sought. Following their review and determinations on approving requested waivers, we will later this Summer make final decisions on designating pilot projects.

Even though any pilot project designations would be made late in fiscal year 1995, we believe we can obtain the full two-year test of these pilots that is contemplated by GPRA. Although we had not anticipated this delay in designation nor the overall shortcomings of these candidate pilot projects, the OMB guidance on these pilot projects did indicate that we would consider extending the waivers into FY 1997 and FY 1998.

Our decision at this point to proceed with review of the waiver requests is based on a judgment that OMB, the agencies, and Congress can learn something from having these pilots. Not only are we identifying requirements that prospectively may be waived, we are gaining an insight into those requirements—whether internally imposed by an agency or by a central management agency—that significantly affect managerial flexibility.

We are also prepared to consider additional nominations, or perhaps to work with an agency in a more robust demonstration of GPRA's managerial flexibility provisions. Such a demonstration might combine relief from internally imposed requirements as well as external ones.

STRATEGIC PLANS

The second stage of GPRA begins with agency strategic plans. GPRA requires that agencies develop strategic plans that include a mission statement, a description of long-term general goals and objectives, and a description of how the goals and objectives will be achieved along with the relationship between these long-term goals and the goals in the annual performance plan. An agency's strategic plan is to be submitted to Congress and OMB by September 30, 1997.

The strategic plans are the foundation for GPRA implementation, and the annual performance plans and reports are based on and derived from the strategic plan. OMB will soon issue guidance on the preparation and submission of these plans. This guidance is being developed collaboratively with the departments and agencies, relying on a working group with over 60 representative from approximately 30 departments and agencies.

AN ACCELERATING EFFORT

Beyond the pilot projects and the strategic plan guidance, OMB and the agencies are moving rapidly to develop and use more and better performance information both in the budget process and in the budget itself. While this effort goes beyond both the GPRA time line and the Act's requirements, this information can be of

ıeans available, and not delay to begin applying as much of GPRA's provisions as ⁄e reasonably and effectively can.

During the FY 1996 budget process, OMB called for more performance informa- ion to be provided by the agencies. We also had a structured, OMB-wide dialogue bout performance last September, which was unique in the recent history of OMB. 'his set of 12, three-hour seminars engaged the entire OMB professional staff in n analysis and elaboration of GPRA and performance measurement concepts. In an ffort to continue OMB's cooperative work with the agencies in this area, the writ- en results of this dialogue were shared with the agencies.

This fall dialogue also built on the underlying principles of OMB2000—a restruc- uring of OMB that occurred last year. In OMB2000, the budget divisions assumed greater role in overseeing agency management activities and program execution. 'he responsibility for policy guidance and general oversight of GPRA implementa- ion remains within the Director's Office at OMB, but GPRA, with all its ramifica- ions, will fundamentally affect the programs and activities overseen or directed by very OMB division. Because of this, OMB elected from the beginning not to create large staff whose sole responsibility would be GPRA implementation to the exclu- ion of any other office having a role. This decision is premised on the fact that)MB can be no more than a catalyst in the implementation of GPRA; it is on the houlders of the agencies, and the tens of thousands of managers across the govern- ıent, that this law will succeed or fail.

Because of the need ultimately to rely on the efforts of agency managers to imple- ıent GPRA, we have been working with three interagency councils I chair to build n their insight and suggestions and to encourage their ongoing participation. The 'hief Financial Officer's Council has created a GPRA subcommittee that has devel- ped a thoughtful and thorough analysis of the role of the CFO in each agency in he operation of GPRA.

The President's Council on Integrity and Efficiency, which includes the Inspectors 'eneral of the major agencies, has been developing a menu of possible performance ıeasures for IG offices and discussing the role of the IG offices in reviewing agency nplementation of GPRA. I joined two other senior OMB executives to conduct a wo-hour IG forum on this subject just last week.

Finally, the President's Management Council, comprised of the Chief Operating)fficers of the major agencies, has established an accountability subgroup and is)oking at various ways to improve the ability of federal agencies to manage for re- ults.

To help begin the FY 1997 budget process, we are just completing a Spring Re- iew on Program Performance covering selected key programs in every Cabinet de- artment and major agency. This Spring Review was an outgrowth, in part, of our xperience with the FY 1996 budget process. This year, we have sought to engage ıe agencies in developing performance information much earlier in their budget reparation cycle than was done for FY 1996.

The Spring Review on Program Performance was also a natural outgrowth of our ⁄ork on Phase II of Reinventing Government. As you may recall, Phase I of the Na- .onal Performance Review, begun in 1993, focused on "how" government agencies perate and provided a wide range of recommendations designed to cut red tape, mpower employees, and improve customer service.

Phase II of the National Performance Review focused on "what" the government oes, asking each agency to define its basic Federal missions and to identify the key rograms necessary to achieve those missions. Our Spring Review then asked what erformance information is available now and what might be produced as part of ıe fiscal year 1997 budget submission for these key programs.

This Spring Review has been successful in highlighting the importance of per-)rmance information, both to the agencies and OMB staff. I am confident that the 'Y 1997 budget will contain much more performance information than previous udgets, and that, over time, such performance information will become an increas- ıgly important factor in making budget decisions, beginning with the agencies, con- .nuing with the Executive Office of the President, and concluding with the Con- ress.

For the FY 1998 budget process, we expect to build on FY 1997. In a very prelimi- ary way, we are already looking at whether or how we might introduce certain arts of GPRA into the FY 1998 budget. Some have suggested that FY 1998 might e approached as 'dry run' for the GPRA FY 1999 requirements, but a more specific ssessment of what this might entail is needed before we proceed further on such proposal. One thing is certain. The pilots have taught us that we cannot wait until ıe Spring and Summer of 1997 to start merging GPRA provisions into the FY 1999 udget that will be developed beginning in the Fall of 1997.

THE LARGER DIMENSION

Within OMB—and with the agencies—we have begun developing an overarching unifying framework for bringing together the various laws and initiatives whicl have a performance focus. These include GPRA, the Government Management Re form Act, the Chief Financial Officers Act, the Federal Acquisition Simplificatioı Act, the Federal Managers' Financial Integrity Act, the Inspector General Act, a well as initiatives originating from the National Performance Review, such as devel opment of customer service standards and agency performance agreements. Ther is widespread agreement that this integration needs to be done, and, to the exten practicable, should be meshed into the various processes supporting budget prepara tion, decisions, and execution.

This is a large and complex task. However, managed as separate exercises, thes varied laws and initiatives lose the synergy and economy of effort that can resul if the undertakings are fitted together. Even worse, failure to coordinate and inte grate these initiatives risks undermining their effectiveness and creating confusion frustration and aggravation. Neither OMB nor the agencies have enough resource to continue to try to carry out these activities in a non-integrated manner.

While it has been difficult to sort through the complexity of the varying perform ance initiatives, we are nearing a point in which we may have a prototype for hov this integration might be accomplished. Within a few weeks, we hope to be read; to begin discussions with the agencies and the Congress about this integratin; framework.

While this effort seeks to match budget (the resources provided) with performanc (what those resources achieve or obtain), we must be mindful that this is not jus a budget process, but an effort to transform how our government works, affectin; the budget, agency management practices, and how programs are being carried ou

THE FUTURE

Longer term, GPRA should disappear. That may appear to be a startling though with which to conclude this statement in light of my enthusiasm for GPRA. How ever, if GPRA works as envisioned, government managers will absorb it into day to-day agency administration and program management. For this to happen, w must guard against creating a separate GPRA bureaucracy in each agency that prc vides the documents and information required by the statute in an effort that is di vorced from this day-to-day management of the agency. That's why I suggest tha the true measure of the success of GPRA will be the extent to which the concept of management and good business practices set out in this law become the accepte way that the government works without reference to any particular statutory frame work or requirements.

CONCLUSION

While GPRA is little known outside of the government—some have referred to i as a 'stealth' law—its significance and importance will increase greatly if we suc cessfully carry out its provisions over the next several years.

If GPRA carries through on its promise, I am confident it will ultimately b viewed as one of the most important pieces of legislation enacted in this decade an will change the dialogue between the public, the Congress, and the Executiv Branch about government programs, and their goals, performance, and funding.

Thank you, Mr. Chairman. I will be happy to answer any questions.

Mr. HORN. If you were a prize fighter that had been knocked ou you would appreciate that extra 5 minutes. In your written testi mony, you state that under OMB 2000, the budget divisions as sumed a greater role in overseeing agency management activitie than before; and that you have chosen not to create a large sta with sole responsibility for GPRA execution.

One apparent weakness in the current GPRA implementation i the lack of capacity in the agencies to implement the act. Agencie and the GAO all say that more training is needed. OMB is sup posed to help the Office of Personnel and Management in providin training. So how is the budget division staff able to help trai

rained themselves? Should you perhaps reconsider your decision ıot to have any staff devoted solely to implementation of GPRA?

Mr. KOSKINEN. Well, let's work backwards. We have some staff levoted solely to GPRA. But our goal has been not to create our wn GPRA bureaucracy. The statute doesn't contemplate that, and t is normally not OMB's function to provide training directly to the gencies, although we have participated in supporting OPM training. It is clear, as GAO and the agencies have noted, no major iniiative in the management area—actually, no initiative at all—proeeds well without training.

OPM provides about 10 percent of all Government training, as a eneral matter, and has been successful with assistance from us nd from agency experts in beginning to develop training modules hat are available either in the Federal Executive Institute or other raining areas. But we have discovered that often, the most effecive training is that which is being conducted within the agencies y themselves.

Again, our hope is that the OPM training modules and the inforıation and guidance that we're continuing to provide from OMB nd the use of other outside consultants—many of whom you've eard during this series of hearings—who are working with the gencies will provide the necessary training.

But I think Congressman Mascara put his finger on one of the oints. It's not whether there's enough training available, but hether there's enough knowledge available. What we have to ocus on is to ensure that there are enough resources available to ıe agencies to utilize this training and avail themselves of it. In mes of difficult budget limitations, I think that's one of the things ll of us have to be paying close attention to.

Mr. HORN. Many very distinguished scholars and practitioners of ublic administration have come before this committee and said, Look, we're making a major mistake in the Office of Management nd Budget by having management responsibilities carried out ithin the budget divisions by the budget examiners." Now, with ıe implementation of this act, does this really cry out for a sepaate office of management that ought to be directly responsible to ıe President, headed by a director who could make sure that the ıanagement aspects of Government, the processes, the structures, ıe procedures, the relationships between headquarters and field, ould be very carefully focused on?

Mr. KOSKINEN. Well, as one who obviously is very concerned and ommitted to management, I would say my experience is that if we eated that kind of an office, it would be a terrible mistake. This ould marginalize management; it would put it off on the side. It ould run counter to what we're trying to do in OMB 2000, which to make it clear to people that management issues do not arise nd do not exist separate from program operations.

If indeed we are going to integrate all of the management initiaves we want to into day-to-day program operations of the agenes, we have to have people learn and understand that manageent problems do not exist separately. They grow out of program erations, program concepts, program goals. If we're going to suced, as I said in my statement, we need to unify all of these efforts nd build them into the budget process.

If you go into a private sector company, it does not have a group that actually run the company, and then a set of management experts on the side. The management of the company is the company's business. What we have to understand is, the management of the government is the government's business. Therefore, our goal is quite contrary to creating a separate office of management. Our goal is to make sure that every policy official, every leader of an agency, every program manager is involved and concerned with how the agency functions, how the programs function; in effect, what the government gets for the resources that are deployed in the charge of that agency.

Mr. HORN. I take it I should mark you down as undecided on this answer.

Mr. KOSKINEN. As the guy said, how do I really feel about this?

Mr. HORN. That was the answer the Republican Whip gave me 1 day, as he was checking on my vote. I had a little bit of passion, just as you had, on the subject. Basically, I've always taken your position, saying that, with the budget power, executives are likely to pay more attention to you. I find my colleagues in public administration don't think much of my opinion on that subject.

They see management being given short shrift, that the approach is still the basic, "How much do you get and what do you get to do with it;" and that management doesn't really count. Now, you sit through those budget examinations, I take it, or do you?

Mr. KOSKINEN. Yes, I do.

Mr. HORN. Or is it one of your deputies that sits through?

Mr. KOSKINEN. No, I actually sit through them.

Mr. HORN. OK. To what degree are management decisions raised in the budget examination process that goes on annually?

Mr. KOSKINEN. Well, they have been raised. Last fall, we spent a substantial amount of time examining every agency in terms of its streamlining plans, in terms of its financial management, in terms of where it is with its high risk. But actually, the magic of GPRA, and the thing that we should not lose sight of is the way we will have turned the budget process into a more management focused exercise is if we begin to hold managers and programs accountable for the results they achieve.

If, in a budget examination, we can move away from the input question—how many resources can I get for this program—into the outcome question, which is, what am I getting for the money we're spending—what are the results of this program—we will drive agency managers and program managers to look at how those programs operate to achieve results, rather than simply the expenditure of the resources that they have devoted to them.

So you and I may be a small cadre on this side, but I would submit that any experienced manager would understand that to have management sidelined is, in fact, to disenfranchise it.

Mr. HORN. I now yield 5 minutes to the gentleman from Pennsylvania, Mr. Mascara.

Mr. MASCARA. Thank you, Mr. Chairman. In your testimony, I noted, on page 2, that other countries with more experience in GPRA-style reforms indicated it can take up to 5 years or more before becoming the normal routine. And on page 5 of the testimony

lowed too quickly on the heels of the performance measurements pilot.

Do you think the remaining time tables are still realistic? Should Congress consider changing the statutory requirements? Or can you deal with any problems administratively?

Mr. KOSKINEN. I think we can deal with the problems. I think great progress is being made. I think it would be a mistake, at this stage, to extend the deadlines. As I noted in my testimony, and briefly in my comments, we have just completed a spring review on program performance. This is basically jump-starting GPRA strategic planning and statements of goals and objectives on an even broader scale than the wide-ranging performance pilots we have going.

It is not going to be easy. I do not think that, when we provide the 1999 budget with Government-wide performance information, it will self-execute. The experience of other governments and States that have tried this, as you well noted, is that it takes time. But the time doesn't get shorter by waiting. We need to spend that time working in this direction.

We need to understand that we won't have immediate perfection. However, I firmly believe that this statute is a significant watershed in the way that government programs are viewed, analyzed, and managed. I think we need to continue to support it, and we need to continue to hold agencies accountable under it.

Mr. MASCARA. Why have several agencies dropped out of the initial pilot projects? GAO testimony says that four pilots have been withdrawn, and two more are planning to do so because "they overestimated their current abilities to meet the goal-setting and performance measurements requirements of GPRA, needed to change the focus of the participating program of the original focus of the pilot, and for other reasons." Could you comment?

Mr. KOSKINEN. Yes. We had, between the 1994 and 1995 performance pilots, we had 77. Of those, six, and perhaps seven, will have dropped out for several of the reasons you noted. This would be about a 10 percent drop-out rate, which is not surprising and is not of concern to us. We've asked each of those programs to explain in some detail what their difficulties are.

As I noted, you sometimes learn more from the difficulties and the problems than you do from the successes. But we think, overall, we will have, by the time we get done with it, we will have had far more than the 10 performance pilots contemplated under the act. And we will have very valuable experience across the board, from those 70 as they report.

We will have some very good successes, and we will have some that will have struggled, even if they kept their designation.

Mr. MASCARA. You mentioned in your testimony that some of the pilot projects were agency-wide, such as at the IRS and at the Social Security. Both of those agencies are facing crises in information management. Will the GPRA pilots detract from solving the problems associated with information management? Will they help solve those problems, or do these pilots have no effect on them?

Mr. KOSKINEN. The pilots will not directly solve the underlaying problems. What the pilots will demonstrate, to some extent, is the

Again, what we need across the board, ultimately, is data that is available to managers efficiently, effectively, and accurately. Across the board in the Government, one of our major needs in information management, particularly in the financial management area and cost accounting area, is to have adequate, accurate, and timely data.

And so I think that's going to be a systemic problem that we're dealing with, and we'll need to continue to deal with.

Mr. MASCARA. I have a whole host of questions, and perhaps we can send those.

Mr. HORN. Sure, whatever you'd like. We're going to go back and forth, if you'd like, a few more.

Mr. MASCARA. OK. Mr. Chairman, before I relinquish, I've been asked by Mrs. Carolyn Maloney that her statement be entered into the record, if there are no objections.

Mr. HORN. Without objection, it will be entered just after mine and before yours. Go ahead, you've still got time, if you'd like.

Mr. MASCARA. There's a great deal of skepticism about GPRA. It is fraught with jargon which most of us don't understand. Everyone talks about results in the next century. Frankly, much of this seems like a good example of what Don Kettl called MEGO—my eyes glaze over. But most people agree with the basic principal focus on what gets done and how well it gets done. Could you summarize for us the fundamental principles of how we get to a system that measures and rewards performance?

Mr. KOSKINEN. Since I didn't have anything to do with drafting the statute, I can tell you that I continue to be supportive of it. The statute lays out a very good framework. It basically says, before you can start to measure what the results are that you're looking for, you have to understand what are you trying to accomplish, what are your goals.

So the basic thing you start with under GPRA, and you need to do in any of these situations, you say, here's a program: what are we trying to accomplish; why are we spending this money; why did we establish this program? Once we've got the goals, the next thing you have to do is say, well, now, how are we going to measure whether we're accomplishing what we set out to do? Whether it's in education, health, training or in any other area—what's our benchmark; how do we measure that?

The next thing you have to ask is: Now, how are we doing? Do we have a goal; do we actually have a benchmark against which we're going to measure? At least are we going to know what the basic data is? It's really as straightforward as that. I think you're right—we have to be very careful about jargon. My concern is we have to be very careful about setting up GPRA bureaucracies on the side with experts who know about this.

It's basically a simple equation. What are we trying to accomplish; how are we going to know whether we accomplished it or not; and how are we doing in that effort?

Mr. MASCARA. Thank you, Mr. Chairman.

Mr. HORN. I thank the gentleman. You say, Mr. Koskinen, that it is on the shoulders of the agencies and the tens of thousands of

This law requires OMB to be intimately involved in overseeing the agencies, designating the pilots, consulting with the agencies, reviewing their plans, reporting to Congress, helping the Office of Personnel Management to include strategic planning performance measurement in OPM's management training program and provide managers with an orientation on how to effect strategic planning and program performance measurement.

Are you complying with the requirements of the GPRA by leaving it up to the agencies, as you seem to indicate in your written testimony?

Mr. KOSKINEN. I think we have to distinguish in that. My testimony tried to make clear that OMB is a catalyst, and OMB is discharging all of those responsibilities. But if we do all of that, which I think we are doing and will do well, that by itself will not cause this act to self-execute, that by itself will not come close to guaranteeing the success of the act.

This act is going to work, once the framework is up and people understand it, according to how the people running those programs manage those programs; how they collect the data; how they actually provide us the information. This is a Government with over 2 million civilian employees. There's no way that a handful of people at the top of any agency are going to be able to manage those programs themselves.

When I was confirmed, I was asked the OMB 2000 separate office of management question. I said then, and I continue to believe, that you could give me 4 or 5 times as many people who now report to me across the board in all the statutory offices, and it basically would make no difference in our ability to implement a statute such as GPRA. And I think what we have to understand is, there's a catalytic and leadership role to be played by OMB, which we are discharging.

We have to understand that that's what it is—it's a leadership role, it's a catalytic role. But the work is going to be done in the agencies, and that's where we have to make sure that we have people who understand what needs to be done, who are committed to it. That's why we have to have it integrated into the overall management structure of the agencies and the budget process and the resource allocation process.

Only then will it really be meaningful for us to be talking about a Government that is in fact focused on managing for results.

Mr. HORN. I know you've got a lot of things to do, but have you had an opportunity to visit a number of the agencies and the teams that are responsible for implementing this act at the agency level?

Mr. KOSKINEN. I have not specifically seen the GPRA pilots. I have actually visited, in the field, several teams that are working on reinvention programs and pilots in labor management partnerships. In addition to the interagency councils I chair, I'm a member of the National Partnership Council as well. I've been to Customs, Social Security, and several military operations, looking at what they're doing in terms of reengineering the way they do their work and focusing more on results. But only one or two of those are actually pilots.

Mr. HORN. Now, are those mostly under the NPR?

Mr. KOSKINEN. Those are actually under the National Partner ship Council, which was set up by the NPR.

Mr. HORN. Has NPR diverted those in budget interested in im plementing GPRA, or how's the balance of time going here?

Mr. KOSKINEN. Again, I don't want to ride the same hobby horse but our goal is in fact to integrate the GPRA enterprise into wha the NPR is doing. So NPR has focused on a number of performanc issues. Customer service standards is one. Performance agreement between the agency heads and the President are another. Labo management partnerships and the ability to get managers an union people working together is another.

Our goal, and we said from the start, is all of those have to b unified together. I became somewhat well-known for what I calle the unified field theory. When I started last summer, it was clea to me—and the gravamen of your question is focused that way— that if we kept all these as separate initiatives, we would in fac undercut their ability to accomplish their results.

But on the other hand, if you see them as part of an overal structure, designed to improve the performance and the perform ance measurement of the government, then they actually are sup portive of each other. I don't think we need to think or worr about, at this stage in the perspective, is the NPR function detract ing from GPRA? As far as we're concerned, they're all driven to ward the same goal, which is to improve the performance and oper ation of the government.

Mr. HORN. Well, I think that's a worthy approach. We've had tes timony, and there's a lot that's been written on the Oregon Benchmarking project; what's happening in New Zealand; what' happening in Australia; what's happening in Minnesota, Nortl Carolina, so forth.

At this point in time, given your current experience in Govern ment, have you seen some exciting ventures at this point in hov we, one, establish the goals; and then have a common sense meas urement that is measuring what's important, which is, are you reaching those goals—not merely counting something that's count able?

What have you seen along those lines that excites you and say gee, this thing might be working?

Mr. KOSKINEN. Well, we've got, as we noted in the first perform ance plans when we came, we analyzed those and we actually cam up with 10 what we call exemplars that we thought—and w shared those with the agencies—of what you can do when you actu ally try to measure your results. I just spent time this morning with the Department of Defense, which is running a 3-day semina on restructuring the way it does travel processing, focused on re sults.

They want to cut significantly the amount of resources it take to process their travel orders. They spend several billion dollars a year traveling. They're measuring not only the outcome in terms o how much money they save, they're measuring the improvement ir customer service and customer satisfaction.

Our hope is that all of this is beginning to be integrated and sor of insinuated into the agencies, and, across the board, we'll fin more and more exciting events like that.

Mr. HORN. When will you be completing your assessment of the initial set of program performance reports? What's the time period on that?

Mr. KOSKINEN. We've completed our assessment of the performance reports from the 1994 pilots. We have in-house and are about to complete the analysis and the reviews of the 1995 performance—actually, the plans. What we do is review the plans. The performance reports for 1994 are just being reviewed now, but the plans for 1995 are being reviewed, and we just got the 1996 plans. We expect, by the end of this month, to start reviewing those.

Mr. HORN. Is there a summary, a formal report to the director or the President? How does this work, in terms of what happens after you and your staff go over these?

Mr. KOSKINEN. There's basically a review internally, and then what we've tried to do is share the experience and information with the agencies. For example, with the design of the planning guidance for strategic plans, we have a work group, as I noted in my testimony, of 60 representatives from a wide range of agencies who are working with us.

What we've been trying to do and use these reviews for is primarily to share the experience back into the agencies not only on an agency by agency basis, but on a cross-agency basis. But there are no formal reports to the President involved in that.

Mr. HORN. Could you share copies of those reports with the subcommittee so we could just get a feel for what's going on?

Mr. KOSKINEN. Yes, the reports that we've sent to the agencies we would be happy to share with this committee.

Mr. HORN. Very good. The gentleman from Pennsylvania.

Mr. MASCARA. There's a strong tendency for agencies to revert to the outcome measures, like the number of tasks completed rather than how well they were done. They are, after all, much easier to measure. And in fact, I'm sure we will see some agencies reporting to justifying output measures in the name of outcomes. Who should arbitrate what is and what is not a good performance measure?

Mr. KOSKINEN. Well, over time, our hope is that that will be a dialog that will be conducted between the agencies and OMB, and between the executive branch and the Congress.

Our hope is that if we're successful in our unified view of all this, when a congressional committee is holding an oversight hearing, and authorizing committee on the annual appropriation process, that there will be a focus on just that issue—what is it that someone is claiming they're getting as an outcome for this program; is that what we all agree we ought to be aiming for; and what do the measures look like?

Mr. MASCARA. I wanted to hear more about your views on the GPRA time tables. Based on the 2 years since the enactment of the law, do you think the time tables are still realistic? It has been suggested by some that they are perhaps too slow to accommodate the public's desire, and the desire of some of our newer Members for instant change. Yet at the same time, the time tables may be too rapid to be implemented well throughout the entire government. I would appreciate your comments.

Mr. KOSKINEN. Yes. As I said last year, actually, at my confirmation hearings, 25 years ago I worked as an administrative assistant

to Senator Ribicoff while he was the chair of the Government Reorganization Subcommittee on the Senate side. One of the things that struck me when I read the act last summer was in fact that it had provided this kind of a time table, with pilot programs, with reviews of those before you actually went to government implementation.

The risk is, and, as you note, the temptation is that if we have a good idea, it ought to be implemented by everybody tomorrow morning. When you do that, as you can see by this, not much good would happen. At the other end of the spectrum, in terms of whether we've allowed too much time, as you and I discussed just a minute ago, I think that we are making good progress and I think it would be a mistake to extend the timeframe.

But I think what we have to understand, whatever the timeframe is, is that we're not going to have perfection when we start. We're going to continue to evolve. Hopefully we'll continue to have the dialog I just mentioned between not only agencies and the Office of the President, but between the executive branch and the Congress, about how we're doing, program by program.

It's very challenging. It's really an intellectually stimulating exercise to move from one government function to another and ask questions of what's the goal of this program; how are we going to measure it; what's the appropriate measure; and how are we doing. Because each program has a different set of answers to those questions. There's no one-size fits all. And it's a great challenge.

However, I think these are the right set of questions to ask, because the Congress and the public deserve answers to the questions of what are we trying to accomplish with this program and how do we measure that. You're exactly right that the temptation, historically, is to then argue at least only about inputs—how many resources do we have. If anybody looks at anything more, it's really, as you say, only outputs or process: that is, we held so many inspections, we made so many grants.

What we need to do is get beyond that and say, what was the impact, what was the outcome of the fact that we engaged in that activity?

Mr. MASCARA. One of the frequent complaints about government managers is that they're afraid to go out on a limb for an idea. GPRA is designed to reward that sort of risk-taking. At the same time, while we're talking about downsizing and privatizing and contracting out and cutting pay and cutting benefits that would go to these managers, what affect, if any, are these assaults on government workers having on morale and on making GPRA work?

Mr. KOSKINEN. That's a good question. You have a good set of questions here. This is a question that goes beyond GPRA. I think the question of morale of government employees and the rewards we give to them and the way we characterize them is a great concern across the board. If GPRA went away tomorrow, we would still have that very important question. I'm concerned about it. I think most government managers are concerned about the state of employee morale.

We basically had, for 25 years, a situation where most people coming to Washington ran against Washington. Starting with

Washington, it's been very convenient to argue that Federal workers are in fact not effective and not efficient, that the Government doesn't run well. If you say that long enough, after a while it risks becoming a self-fulfilling prophecy.

And I think that what we need to do is focus on the fact that it is not inconsistent, on the one hand, to say that we need to streamline the Government and make it as effective as we can, and, on the other hand, to say that people working in the Government are hardworking, dedicated public service servants performing a major public service, and it's indeed an appropriate and desirable career for people to pursue. And I think we have to be able to remember both sides of that equation as we go forward.

Mr. MASCARA. I concur with you on those latter statements, about having a lot of hardworking, dedicated Federal employees. And I think, for the most part, they're taking a bum rap; that we do have good, hardworking people. And I hate to see the Government dipping into their pockets in many instances, be it asking them to pay more for their retirement or asking them to go to a different type retirement system; and then ask those same people to participate in this program to measure.

I mean, that's where my question is coming from. How do you think we're successful in doing that, or do you find them being recalcitrant or not cooperative in developing this plan?

Mr. KOSKINEN. To their great credit—and I think it is consistent with your point about their hardworking nature and their commitment and dedication to the government—we have found nothing but excitement in government employees not only about reinventing government and those projects, but actually about GPRA. I think they understand that, as a general matter, the more we focus on effective operation of programs, the more we'll be focusing on management and encouraging good management.

And I think that my experience in the private sector, and it has been certainly verified here in the government, is that if you want to know something about a program or a policy or a company operation and what its problems are, go ask the people who are actually doing the work. And I think that my experience and the speeches I've given and the talks I've given across the Government are that for the first time, employees feel that we're asking them for their advice.

The NPR was built on the input of employees. The National Partnership Council is focused on trying to involve actual Government workers more in the decisions about what goes on. And I think that, managed well, even though it's a difficult time of high anxiety for workers, this can be an exciting time as well. Because I think every worker who works for the Government wants it to run better. Everyone managing a program wants it to be effective.

And to the extent we can actually now focus our dialog on those particular facets of operations, I think people will become more dedicated and more enthusiastic about their work.

Mr. MASCARA. I appreciate your comments. Thank you very much, Mr. Chairman.

Mr. HORN. Thank you very much. I have one closing question. The staff might submit a few that you can answer at your leisure. In the law, section 1116 talks of the program performance reports,

and then we go over to 9703, managerial accountability/flexibility, and then on 1119, we talk about pilot projects for performance budgeting.

Is there any thinking that perhaps as part of the actual annual budget of the United States that besides the numbers of what we spend in a completed fiscal year and what's being projected for the future fiscal year, we would work in some of these performance reviews in each agency submission and just print it in the budget?

Initially, we talked by March 31, 2000, and no later than March 31st of each year after, the head of each agency shall prepare and submit to the President and the Congress a report on program performance for the previous fiscal year. That's fine; I don't have a problem with that. I like to see it in one place.

When we look at the numbers, we go agency by agency, and you've got some basic performance indicators, goals; how far they achieve; satisfactions by the clientele, namely the taxpayer in most cases, unless it's an interagency group such as OMB. You might have the satisfaction standard be a little different there.

What's the thinking on asking your clients? Any thought at this point, or are you just waiting until the year 2000?

Mr. KOSKINEN. No, actually, we might surprise you with next year's budget presentation. One of the things we hope to grow out of the spring review on program performance and the request for more performance information in the 1997 budget submissions from the agencies is that we will be able to, in the budget presentation—the President's budget—include, in the text as well as in the numbers, discussion, where appropriate, about performance information we have now—what the goals, objectives and measured results are for programs that we're looking at.

We've been talking with the agencies about over 100 major programs, in terms of the possibility of getting performance information in this budget process.

Also, one of the things we are looking at and will be talking with the agencies and with the Congress about is, as we look toward the future, we're looking at the way the budget process runs and what kind of information we can provide on an annual basis that would be consistent with the information you've just asked about. We would like to have that done far before the year 2000.

Mr. HORN. I commend you for that, and I think it would be very exciting if we had that type of presentation as we move in that direction and get people acclimated to it, on both sides of Pennsylvania Avenue. Thank you very much. You, as usual, have given excellent testimony to this subcommittee. We appreciate you taking the time this afternoon to come here.

There is a vote on the floor, but I can start with the next panel. Thank you.

Mr. KOSKINEN. Thank you, Mr. Chairman.

Mr. HORN. And the next panel is your counterpart from the General Accounting Office—Johnny C. Finch, the Assistant Controller General of the United States, the head of General Government Programs for the General Accounting Office. Mr. Finch, if you would raise your right hand.

[Witness sworn.]

Mr. HORN. Why don't we start with your presentation. You might ant to identify your colleague.

TATEMENT OF JOHNNY C. FINCH, ASSISTANT COMPTROLLER GENERAL, GENERAL GOVERNMENT PROGRAMS, GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY J. CHRISTOPHER MIHM, ASSISTANT DIRECTOR, FEDERAL MANAGEMENT ISSUES, GENERAL ACCOUNTING OFFICE

Mr. FINCH. Thank you, Mr. Chairman. I am joined today by hris Mihm, who is our Assistant Director, responsible for leading l of GAO's work that relates to the Government Performance and esults Act. We're pleased to be here today to discuss the efforts ederal agencies are making in implementing the requirements of ıe act.

As you know, this landmark legislation seeks to fundamentally ıange the focus of Federal management and accountability from preoccupation with inputs and processes to a greater focus on the ıtcomes that are being achieved.

I have a fairly lengthy detailed statement, which, with your perission, I will submit for the record, and just briefly summarize. s detailed in my written statement, GPRA establishes a legislave framework for having agencies set strategic goals, measure rformance, and report on the degree to which goals were met. It quires agencies to develop strategic plans by September 1997; anıal performance plans, beginning in fiscal year 1997; and annual rformance reports, beginning in the year 2000.

GPRA calls for OMB to select a series of pilots for fiscal years 94 through 1996 in performance planning and reporting. As an dication of the significant support for GPRA across the Federal overnment, 70-some such pilots are now underway across most ajor Federal agencies; including, in some cases, entire agencies, ıch as the Social Security Administration.

GPRA also requires OMB to designate the participants for a secıd set of pilots to focus on managerial flexibility for fiscal years 95 and 1996. Of these pilots, GPRA requires that at least five encies participate, and that all of the participants be drawn from e first set of pilots working on performance planning and reportg. As of today's hearing, OMB has not yet designated any of the anagerial flexibility pilots. And there was some dialog between ıu and Mr. Koskinen in that regard.

And you discussed, a number of the reasons, and we have some those reasons included in our own statement. We are continuing be—we have begun to look at that issue, and we're continuing look at the reasons why the managerial flexibility pilots aren't ogressing as envisioned by GPRA, and we will advise you of the sults of that effort as it proceeds.

Our ongoing review of agencies' initial efforts to prepare for and ıplement GPRA suggest that there are five emerging challenges at will need to be addressed if GPRA is to be successfully impleented government-wide. These five challenges include first, develıing and sustaining top management commitment to GPRA. Our ork has shown that the active involvement of agencies' top offials in setting goals, measuring performance, and using perform-

These officials are best positioned to address the multiple competing stakeholder and customer demands that confront many Federal programs. Obtaining top management support will be a major challenge for many agencies because of the generally high turnover rate among political appointees. We found that the median tenure of top political appointees in large agencies is about 2 years.

GPRA, with its statutory planning and reporting requirements, provides at least the possibility that the commitment of agencies' top management to it will be sustained across the tenures of various political appointees. But for this to happen most effectively, top career officials must join the political appointees in assuming a leadership role in implementing GPRA.

A committed, career leadership can help ensure that the goal-setting and performance measurement processes encompassed by GPRA will have some continuity, even with political turnover.

Mr. HORN. At this point we'll take a 15-minute recess and then we'll pick up where we left off. You make a very important point there.

Mr. FINCH. Thank you, Mr. Chairman.

Mr. HORN. We'll be in recess until about 3:15 p.m.

[Recess.]

Mr. HORN. Mr. Finch, you're welcome to continue.

Mr. FINCH. Thank you, Mr. Chairman. I had completed the first point about the first emerging challenge. The second emerging challenge is the need to build the capacity of agencies to implement GPRA and to use the resulting performance information. One of the most important areas in which top management can clearly demonstrate commitment to GPRA is by ensuring that their agencies have the capacity to make the needed changes and effectively manage toward achieving desired outcomes.

Our review of leading State and foreign governments found that they recognized the need to develop their expertise in performance measurement, the use of performance information, and program evaluation as they implemented their management reforms. The governments found that agencies needed several years of experience before they felt comfortable with measuring their performance directly and using performance information effectively.

It seems reasonable to assume that in the current environment of severe resource constraints, maintaining existing Federal training budgets will be a formidable challenge for many agencies; and that major increases in Federal training budgets are not likely. Thus, agencies will need to seek new, creative and less costly ways to build their capacities to implement GPRA and to use the resulting performance information to improve their programs.

Unfortunately, most agencies have not yet developed or implemented an agency-wide training strategy that identifies who needs to be trained on what, how, and when. The absence of training and capacity building strategies in many agencies is a source of some concern because of the size and scope of the training and capacity building effort that appear needed.

The third challenge is creating incentives to implement GPRA and change the focus of management and accountability. The Federal Government will need to create internal and external incentives that encourage and reinforce the focus on outcomes. Officials

in a number of Federal agencies said that one of the single most important incentives to changing behavior in their agencies so that managers and staff focus more on achieving outcomes will be the degree to which top leadership actively demonstrates its support for such change.

Our work has shown that when top officials publicly focus on strategic goals, demand outcome oriented information, and make decisions guided by that information, this sends a clear message throughout an agency that it is not doing business as usual. As I will discuss in a moment, Congress has an equally important role in instilling a focus on outcomes and Federal agencies.

In our statement before the subcommittee last week, we noted that our work has shown that there is as yet no consensus on the best approach for holding individuals accountable for results. Our work has shown that leading State and foreign governments, that in some cases have been seeking to make their governments more outcome focused for a decade or more, continue to grapple with these same issues.

As a result, GPRA's intent to focus management and accountability on outcomes, coupled with the significant downsizing taking place across the Federal Government, may require a fundamental rethinking of how the public service system should operate.

The fourth key challenge is integrating GPRA into daily operations. Our work reviewing goal-setting and performance measurement efforts in the Federal Government suggests that most Federal agencies still have a long way to go before they will be able to identify and use outcome information as intended by GPRA. For example, my prepared statement discussed the challenges that Federal research agencies, such as the Department of Energy and NASA, face in developing meaningful measures for basic research programs whose outcomes may not be achieved for more than 20 years.

The fifth key challenge is to build a more effective congressional oversight approach. Congress as a prime user of performance and financial information, has a major stake in ensuring that GPRA is effectively implemented. This hearing is the first congressional oversight hearing to focus exclusively on progress in implementing GPRA. It is an important step in reinforcing to the agencies the importance that Congress places on setting outcome oriented goals, measuring performance, and using performance for decisionmaking and accountability.

Congress needs to take more steps in this regard. One key step to sharpening agencies' focus on outcomes would be for congressional committees of jurisdiction to hold comprehensive oversight hearings annually, or at least once during each Congress, using a wide range of program and financial information.

Agencies' program performance information that will be generated under GPRA and the audited financial statements that are being developed to comply with the Government Management Reform Act should serve as the basis for these hearings, with additional information from us and from others. Such information should provide Congress with a comprehensive picture of what

In summary, Mr. Chairman, GPRA provides a legislative framework for changing the basic orientation of Federal management and accountability to a greater focus on achieving outcomes.

In recent appearances before this subcommittee, I have discussed the need for Federal agencies to make substantial improvements in their performance. GPRA, if successfully implemented, provides the framework for making these needed improvements. That concludes my prepared statement, Mr. Chairman. My colleague and I would be pleased to respond to questions.

[The prepared statement of Mr. Finch follows:]

PREPARED STATEMENT OF JOHNNY C. FINCH, ASSISTANT COMPTROLLER GENERAL, GENERAL GOVERNMENT PROGRAMS, GENERAL ACCOUNTING OFFICE

The Government Performance and Results Act (GPRA) seeks to fundamentally change the focus of federal management and accountability from a preoccupation with inputs and processes to a greater focus on the outcomes that are being achieved. A focus on outcomes—in essence, a return-on-investment in federal programs—is especially important in the current environment in which the federal government faces severe and continuing budget pressure.

GPRA establishes a legislative framework for having agencies set strategic goals, measure performance, and report on the degree to which goals were met. GPRA requires each agency to submit (1) to the Office of Management and Budget (OMB) and Congress a strategic plan by September 30, 1997, covering at least 5 years, for the agency's program activities; (2) to OMB, an annual program performance plan, beginning for fiscal year 1999; and (3) to the President and Congress, an annual program performance report, beginning in 2000, covering the previous fiscal year.

Congress recognized that implementing the changes required by GPRA would take time. Thus, GPRA's goal-setting, performance measurement, and performance reporting requirements are being piloted in a number of programs and agencies during fiscal years 1994 through 1996 before they are to be implemented government wide in September 1997.

GAO's work on GPRA implementation to date suggests that continued efforts will be needed to address five emerging challenges to the effective government wide implementation of GPRA. These emerging challenges are

—developing and sustaining top management commitment to GPRA,

—building the capacity of agencies to implement GPRA and use the resulting performance information,

—creating incentives to implement GPRA and change the focus of management and accountability,

—integrating GPRA into daily operations, and

—building a more effective congressional oversight approach.

Of these important challenges, developing and sustaining top management and congressional commitment clearly are the most important. Building capacity, creating incentives, and integrating GPRA into daily operations will be extremely difficult if top leadership in the agencies and Congress do not have an active, consistent, and continuing role in implementing GPRA and making it a success.

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the efforts that federal agencies are making in implementing the requirements of the Government Performance and Results Act (GPRA). As you know, this landmark legislation seeks to fundamentally change the focus of federal management and accountability from a preoccupation with inputs and processes to a greater focus on the outcomes that are being achieved. A focus on outcomes—in essence, a return-on-investment in federal programs—is especially important in the current environment in which the federal government faces severe and continuing budget pressure.

In our statement before this Subcommittee last week, we discussed how leading organizations use performance information to help achieve desired outcomes and improve processes.[1] My statement today will discuss our preliminary observations on the status of the implementation of GPRA—the federal government's central goal-setting and performance measurement statutory initiative. My comments are based on our initial work at the 24 major executive departments and agencies and other

[1] *Managing for Results: Critical Actions for Measuring Performance* (GAO/T-GGD/AIMD-95-187, June 20, 1995).

work we and others have done in this area. I will discuss five emerging challenges to the effective government wide implementation of GPRA. Our work and reports on leading state, foreign, and private sector management reform efforts have underscored the importance of meeting these challenges if GPRA is to be effectively implemented.[2] These five key challenges are

—developing and sustaining top management commitment to GPRA,

—building the capacity of agencies to implement GPRA and use the resulting performance information,

—creating incentives to implement GPRA and change the focus of management and accountability,

—integrating GPRA into daily operations, and

—building a more effective congressional oversight approach.

Working with this Subcommittee and other committees and subcommittees, we will continue to monitor agencies' efforts in meeting GPRA's requirements and report to Congress as required by the act.

OVERVIEW OF GPRA REQUIREMENTS

GPRA establishes a legislative framework for having agencies set strategic goals, measure performance, and report on the degree to which goals were met. GPRA requires each agency to submit to the Office of Management and Budget (OMB) and Congress a strategic plan by September 30, 1997, covering at least 5 years, for the agency's program activities. In this plan, an agency is to lay out its mission, long-term goals and objectives, and strategies for achieving those goals and objectives. To be updated at least every 3 years, the plan is to serve as the starting point and basic underpinning of the agency's goal-setting and performance measurement process.

GPRA then requires each agency to submit to OMB, beginning for fiscal year 1999, an annual program performance plan. The first plans are to be submitted in the fall of 1997. The annual performance plan is to provide the direct linkage between the long-term strategic goals outlined in the agency's strategic plan and what managers and employees do day to day. In essence, this plan is to contain annual performance goals to gauge the agency's progress toward accomplishing its longer term strategic goals and identify the performance measures the agency will use to assess its progress.

Finally, by March 31, 2000, GPRA requires that each agency submit an annual program performance report to the President and Congress covering the previous fiscal year. This report is to provide important feedback to managers, policy makers, and the public on what was actually accomplished in the agency for the resources spent. The report is to have two primary elements: (1) a discussion of actual performance achieved compared to the goals laid out in the annual performance plan and (2) actions needed to achieve unmet goals.

INITIAL GPRA IMPLEMENTATION THROUGH PILOTS

Under GPRA, OMB is to select at least 10 agencies to pilot GPRA's performance planning and reporting requirements for one or more of the agencies' major functions and operations, in fiscal years 1994 through 1996. However, as an indication of the significant support for GPRA across the federal government, 71 pilots are now under way across most major federal agencies. While 77 pilots were designated by OMB, 4 pilots have withdrawn (and 2 more are planning to do so) because they overestimated their current abilities to meet the goal-setting and performance measurement requirements of GPRA, changed the focus of the participating agency away from the original focus of the pilot, or because of other reasons, according to agency officials.[3] We will continue to review the reasons these pilots withdrew or are withdrawing.

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[2] *Managing for Results: State Experiences Provide Insights for Federal Management Reforms* (GAO/GGD-95-22, Dec. 21, 19194), *Managing for Results: Experiences Abroad Suggest Insights for Federal Management Reforms* (GAO/GGD-95-120, May 2, 1995), and *Organizational Culture: Techniques Companies Use to Perpetuate or Change Beliefs and Values* (GAO/NSIAD-92-105, Feb. 27, 1992).

[3] An initial set of 52 pilots was selected in January 1994. Since then, an additional 25 pilots have been announced. The four pilots that have withdrawn for fiscal year 1996 are the General Service Administration's Information Resources Management Service, the Merit Systems Protection Board, the National Science Foundation's Education and Training Program, and the National Archives and Records Administration. The two programs that are planning to withdraw

The 71 ongoing pilot participants range from individual programs to entire agen ies, such as the Social Security Administration, the Internal Revenue Service, anc he Defense Logistics Agency. Equally important, the pilots also cover a range o overnment activities and functions, including military operations in the Air Forc ir Combat Command in the Department of Defense; regulatory programs, such a hose conducted by the Occupational Safety and Health Administration in the De artment of Labor; intergovernmental programs, such as those conducted by the Of ice of Child Support Enforcement in the Department of Health and Human Serv ces; and businesslike functions, such as those conducted by the United States Min n the Department of the Treasury.

As required, all of the pilots submitted performance plans to OMB for fiscal year 994 and 1995. The initial set of 52 pilots selected in January 1994 also were re uired to submit their annual program performance reports to OMB by March 31 995. By mid-June 1995, 34 of these pilots had submitted their reports.[4] We ar ow reviewing these reports to determine the degree to which they follow their re pective performance plans and will provide the Subcommittee with a fuller assess nent of the plans and reports in the coming months.

In crafting GPRA, Congress recognized that managerial accountability for result s linked to managers having sufficient flexibility, discretion, and authority to ac omplish desired results. Thus, a second part of the pilot phase of GPRA is to pilo he effects of providing managers of federal programs with increased manageria lexibility in exchange for the potential of improved performance. During this phase)MB may approve waivers from certain types of nonstatutory administrative proce ural requirements for agencies. GPRA authorizes agencies to apply for manageria lexibility waivers in their annual performance plans beginning with fiscal yea 999. The nonstatutory requirements that OMB can waive under GPRA generall nvolve the allocation and use of resources, such as restrictions on shifting fund mong items within a budget account. Such items may include, for example, con ractual services and supplies, personnel compensation, personnel benefits, equip nent, land, and structures.

Under GPRA, OMB is to designate the participants for a second set of pilots t ocus on managerial accountability and flexibility for fiscal years 1995 and 1996. O hese pilots, GPRA requires that at least five agencies participate and that all o he participants be drawn from the first set of pilots working on performance plan ing and reporting. However, as of today's hearing—about three-fourths of the wa hrough fiscal year 1995—OMB had not yet designated any of the managerial ac ountability and flexibility pilots. OMB officials said that the delay is due to a num er of reasons. These reasons include priority being given to other GPRA work a)MB and the "limited" nature of the waiver nominations submitted by the agencies)MB officials said that they are concerned as to whether five worthy candidates ca e designated for the managerial flexibility pilots from the eight agencies that re uested one or more waivers.

Our discussions with officials at OMB and in agencies suggest that a number o easons may have contributed to the limited number of waiver nominations. For ex mple, officials at a couple of agencies said that they had found that constraints t nanagerial flexibility that they had confronted originated within their own agencie nd were not necessarily imposed upon them by central management agencies hus, they were able to address these issues without having to request a waiver Ve are continuing to look at the reasons that the managerial flexibility pilots ar ot progressing as envisioned by GPRA and will report to the Subcommittee on ou esults.

GPRA also calls for a third set of pilot projects. Beginning in fiscal year 1998, et of pilots are to be established to test the results of performance budgeting—link ng proposed spending with expected performance levels. OMB is to designate a east five agencies as pilots in performance budgeting for fiscal years 1998 and 1999 t least three of these pilot agencies are to be selected from the first set of pilot vorking on performance planning and reporting.

AGENCIES' EFFORTS IN PREPARING FOR EFFECTIVE GOVERNMENTWIDE IMPLEMENTATION OF GPRA

Our work suggests that because of the time needed for agencies to set strategi oals, develop outcome-oriented performance measures, and gather and use perform nce information, agency components that are not participating in the pilots never

[4] Of the 18 pilots that did not submit reports, 5 withdrew or were planning to do so. Of th emaining 13 pilots, some were still working on their reports, while others were negotiating o

theless need to begin now to prepare for government wide GPRA implementation in 1997. OMB also recognizes the long lead time needed for agencies to identify stakeholders and reach consensus on outcome-oriented goals. As a result, OMB has been strongly encouraging agencies to begin implementing GPRA requirements in their components that are not participating pilots well before 1997.

Our ongoing review of agencies' initial efforts to prepare for and implement GPRA suggests that the five emerging challenges I mentioned at the outset of my statement will need to be addressed if GPRA is to be successfully implemented government wide. Of these important challenges, developing and sustaining top management and congressional commitment clearly are the most important. Building capacity, creating incentives, and integrating GPRA into daily operations will be extremely difficult if the top leadership in an agency and Congress do not have an active, consistent, and continuing role in implementing GPRA and making it a success.

DEVELOPING AND SUSTAINING TOP MANAGEMENT COMMITMENT

Our work has shown that the active involvement of agencies' top officials in setting goals, measuring performance, and using performance information is critical because these officials are best positioned to address the multiple competing stake holder and customer demands that confront many federal programs. These officials also control the resources necessary to implement the actions that are needed to achieve agreed-upon strategic goals and objectives. As a result, strategic plans and performance measures that do not have the active support of top management will likely be of little or no value to an agency or Congress.

According to officials in most agencies, top managers appear to at least verbally support making the management changes envisioned by GPRA. In some cases, officials said that top managers' support for the strategic planning required by GPRA already has shown results. For example, officials at the departments of Energy and Education and at the National Aeronautics and Space Administration (NASA) said that strategic planning was used to make decisions about such things as priorities, allocation of scarce resources, and restructuring to achieve Energy's, Education's, and NASA's respective missions. The officials also said that their senior managers were using strategic plans and performance measurement information to respond to questions from, for example, the administration and Congress about the departments' and agency's basic missions, long-term objectives, and the major programs necessary to achieve those objectives. By ensuring clarity on an agency's mission and goals, the agency's top management can better set priorities and guide the agency during periods of downsizing and reorganization as well as during the normal course of operations.

However, sustaining that level of top management support will be a major challenge for many agencies because of the generally high turnover rate among political appointees. We have found that the median tenure of top political appointees in large agencies is about 2 years. We also have found that some positions are vacant longer than they are filled.[5] Officials at a couple of agencies said that turnover among political appointees has hindered past long-term planning efforts. In fact, turnover among the political leadership already has begun to affect the implementation of GPRA during the pilot phase. For example, according to a Department of Labor official, disruption from political turnover at the Department contributed to the late submission of the Department's fiscal year 1994 GPRA pilot performance reports.

Turnover among political appointees is not the only problem. Another problem is getting the top management that is in place actively involved in implementing GPRA. For example, an official at the Federal Emergency Management Agency (FEMA) said that while senior management officials appeared to support the principles of planning and performance measurement, some of these officials were not actively involved in developing the goals and performance measures for the fiscal year 1995 GPRA pilot performance plan. As a result, some managers did not agree with the measures that were developed, and therefore some of the measures were not being implemented. Since that time, according to the FEMA official, FEMA has started to build better support and more active involvement in implementing GPRA among its senior leadership. As a result, performance measures in FEMA's current pilot performance plan have a greater chance of being fully implemented, according to this official.

[5] *Political Appointees: Turnover Rates in Executive Schedule Positions Requiring Senate Confirmation* (GAO/GGD-94-115FS, Apr. 21, 1994).

GPRA, with its statutory planning and reporting requirements, provides at least e possibility that the commitment of agencies' top management to it will be sus- ined across the tenures of various political appointees. But, for this to happen ɔst effectively, top career officials must join with political appointees in assuming leadership role in implementing GPRA. A committed career leadership can help sure that the goal-setting and performance measurement processes encompassed GPRA will have some continuity even with political turnover.

BUILDING CAPACITY TO IMPLEMENT GPRA AND USE PERFORMANCE INFORMATION

One of the most important areas in which top management can clearly dem- strate commitment to GPRA is by ensuring that their agencies have the capacity make the needed changes and effectively manage toward achieving desired out- mes. In our testimony before this Subcommittee last week and in numerous other ports and testimonies, we have noted that urgent attention is needed to strength- the systems and processes agencies have for generating and using financial and ogram information.[6] This information is critical for sound decision making. Equal- important is the government's need to build the knowledge and skills of its man- ement and staff in setting goals, measuring performance, and using performance formation to improve performance.[7] The Office of Personnel Management (OPM) timated in 1993 that there were more than 300,000 managers in the federal gov- nment who would need to be trained in GPRA.

Our work has shown that one area sorely in need of capacity building is the abil- of agencies to conduct systematic program evaluation.[8] Performance information ovides valuable data on the degree to which an outcome has been attained, but does not identify the extent to which an agency's actions caused an outcome to cur. Program evaluation is critical for agencies to determine the reason their goals e or are not being met and the actions needed to meet unmet goals.

Our review of leading state and foreign governments found that they recognized e need to develop their expertise in a variety of areas as they implemented their anagement reforms.[9] These areas include performance measurement, the use of rformance information, and program evaluation. The governments found that encies needed several years of experience before they felt comfortable with meas- ing their performance correctly and using performance information effectively. milarly, our review of successful private sector organizations has shown that aining and capacity building were critical to the success of their efforts.[10] As a re- lt, these successful governments and private organizations made substantial in- stments in providing training to staff at all levels in their organizations, from the p management to the line staff who implemented programs on a day-to-day basis. In Australia, for example, the government spends about 5 percent of its public rvice personnel budget on training, according to a recent report by Dr. Donald F. ettl for the Brookings Institution's Center for Public Management.[11] In contrast, e U.S. federal government invested only about 1.3 percent of its personnel budget training in fiscal year 1991, according to Dr. Kettl.

It seems reasonable to assume that in the current environment of severe resource nstraints, maintaining existing federal training budgets will be a formidable chal- nge for many agencies and that major increases in federal training budgets are ɔt likely. Thus, agencies will need to seek new, creative, and less costly ways to uild their capacities to implement GPRA and to use the resulting performance in- rmation to improve their programs. According to agency officials, several agencies ave provided orientations on GPRA to senior managers and select groups within e agency. In some cases, such as the departments of Health and Human Services d the Interior, in-house coordinators are leading training efforts and serving as entors on GPRA. However, most agencies have not yet developed or implemented agency wide training strategy that identifies who needs to be trained, on what,

[6] *Managing for Results: Steps for Strengthening Federal Management* (GAO/T-GGD/AIMD-95-58, May 9, 1995) and GAO/T-GGD/AIMD-95-187, June 20, 1995. Also see our reports and testimonies included in footnotes and the Related GAO Products section of this statement.

[7] GPRA requires OPM, in consultation with the Director of OMB and the Comptroller General the United States, to develop a strategic planning and performance measurement training mponent for its management training program and otherwise provide managers with an ori- tation on the development and use of strategic planning and program performance measure- ent. At the request of OPM, we provided assistance in the development of its GPRA training urse and continue to provide support to its training efforts.

[8] *Program Evaluation Issues* (GAO/OCG-93-6TR, Dec. 1992).

[9] GAO/GGD-95-22, December 21, 1994, and GAO/GGD-95-120, May 2, 1995.

[10] GAO/NSIAD-92-105, February 27, 1992.

[11] Dr. Donald F. Kettl, *Reinventing Government? Appraising the National Performance Review,* he Brookings Institution, Center for Public Management, Washington, D.C., August 19, 1994.

how, and when. The absence of training and capacity-building strategies in many agencies is a source of some concern because of the size and scope of the training and capacity-building effort that appear needed.

CREATIVE INCENTIVES TO IMPLEMENT GPRA AND ENCOURAGE A FOCUS ON RESULTS

The federal government presently has a mixed system of incentives that does not necessarily encourage agencies to set ambitious, outcome-oriented goals and measure and report performance accurately. In public organizations, the use of performance measurements and reporting can result in sharpened public criticism, over-emphasis on inputs and processes, and reductions in dollar and staffing authorizations. This too often leads federal mangers to focus on ensuring that their programs rigidly adhere to prescribed processes, at the expense of focusing on outcomes. However, Congress recognized in passing GPRA that managerial flexibility and authority are important to identifying innovative ways to "do more with less". To better achieve congressional intent, the federal government will need to create internal and external incentives that encourage and reinforce a focus on outcomes.

Officials in a number of federal agencies said that one of the single most important incentives to changing behavior in their agencies so that managers and staff focus more on achieving desired outcomes will be the degree to which top leadership actively demonstrates its support for such change. Our work has shown that when top officials publicly focus on strategic goals, demand outcome-oriented information, and make decisions guided by that information, this sends a clear message throughout an agency that it is not doing business as usual. As I will discuss in a moment, Congress has an equally important role in instilling a focus on outcomes in federal agencies.

In our statement before this Subcommittee last week, we noted that our work has shown that there is as yet no consensus on the best approach for holding individuals accountable for results. While a focus on outcomes is critical for assessing the overall worth of an effort, line managers and staff understandably may be reluctant to commit to achieving outcomes that they do not totally control for fear that negative performance information will be used against them. Our work has shown that leading state and foreign governments—that in some cases have been seeking to make their governments more outcome-focused for a decade or more—continue to grapple with these same issues.

GPRA's intent to focus management and accountability on outcomes, coupled with the significant downsizing taking place across the federal government, may require a fundamental rethinking of how the public service system should operate. To help address this challenge, we recently convened a 2-day symposium of 32 officials leading organizations in the private sector and from federal, state, local, and foreign governments. The connection between effectively managing staff and implementing GPRA was noted at the symposium. At the request of Congress, we are using the results of that symposium to develop a framework of key principles that could be considered as a starting point for discussing changes to the public service.

INTEGRATING GPRA INTO DAILY OPERATIONS

Our work has shown that if planning and performance measurement are going to provide information that is both useful and used, they must be integrated with daily operations in the agencies. In our statement before this Subcommittee last week, we noted that even the best performance information is of limited value if it is not used to identify performance gaps, set improvement targets, and improve results. Our work on leading organizations in the private sector and in state and foreign governments has shown that these organizations recognize that it is not enough just to measure outcomes. Such organizations recognize that they also need to continuously assess their core processes that contribute to achieving their desired outcomes.

Our work reviewing goal-setting and performance measurement efforts in the federal government suggests that most federal agencies still have a long way to go before they will be able to identify and use outcome information as intended by GPRA. For example, officials at federal research agencies, including the Department of Energy and NASA, said that it is difficult to develop meaningful measures for basic research programs whose outcomes may not be achieved for more than 20 years. Officials at many agencies believe it will take several years of experience in developing performance measures and collecting and using performance information before the agencies are comfortable that their measures are useful for assessing the progress made toward achieving their long-term outcomes.

In addition, the experiences of FEMA provide an example of how agencies will

red outcomes. One of FEMA's desired outcomes is to help individuals and commu-
ties recover from natural disasters. During the mid western floods in 1993, FEMA
scovered that many of the victims did not have flood insurance. The lack of flood
surance meant that most flood victims had to rely on taxpayer-supported federal
saster assistance funds, which were not intended to cover all losses from the
ods. According to FEMA, its average individual family grant in the mid western
ods was between $2,000 and $3,000, and its maximum individual family grant
as $11,900. The maximum amount of Small Business Administration loans were
.5 million for businesses and for individuals, $100,000 for real property, and
0,000 for personal property. Further, disaster loan recipients had to repay those
ans with interest, on top of their existing mortgages. However, for those who were
sured through the self supporting National Flood Insurance Program, the average
od insurance claim paid was about $25,000—more than double the amount of
EMA's maximum disaster grant. As a result of this experience, FEMA launched
effort to increase the number of flood insurance policyholders—a program area
at had not been a traditional focus but that is now understood as being important
achieving FEMA's desired outcome of helping individuals and communities re-
ver from natural disasters while at the same time reducing the cost of that assist-
ce.

OMB's review of the pilots' initial set of performance plans underscored the
nount of progress that agencies will need to make before the goal-setting and per-
rmance measurement requirements of GPRA can be used to drive daily operations
the federal government. OMB found that in about 20 percent of the performance
ans, the goals and measures were not precise enough to be useful in management
budgeting. For example, OMB noted that some agencies' performance goals
cked the numerical values and baselines that will be important for the agencies
assess performance and target those areas most in need of improvement.

BUILDING A MORE EFFECTIVE CONGRESSIONAL OVERSIGHT APPROACH

Congress, as a prime user of performance and financial information, has a major
ake in ensuring that GPRA is effectively implemented. This is especially true if
rformance information developed under GPRA is to be used to inform resource al-
cation decisions, as is intended by the act. OMB has sought to expand the amount
d prominence of performance information in helping to guide executive branch
dget decisions. This effort is serving as a major impetus to accelerate agencies'
RA efforts. However, our work at several states regarded as leaders in using per-
rmance information in their executive-legislative budget process suggests that de-
loping performance measures that are credible enough to influence executive and
gislative budget decisions will be a significant challenge.[12]

As a result, agencies' GPRA efforts will be further reinforced if Congress too
ows a knowledgeable interest in performance information in its oversight of agen-
s and their budgets. This hearing, as the first congressional oversight hearing to
us exclusively on the status of GPRA implementation, is an important step in re-
forcing to the agencies the importance that Congress places on setting outcome-
ented goals, measuring performance, and using performance for decision making
countability.

Congress needs to take more steps in this regard. One key step to sharpening
encies' focus on outcomes would be for congressional committees of jurisdiction to
ld comprehensive oversight hearings—annually or at least once during each Con-
ess—using a wide range of program and financial information. Agencies' program
rformance information that will be generated under GPRA and the audited finan-
l statements that are being developed to comply with the Government Manage-
ent Reform Act should serve as the basis for these hearings, with additional infor-
ation from GAO and other congressional agencies, the Inspectors General, and
encies' own program evaluations and audits. The information should provide Con-
ess with a comprehensive picture of what each agency is achieving and at what
st.

In summary, Mr. Chairman, GPRA provides a legislative framework for changing
e basic orientation of federal management and accountability to a greater focus
achieving outcomes. But to be successful, GPRA will require that top officials in
deral agencies assume personal leadership for its implementation. Agencies will
so need to build capacity and provide incentives for focusing on results and to inte-
ate GPRA into their daily operations. In recent appearances before this Sub-
mmittee, I have discussed the need for federal agencies to make substantial im-

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

ovements in their performance. GPRA, if successfully implemented, provides the ımework for making these needed improvements.

This concludes my prepared statement, Mr. Chairman. My colleagues and I would pleased to answer any questions.

Mr. HORN. Thank you very much. That's a very helpful statee-ent. Let me get to the training for a minute. I take it you feel uch more should be done than has been done. What type of train-g are we talking about? And does OPM or OMB or the executive 'anch, generally, have the capability to deliver that type of train-g? What type of training are we talking about?

Mr. FINCH. Well, training is a very important issue, Mr. Chair-an, as you recognized and as you indicated in your questions to r. Koskinen, the leading witness. We've discussed some of the is-ıes about training in other hearings in your series of nine hear-gs. For example, in I think it was probably the second hearing, e talked about the need to really develop the knowledge and skills ıd abilities of agencies, and to develop their information tech-ılogy abilities in both financial and programmatic information.

So that's an area in which training is needed. Training is also ›eded in terms of setting performance goals, and establishing per-rmance measures. More training is needed in helping agencies ıderstand how to take that performance information and decide ›w to improve their performance. In other words, the performance formation will tell you how well you did. But it won't necessarily ll you the cause-effect relationship between what you did and ›w well you did.

So there's a real need for training in program evaluation as well.

Mr. HORN. Now, as you and I know, this Government, over the st 30 years, has gone through various versions of program eval-ıtion.

Mr. FINCH. Yes.

Mr. HORN. Do you feel somewhere in the Government we have ›ople that could really explain some success stories; what made .em a success story; what types of particular training was essen-ıl to that success story? Do we have that capability? I mean, has ›mebody got the success story where they delivered the training, at the end of it, they at least knew what training they needed? And have we captured that to be used during a pilot program or ıy program? Do you know of one? If so, what is it; where is it?

Mr. FINCH. Where's the secret key?

Mr. HORN. Right.

Mr. FINCH. I think there are some instructive examples that can › learned from the foreign governments that we looked at.

Mr. HORN. Right.

Mr. FINCH. And we've issued a report in that regard. Experiences ›road suggest some insights. And if you don't have a copy of that, r, we'd be glad to submit one for the record. We've also got State :periences that provide some insights. And there have been some ›od examples in the State sector of that kind of thing. We've also ›t some indication from the private sector, as well. And we've is-ıed a product in that regard, about their recognition of the need r training and how they brought that——

Mr. HORN. Well, shouldn't we take some of those people from Or-;on, North Carolina, Minnesota, as well as the private sector, that

have success stories, and use them as the trainers? I mean, they've been through it. We know it's accomplished something; or at least they're far enough along and it looks like they're on the right track. Has OPM done that, to your knowledge?

Has OMB brought in those people? That's the kind of thing a Brookings would do or other groups that bring people together to solve a problem. Does the Federal Government do it?

Mr. FINCH. The Federal Government does it, sir, probably not to the extent that it should do it. To toot GAO's horn a bit if I might, we just did such a thing. We hosted a symposium on building the workforce of the future. And in that symposium, we had leading organizations both from States, we had foreign governments, and we had private sector organizations—some of the leading organizations in the private sector.

And we talked about those very kind of issues, such as rightsizing the Federal workforce. I mean, what is the right size? How do you go about establishing workforce capacity?

Mr. HORN. Sure.

Mr. FINCH. Decentralizing, streamlining issues, ensuring accountability, and the point that you're getting at—creating high performance workplaces. We have provided support to OPM in terms of developing some of their training.

Mr. HORN. At this point, without objection, the executive summary of the first studies you mentioned and the complete work will be included in the record at this point.

[NOTE.—Due to high printing costs, the information referred to above may be found in subcommittee files.]

Mr. FINCH. Good, good. And we continue to provide support to OPM's training. Chris has actively participated in those sessions, and I'll let him discuss whether or not those sessions included some of the other players that you're talking about.

Mr. HORN. I agree with you. I've been through this in several incarnations, and it seems to me what we learn is very important so we don't have others replicate the mistakes we also make. Information technology and how you relate that is, of course, key. But first, you've got to think through the basic goals; what are the best ways to measure them; then what kind of study apparatus are you going to have to come up with that measurement.

I think that one thing, above all, that's important, is to overcome the climate of fear that often gets into an agency when a lot of change is underway. How do we work with those problems to get employees to contribute positively or negatively, for that matter—that's often a help, too, if you can deal with it. But not just be immobilized by constantly worrying, my heavens, are they going to take 10,000 out of this agency of 50,000, or what's their hidden motive, and all the rest you go through.

It seems to me we have a lot of work to do in that area if we're going to be successful. That's why I'm fishing for getting people that have lived through this, seen where they've made mistakes—we all do, and could we avoid some of those or at least minimize them.

Mr. FINCH. I think you're right on target, Mr. Chairman.

Mr. HORN. Yes, but where do we get those hands? Are they not in those publications GAO has put out? That's where the people that have had the experience are, reflected in those projects.

Mr. FINCH. That's right.

Mr. HORN. We need to put them to work. The Coast Guard is going to testify. The Air Force is going to testify. They've obviously been through some of this.

Mr. FINCH. They have.

Mr. HORN. We ought to be reaching out to grab them to share some of their experiences.

Mr. FINCH. Right. I agree.

Mr. HORN. I think it's something we need to face up to.

Mr. FINCH. I think we're in total agreement, sir. I wait for the next question.

Mr. HORN. Yes, well, let me get the next question out of my colleague from Pennsylvania. I yield 5 minutes to the gentleman from Pennsylvania.

Mr. MASCARA. Thank you very much, Mr. Chairman. I asked a question of Mr. Koskinen about the effects of the budget cuts on morale of Federal managers and employees. And at the same time we are wrestling with the—what I believe, anyway, is we're asking these people to demonstrate creativity and leadership in implementing GPRA. In that context, it wasn't necessarily reassuring to see that the Merit Systems Protection Board was one of the handful of agencies to withdraw from the initial pilot program.

And I think I sort of asked that question, too, about these people with John. Can you elaborate on why these people would withdraw?

Mr. FINCH. I really can't add much to what Mr. Koskinen said, Mr. Mascara, not at the moment, at least. We've just begun to look at that issue. And quite frankly, the preliminary information that we have, that OMB told us, is pretty much what Mr. Koskinen said, both in his statement and in his response. We are going to be looking at that issue in more depth.

And as soon as we get more results, we will be happy to share those results with you, as to the reasons for those people withdrawing.

Mr. MASCARA. I see. How do you compensate, in evaluating the success of performance measurements, for the effects of external factors over which the government has no control, but which can nonetheless affect the outcomes of programs? Are there some uniform factors to keep in mind?

Mr. FINCH. Well, I think you're probably talking about instances where you have multiple stakeholders involved. And that truly poses one of the most difficult challenges to implementing GPRA or any kind of performance measuring and goal-setting exercise.

The key principle, I think, to get at that answer, sir—and it's easy to say, it's much harder to do—is that you have to have involvement of all of the stakeholders in terms of reaching agreement and trying to get consensus on those points that the chairman mentioned earlier, and that Mr. Koskinen mentioned as well.

That is, what's the purpose? What is it that we're trying to do? How are we going to know when we get there what are our measures? Then, how well are we doing and how do we need to change

hat? If you can get involvement of all of the stakeholders in there, ou can get all of those things more properly developed. You can et the outcomes much more targeted.

Both the measures and the goals will be useful to a much wider ange of people. And I think that's key as well. If the goals and neasures are user friendly, and if people find them useful in mangging, they will accept them. They will come a lot nearer accepting hem. So I think if there's one key thing there, it's getting as many takeholders as possible involved in the development of the goals.

Oregon is a good example in that regard. Oregon has set what t calls Oregon Benchmarks. And they did it through a series of 12 egional meetings where they got bipartisan discussion from busiess, city, county, and community and State legislatures in reachng agreement on the benchmarks. That's the kind of exercise that 'm talking about.

Mr. MASCARA. OK. OPM was to select 10 pilot programs to test erformance planning plus reporting requirements. However, 71 piots are now underway. Is that too many? Can OMB effectively nonitor that many agencies simultaneously?

Mr. FINCH. I don't know how many is too many and how many s too little, sir. I guess where I would come from, at this point in ime, the more the better. I think all of the experiences from the tates and from abroad and from the private sector indicate that his is a worthwhile exercise. It's something that needs to be done. nd to the extent that we can move the government in that direcion, that has merit; and we should do that.

But it also takes time to do it. And I think this is one of the lesons that OMB has discovered from looking at the pilots that it has nderway. That the rest of the government can't wait until the piots get straightened out. The other agencies need to start moving n that direction as well. So I guess given that, I would say that is not too many, sir.

Mr. MASCARA. I'm going to say this in a different way. I think said it earlier, and I don't know whether you were here or not hen I asked the question. You said in your testimony, it's imporant to develop and sustain top management's commitment to PRA. How are we going to do that in the current environment here the main concern is the survival of an agency?

I mean, we're contracting out services, investigations, and we're oing all kinds of things and privatizing, contracting out. How do hese people concentrate on how they're going to improve things hen any morning, they might be blindsided? It seems like there's lot of things on the plate at the same time. How do we sift hrough all of this?

You get up in the morning; you go to work; you don't really know hat's happening—whether your job is going to be eliminated or ontracted out or you're going to be asked to participate in an SOP. I mean, how do you measure performance when all of this s going on at one time? I'm a little bewildered. I'm new on Capitol Hill.

You'll pardon me for asking, maybe, a question that might not e appropriate, but I've learned a lot in 6 months, and it seems to e that there's a lot of divisiveness here on Capitol Hill. There are lot of threats of people being fired, or their jobs being eliminated,

or being asked to join some group and buy out a Government service that they came to work every morning, they planned on being here until retirement.

And all of a sudden, we have all of these people running around trying to figure out what's going on. How do we do that and then do this GPRA?

Mr. FINCH. There's an old Chinese saying, sir. It goes something to the effect of, may you always live in interesting times. And these truly are interesting times. And I think you're absolutely right in terms of all the concern that exists in terms of the downsizing and all of those kinds of issues. They are counterincentives. And I think the question that you really asked me centered on, how do you create incentives to implement GPRA and focus on results?

I will echo what Mr. Koskinen said about the quality and the work ethic of the Federal workforce. In my position in GAO, I have seen a number of agencies—most agencies across the Federal sector, and invariably, I'm impressed with the Federal workforce. But there are some counterincentives that exist in the way the government goes about its oversight and the way managers look at their processes that are underneath them.

Use of public reporting increases public scrutiny and in the public arena, it can result in more public criticism. It can result in overemphasis on inputs and processes, and it can result in some very real perks in terms of reduction in dollars and reduction in people. And if managers tend to focus on these kinds of things, they tend to drive other managers in that direction, and really focused on inputs and processes as opposed to being focused on outcomes.

The best way that I know how to create incentives, or the best answer I can give you, sir, is that top management both the political appointees, the career employees, and Congress as well—can create incentives for agencies and agency people to really focus on implementing GPRA by they themselves focusing on results and demonstrating supportive behavior.

And to the extent that managers such as the Congress and political appointees and top managers publicly focus on outcome goals, demand outcome oriented information and use it in decisionmaking, I think that sends a real message to the staff and the rest of the Federal workforce.

Mr. MASCARA. I'd just like to say for the record that in my former life, I was an accountant. I like all of my ducks in order. Some people on Capitol Hill get upset because I know how to add. And somehow I get the impression that we make some political points if we get there first. You know, how much can we decimate this Government; how much can we tear it apart and end up with a shell, all in the name of what looks good back home.

My voters back home will say, "Gee, Frank participated in decimating that Federal Government agency; we didn't need them in the first place." They wake up the next morning and find out they really did need it. And what concerns me is—and I spoke of the ducks being in order—that we make sure that what we're doing is right; that we think it through; that it's in the best interest of this Government; that it's in the best interest of the employee; that

somehow we're not being insensitive to those people who made commitments.

And I don't want to sit up here and preach about the employees. I think all the employees in this Government know what I stand for. I stand for fairness. So it concerns me that we're just diving in and everyone's trying to make a point—"I've saved this, I'm going to save that." And I just know I don't think we can measure what we want to measure, given the circumstances that exist currently on Capitol Hill. Thank you, Mr. Chairman.

Mr. HORN. I thank you. I've got two concluding questions. We have the second stage pilot projects. I take it not too many of those were approved. Did you have a chance to review those? And what's your feeling, should they have been approved or shouldn't they?

Mr. FINCH. We've just begun to look at that, sir, and basically, we can't add much more right now than what Mr. Koskinen mentioned to you both in his prepared statement and in his responses and his dialog with you in the Q & As. We are continuing to look at that, and we will be glad to share with you our results as we get further into it.

Mr. HORN. Very good. I've got the June 26, 1995 issue of Federal Computer Week. There's an interesting article by Bureaucratis, a former Federal employee. It's a very interesting article. The headline reads "GAO Report on Federal Improvement Misses Mark." I'll just excerpt a few things, then we'll have a dialog on it.

He notes that there's a long series of GAO reports, and he quotes the one recently given to our particular full committee. He talks about developing more precise program and business goals, improving operational effectiveness, strengthening financial management, building the capacity of the Federal workforce to more effectively and efficiently managing growth.

I'll get down to the nub of it. Since we've passed a number of laws, and we all know them, we're talking about the Government Performance and Results Act, the Chief Financial Officer's Act and we've held some annual hearings in previous Congresses on that, the Government Management Reform Act, and the reauthorization of the Paperwork Reduction Act.

This point is made by the author, a retired Federal employee who is a regular contributor to Federal Computer Week. He says, "When will Congress and GAO wake up to the fact that you can't legislate good management? Good management exists in an environment where managers have an incentive to manage well. For example, nice bonuses and good pay if you succeed, or look for another job if you fail."

With respect to GPRA, GAO concedes that most agencies and departments have difficulty "setting goals and using performance information to make substantial improvement in agencies' effectiveness to guide resource allocation decision." The author then says, "No kidding. Who said it was going to be easy? However, GAO isn't daunted by this fact. Now GAO is going to provide agencies with a methodology to help them with GPRA."

And then it goes into where GAO is right on a number of things, such as efficient, modern operation; and what it's getting at, inept government. Then he raises the question, Why can't the Federal Government match the accomplishments that have occurred in the

private sector in some areas? Then he discusses that a little further, and I find these paragraphs rather interesting.

"According to GAO, the critical factor for success in this and similar strategic information management projects is stronger leadership and personal commitments from government's top executives." You noted in your testimony that the problem with political executives is, especially at the assistant secretary or implementing level, that they often last not more than 2 years, on the average.

Under secretaries, as I remember, for the last 30 or 40 years, usually last about 2½ to 3½ years. Cabinet officers are lucky if they make it for four. Some do make it for eight, which ups the average.

The author goes on to say, "How are we going to get that, when top executives only stay in the government an average of 2 years?""

In its report, GAO also addressed its favorite topic: the need for better financial systems. "Better financial systems would certainly help the government control its operations better. But once again, the answer isn't legislation; the answer is people. Somebody ought to put up a sign in the Controller General's office that says, 'You can't legislate good management, stupid.'

"The most laughable section of the GAO report," says Bureaucratis, "is the recommendation for continued oversight by congressional committee. We don't need more oversight. A better reward and punishment system is what the Federal Government needs. If Congress is not prepared to institute such a system, it should not be surprised by the mediocre results derived from the current system.

"One way to reinvent government is to reward managers handsomely for achieving results, and fire those who fail. Try that, and you'll find the Federal Government can perform just as well as the private sector."

Do you have a reaction to that suggestion?

Mr. FINCH. Well, I look forward to reading that article, Mr. Chairman.

Mr. HORN. We're going to put the article in this hearing record, without objection, in full.

[Note.—The article entitled, "GAO Report on Federal Improvement Misses Mark," Federal Computer Week, pg. 31, 34, can be found in subcommittee files.]

Mr. HORN. I wondered if you were going to stop at a woodcarver on the way back and say, "Mr. Bowsher, here's your new sign."

Mr. FINCH. Is there any particular part of that you'd like to pursue?

Mr. HORN. In that vast reservoir of ideas that is contained in the walls of the General Accounting Office, over the years, frankly I have forgotten or it's escaped me, has GAO ever come up with an examination of the Federal Government's personnel system and said, wait a minute, we ought to have some incentive plans to encourage management, and we ought to have ways of getting rid of managers?

I realize it's one thing to get rid of the rank and file here, no matter how incompetent a few might be, and that's partly poor management. I've found that you can get rid of the rank and file if you put your mind to it and are willing to take the heat. Then

people start getting the signals. But the question is, how do we get rid of bad managers? And how do we keep the good ones?

Mr. FINCH. Well, those are very cogent issues, and very substantive issues. And I think we have done some things over the years in that regard. I think we are really moving that way now, with the symposium that I talked about. And I think managerial flexibility is truly an issue. This is something that the foreign governments have demonstrated that——

Mr. HORN. We had testimony that, in essence, the minister who is equivalent of Alan Greenspan, when he holds inflation to 2 percent, gets a very substantial increase in salary. And he's paid about what the President of the United States is paid for that feat.

Mr. FINCH. And that's a good incentive.

Mr. HORN. Yes. Let's face it, it's a cheap payment if you have a few people that can hold down inflation just by their actions.

Mr. FINCH. I agree. And I think GAO does support those issues in management flexibility. They do support the issue of incentives. And I think we do need better incentives than we've had. And I think GPRA really provides, for the first time, a legislative framework that will enable GAO and the Congress and the Federal agencies to really try to get more science into management in the Federal Government.

Mr. HORN. Yes. But I think you'd agree, that we also need some incentive plans, and that goes against the grain that one is supposed to sacrifice when one serves in the public service. You have all the pressures, in a sense, against good management. You have pressures of people in Congress against good management, just as in a public university, you have pressure on lay members of the board of trustees appointed by Governors to be the prairie populist and say, well, you can't reward good management.

I found when we did change that system, it was the major step that enabled us to pull off reform, if you will. Because you had broad ranges of people, and talk about affirmative action—it could go from the $30,000 job, supervisor of janitors, to the $100,000 dean. They could work their way up, go off, get an education, so forth, so on.

It gave us flexibility to reward the people who were accomplishing the goals. Now, there's nothing in it for all these people to go through the hard work, except personal satisfaction. But private industry, and I realize money isn't everything, private industry certainly would reward those that pull off the successes. Yet we don't. And the question is, shouldn't we?

Mr. FINCH. Yes.

Mr. HORN. And is that an official position of GAO?

Mr. FINCH. Yes.

Mr. HORN. It's always good to have you here, Mr. Finch, and Mr. Mihm. Thank you for coming. We're going to have to break for a vote now. When we come back, we'll begin with Professor Light and President Fosler of the National Academy of Public Administration. Hopefully, we can make it back in 15 minutes.

Mr. FINCH. Thank you, Mr. Chairman.

Mr. HORN. Thank you, Mr. Finch.

[Recess.]

Mr. HORN. If you all will stand and raise your right hands, I'll swear you in.

[Witnesses sworn.]

Mr. HORN. Let us begin with Professor Light, who is now director of the public policy program for the PEW Charitable Trust in Philadelphia, PA. I might say, Professor Light, I've had the pleasure of reading your excellent work. I commend it to all intelligent people in this audience who want to learn about government. It validates all of my instincts for the last 35 years, and I'm glad to have some solid scholarship behind my instincts.

I hope, in your testimony, that you will get into some of your major concepts. I do intend to put various charts out of your fine work into the record. Your classic on the growth of titles, in particular, should be forever implanted in the records of the Congress.

A hundred years from now, I want to see what a similar chart looks like. Hopefully, it will be simpler.

STATEMENTS OF PAUL C. LIGHT, DIRECTOR, PUBLIC POLICY PROGRAM, THE PEW CHARITABLE TRUSTS; AND R. SCOTT FOSLER, PRESIDENT, NATIONAL ACADEMY OF PUBLIC ADMINISTRATION, ACCOMPANIED BY CHRIS WYE, DIRECTOR, PROGRAM ON IMPROVING GOVERNMENT PERFORMANCE, NATIONAL ACADEMY OF PUBLIC ADMINISTRATION

Mr. LIGHT. Well, it's a book that makes a great Christmas gift as well, I'll tell you. My last book on the Federal Inspectors General came out 2 years ago. And I was in Boston last October for a speech, and I went into a store titled, Books for a Buck, and I saw the book on a remainder table—make us an offer. So it's good to have that kind of endorsement; I hope people take your advice.

Mr. HORN. My books, too, have been on the remainder table.

Mr. LIGHT. I'm delighted to be here. I worked over here in the House on Barber Conable's staff almost 15 years ago, on Social Security reform, and I had come back here, once I had gone to the Senate with Senator Glenn, several times for conferences between Governmental Affairs and Government Ops.

Last time I was here for a conference, it was on the elevation of the Veterans Administration to Cabinet status, so I have to declare at the beginning that I've played my small share in the thickening of government.

As VA went up to Cabinet status, we added several new layers of management. And of course, in elevating VA, we thickened the Cabinet and added another seat at the Cabinet table for the President. I'll start out ever so briefly today—I have a statement to submit for the record—talking a bit about accountability, and then I'll talk a bit about thickening, which is the process, over the past 50 years, of adding both layers and width to the Federal organizational hierarchy.

Basically, on the accountability question, we have three options in designing accountability systems for any organization, whether public or private. And this goes to some of the questions raised by the chair in the earlier segments of this hearing. The first is a compliance based accountability in which we write careful rules and prescribe behavior, and then monitor closely and enforce to a set of very detailed rules through a rather structured hierarchy.

The second type of accountability is what we call a capacity based accountability, in which we invest heavily in the capacity of the workforce through training and technologies to do the job, and give them relative freedom to accomplish the goals that they've taken on, the missions of their programs; but basically imbue them with the skills and motivation to do their jobs—give them the capacity to do their work.

The third type of accountability is a performance based accountability, which resides in providing incentives and disincentives for certain activities, and establishing an accountability based on outcomes. Now, most of the people who have testified here today, and in fact all of us, I think, endorse the concept of a performance based accountability, especially in an era of tight budgets.

We cannot afford the kind of heavy command and control accountability systems that we currently have in the Federal Government. And therefore, we're drawn to a performance accountability system, many of us are, as a way to both trim the cost of the Federal Government and assure that resources are going down to the delivery level, where the services actually are provided.

The problem in these three types of accountability is that they're not necessarily compatible. And the chairman goes to the heart of this when he asks, well, what are the incentives in the civil service system for an accountability system based on outcomes?

And the answer is that the civil service system that we currently use is based on a compliance model of accountability, and is not compatible with many of the performance goals imbedded in the Government Performance and Results Act.

In other words, compliance accountability systems are not necessarily compatible with performance or outcome based accountability systems. In fact, I would liken the current effort to wed compliance accountability to performance accountability as rather like getting Princess Di and Prince Charles back together.

It's extraordinarily difficult to achieve a performance based accountability, when you're still operating with heavy command and control accountability systems of the type we currently have in the Federal Government.

Now, let me briefly go on to the issue of the thickening of government, because that is one example of where we're trying to force a performance based accountability system on a Federal hierarchy that is extraordinarily resistant to allowing individual agencies the freedom and flexibilities needed to achieve performance.

This research that you referenced earlier, this book that I've written, is titled, Thickening Government. And it was published by the Brookings Institute and the Governance Institute earlier this year.

The basic concept of thickening is an effort to measure both the width and the height of the Federal hierarchy. And I'd say, right off the bat, that we have four simple findings that we can briefly reference. No. 1 is that we found, over the last 50 years, that the tendency of agencies to thicken, that is, to add both layers of management and to widen those layers with new occupants or new units, is nearly inexorable.

We find very few examples of thinning of agencies. It's just a fact of life that agencies thicken, just as human beings do, I suppose,

over time. We all thicken to a certain extent. The second finding of this research was that this thickening has changed the basic shape of government. And I'd ask you to think of some basic geometric shapes here. Back in the 1950's, the Federal Government was shaped rather like a pyramid. By the 1970's, it was becoming pentagonal in shape.

And according to my projections—and they're rather tongue in cheek—by the year 2020, the Federal Government, as a hierarchy, will be shaped like a circle, with one last poor Federal employee at the bottom, delivering services and horde upon horde upon horde of managers who are overseeing those services and the contracts of third party providers and the non-profit and private contractor communities.

The third finding is that thickening tends to occur under all conditions, whether there are Democrats in the White House or Republicans; whether the Congress is controlled by Democrats or Republicans; whether the department is new or old; whether there's being a push in government to reduce it. It is extraordinarily difficult to attack.

It's rather like kudzu, which is, of course, a growth familiar here in this part of the country. You continue to try to mow it down, but it's very difficult to get rid of, and it tends to grow back.

The fourth finding of our research is that departments and agencies of government, despite all the rhetoric these days of the need to devolve responsibility and decentralize authority to agencies, we found that departments and agencies don't do very well at all when given authority to determine their own shape.

It's just a fact of life that if you give departments the ability to do all of their position management in house without any strong oversight, they tend to thicken even more so than if you have tight OMB or congressional oversight. In other words, we should assume—all of us here—as we think about hierarchy that it is safe to believe that thickening will occur, absent an increase in the price of each new layer or each new management unit.

Now, there are two challenges as we confront the thickening of Government. No. 1 is how do we lose the weight that has accumulated over the years. And second, how do we keep it off. I think that the chairman will agree that the political price of eliminating departments or reducing thickness of the Federal hierarchy is quite high. Therefore, once we take the weight off, whether it's through a fad diet or through careful exercise, we want to make sure that 5 or 10 years out in the future, it doesn't come back.

And I think that's a very difficult problem in the current structure of incentives. The civil service system, with its built in tendencies, the way we monitor and oversee departments and agencies, all tend to create an environment in which we pay a very low price for the thickening of hierarchy. Let me just offer four brief ideas on how you lose weight.

I do not believe, for example, that the best way to lose weight, or to thin the Federal hierarchy, is through an across the board or body count approach to eliminating departments, or a rather random approach to eliminating units within Government. I think it requires some deliberation.

And I commend the chair as he conducts the hearings and study necessary to actually attack some of the more difficult layers of the Federal Government that tend to spring up, and that tend to be immune from the kind of across the board quick cut that we're doing during this particular period.

I see an awful lot that's happening in Congress and the executive branch that is analogous to mowing down the weeds of hierarchy, and there's very little pulling out of weeds by the roots. And I think that takes a great deal of deliberation and care. I offer in my testimony four brief ideas dealing with efforts to eliminate the increasing ranks of alter ego deputies within departments; efforts to reduce the numbers of one to one spans of control within departments.

In other words, relationships between assistant secretaries and principal deputy assistant secretaries, which have accreted over the years remarkably. So we see Federal departments now composed of one to one to one to one to one to one spans of control, all the way down through headquarters. And then we move out to the regions, and we see a repeat of one to one spans.

And it's only when we get to the field office that we actually see rather ordinary spans of control. I think we have to struggle at how to get at those one to one spans. I talk a little bit in the testimony about height limits on government, and I really do encourage the chair and this Congress to struggle with the current regional office structure of the Federal Government. It is an anachronism.

I think the burden of proof on those who defend the regional office structure is to tell us why we still need such a variegated and detailed office structure in an era where it is just incredibly expensive to maintain, and likely, inefficient and in the way of the fine public servants who do so clearly wish to deliver services effectively at the bottom of the Federal hierarchy.

I'll leave the rest of this statement for the record, and entertain questions as you wish, on this thickening phenomenon.

[The prepared statement of Mr. Light follows:]

PREPARED STATEMENT OF PAUL C. LIGHT, DIRECTOR PUBLIC POLICY PROGRAM, THE PEW CHARITABLE TRUSTS

I am pleased to appear before the House Government Reform and Oversight Subcommittee today to discuss the Government Results and Performance Act. My comments today flow from my ongoing research into fundamental issues of how to assure greater accountability and improved performance in government, and do not represent the views of The Pew Charitable Trusts.

Let me begin by endorsing the general thrust of the Government Results and Performance Act. I believe the federal government must move toward a performance-based accountability system—that is, away from the command-and-control approach currently used and toward an incentives-based approach implied in most discussions of outcome- or performance-based accountability.

Basically, we have three choices in designing accountability systems for organizations. The first is the traditional compliance system, with its heavy emphasis on rules and hierarchy. Accountability resides in carefully designed jobs, clear chains of command, and absolute specificity about what is to be done and who is to do it. The costs of such a system are obvious: huge investments in "control" personnel, endless review of even the simplest decision, and excessive layers of management. Fear is the key driver of organizational improvement. As one Inspector General once remarked to me, accountability exists in creating the "visible odium of deterrence."

The second choice is what I have called a capacity system, with its heavy investments in work force training, new technologies, and proper motivation. Accountability resides in giving employees the knowledge and tools to do their jobs, as well as the pay needed to reward the organization's employees for a job well done. Trust

ıe key determinant of improvement. Allow managers to manage, workers to ι, and all will be well.

ıe third choice is a performance system, with a clear focus on positive and nega- sanctions for overall organization performance. The notion is that the organiza- and its systems are responsible for most gains in productivity, etc., not any sin- ndividuals or units. By clearly defining expectations and measuring toward out- es, the organization is driven toward overall improvement, and given the free- to abandon much of the hardware, or rules, of the old compliance systems. Ef- ve organizations are rewarded, ineffective organizations are punished, and a ket mentality of sorts is created in even the most non-market-like settings—e.g., ral departments and agencies.

ɔelieve performance accountability is the right choice in today's public organiza- We simply do not have the dollars to pay for the compliance system that has ıloped and blossomed over the years, and must increasingly choose between de- ing services or paying for costly command and control systems. The problem, ever, with performance accountability is that we are all just a bit unwilling to ;o of the old systems. We want our performance and compliance systems to co- ;, which is rather like commanding Princess Di and Prince Charles to reunite. not a marriage made in heaven.

ıus, the main point of my testimony today is that the path to performance ac- ıtability requires strong measures to undo many of the past devices of compli- : accountability. That means, for example, asking the federal Inspectors General ɔend more of their time examining performance and preventing mistakes, and on piling up statistical accomplishments in search of yearly records. (I should in passing that capacity-based accountability is quite compatible with a fully ıre performance system—indeed, creating a knowledgeable and well-equipped ι force is an essential part of an outcomes orientation.)

:t me concentrate the rest of my testimony on the difficulty achieving perform- : accountability in today's federal hierarchy. As the Chairman knows, I have just ɔleted a rather extensive study of the changing structure of government, and ' four quick lessons from the resulting book, *Thickening Government,* published .er this year by the Brookings Institution and Governance Institute.

rst, *there is a nearly inexorable tendency for the federal hierarchy to thicken.* As rm of art, thickening measures the distance between the top and bottom of a rnment hierarchy (height) and the growing number of occupants in each layer ıe hierarchy (width). Height times width = thickness. It is safe to conclude that federal government has never been thicker than today—there are more layers anagement top to bottom, and more managers at each layer.

ɔcond, the thickening of government has chanced the basic shape of the federal archy. In the 1950s, the federal bureaucracy looked like a relatively flat bureau- ic pyramid, with few senior executives, a somewhat larger number of middle agers, and a very large number of front-line employees. By the 1970s, the fed- government was beginning to look like a circus tent, with a growing corps of or political and career executives, a sizable "bulge" of middle managers and pro- onals, and a shrinking number of front-line employees. By the end of the 1980s, federal government was becoming a pentagonal shape, with even more political career executives at the top, and almost equal numbers of many middle-level front-line employees. In 1983, there was one employee at the middle for every ɔn the front-line. By 1992, the ratio was moving down toward one-to-one.

current trends continue, the federal government may eventually resemble a cir- with very few employees at the bottom, hordes of managers, supervisors, and nical analysts of one kind or another at the middle, and a vast coterie of politi- ınd career executives at the top. The rest of the traditional bureaucratic pyra- will still exist, of course, not filled in by federal employees, but by those who ι for the increasing number of contractors, non-profits, and state and local agen- that deliver services once provided above.

ıird, *the hierarchy tends to thicken under almost all conditions.* There are far nany suspects in the thickening of government to list here; suffice it to say that ıre all guilty. There is no party of thickening (it occurs under Democrats and ıblicans alike), nor any institution of thickening (presidents have done it, Con- s has done it, the Courts have done it).

ıis is a particularly important finding as this subcommittee considers pending ılation to abolish one or more departments, for the research suggests that mere- iminating a department from the books does not necessarily assure that govern- t will be thinner as a result. Like any fad diet, government may wake up ths or years later much thicker, indeed.

ɔnsider, as one example, the creation of the Department of Education in 1978. ıeory, breaking Education out of the old Department of Health, Education, and

Welfare should have had minimal effects on the superstructure of government. After all, Education was a tiny part of the much larger HEW. Nevertheless, compare the old HEW in 1976 against the new HHS and Education in 1980. Whereas the old HEW had but 15 assistant secretaries and 25 deputy assistant secretaries, the two new departments had 25 assistant secretaries and 68 deputy assistant secretaries just four years later. Splitting the two apart actually increased the space occupied by both.

Fourth, *departments have not done especially well when given the freedom to determine their own shape.* It is hard to stay on a diet when temptations are so great. Although there is much talk about decentralizing personnel authority these days, departments have long had nearly unchecked authority in position management. And it was through this freedom that many departments thickened dramatically.

This should not be news to Congress, of course. The General Accounting Office has long argued that federal position management is weak at best, absent at worst. The Office of Personnel Management has never had the staff to closely monitor the proliferation of layers within departments, and most certainly does not have that capability now.

At the same time, the Office of Management and Budget has almost completely dismantled its oversight capacity. Much as we can admire the effort to more closely coordinate management with budget by combining the two at the budget analyst level, I fear that the net effect is to leave the federal government with little oversight capacity at all. As a result, no one knows whether the Gore span-of-control mandate, which is designed to increase the ratio of managers to employees from 1:7 to 1:15, is being faithfully executed by departments. Lacking such oversight, agencies may be simply "gaming" the initiative by relabeling management positions as something else.

I should note that there are at least two "victims" of thickening: the taxpayers who do not get the service they deserve, and the legion of dedicated federal employees who provide the service. The aftermath of the Oklahoma City bombing reminds all of us once again of the extraordinary commitment of front-line federal employees. They are ridiculed daily, and need only tune in their local talk radio to get an earful of public vitriol, but they persevere in their work.

This quick tour of thickening government suggests two basic problems for Congress as it considers proposals for changing the federal hierarch: (1) how to take the weight off, and (2) how to keep it off. As you know, there is great political risk in eliminating departments and layers. It is like curricular reform in a university setting, which university presidents liken to moving the bones in a grave yard. Therefore, if we are to take the heat for significant structural reform, we ought to be sure that the reform lasts.

The answer to the first challenge is simple. Cut and keep cutting. The problem is that cutting broadly and without direction will leave government far less capable of doing its job. We risk engaging in a "body count" war on hierarchy that produces quick results such as the elimination of a department or two, but little long term improvement in performance.

In fact, breaking down a mega-department such as Commerce or Energy may actually yield a thicker, not thinner, hierarchy. It might be more efficient, for example, to keep the department, and its assorted off ices of administration, legal counsel, budget, and so forth, while eliminating duplicative offices of administration, etc., within NOAA, Census, Patents and Trademarks, and International Trade Moreover, elevating these units to independent agency status, as Congress did with the Social Security Administration last year, will clearly produce internal thickening that may undermine effectiveness. Given the opportunity to create and fill a host of new layers between their current top at executive level IV and what would become their new tops at executive level I (which is where SSA was placed), thickening would be difficult to resist.

Beyond taking greater care in dismantling existing units, I strongly encourage Congress to consider deep cuts in the number of presidential appointees. We cannot trim only at the middle and lower levels of the hierarchy, if only because presidential appointees constitute an important and oft-ignored source of delays and inefficiency in the process. The standard view of the number of appointees is that the number is too small to matter—after all, 3,000 appointees is but a fraction of total employment.

However, my research on thickening government suggests that presidential appointees account for a very high percentage of the layers that exist between the top and bottom of government. They may be but the tiniest fraction of total employment, but constitute between 25 and 40 percent of the layers of management that exist between the air traffic controller, VA hospital nurse, weather forecaster, IRS revenue agent, park ranger, food inspector, and other front-line employees and the

top of their agencies. I cannot overstate my hope that this Committee will act on this serious problem. Federal employees need to be measured by their performance in handling problems, not in terms of the number of overseers who handle paper on the way up and down the chain of command.

I would also encourage the committee to consider a number of simple legislative devices for thinning the federal hierarchy:

1. Consider a sharp reduction in the number of what I call "alter-ego" deputies in the federal government—that is, individuals whose primary responsibility is to fill in for the principal when he/she is vacant for one reason or another. While there is no firm estimate of just how many such deputies exist, I would guess that the number is well into the 100,000 level.

2. Consider ordering the federal government to eliminate all 1:1 spans of control. Although I believe Vice President Gore is on target in trying to increase the government-wide span of control from 1:7 to 1:15, as already noted, I also believe that much of the current effort is more semantic than substantive. We have more team leaders in the federal government today than in all of American little league. A fat better way to widen the span is to inaugurate a deliberate, tough effort to remove all 1:1 spans of control. Indeed, I believe there are only two 1:1 spans that can be justified: (1) President and Vice President, and (2) Secretary/Administrator and Deputy Secretary/Deputy Administrator. In these budget times, all the rest should be scraped out.

3. Consider establishing a "height limit" on federal agencies. As I argue in *Thickening Government,* creating such height limits are risky—who is to know how tall the Federal Aviation Administration should be? Nevertheless, absent some very strong signal to agencies to get on with the business of real reductions in height, I am not sure how best to make progress. The state of Iowa, for example, has mandated by statute a sharp reduction in the number of layers between the top and bottom of departments, along with clear language on how each layer is to be defined and counted. Iowa has also mandated a significant increase in the span of control within departments, also with a tight definition of terms. My concern about current efforts at the federal level is that the definition of layers and the methodology for counting distance between top and bottom appears to vary department by department, and unit by unit. I would propose, for example, that we *not* define layers by job title, which is the current methodology, but by job function. We should seriously endeavor to reduce the number of hands that touch paperwork on the way down to the front-line and on the way back up.

4. Consider wholesale abolishment of the regional office layers across the federal government. Although several departments (Agriculture and HUD) have made progress eliminating some of their regional office structure, the history of thickening suggests that even a little bit of regional structure left intact will soon grow back. Thickening is, therefore, analogous to dandelions—mowing them down is far less effective than pulling them out.

Whatever the tactic Congress and the president choose in losing the weight, the secret is to keep it off. I believe Congress can and should strengthen oversight agencies such as OMB. Someone at the top of government must keep a closer watch on what the departments and agencies are doing by way of position management, better measurement, and so forth. Congress might also ask the federal Inspectors General to take a more active role in undertaking the organizational analysis necessary to track the thickening and thinning of government. I have argued elsewhere that the OIGs should be pushed to think harder about preventing fraud, waste, and abuse, rather than catching it after the fact, and believe oversight of organizational thickening falls well within that call. I would be pleased to give the subcommittee more information on this proposal at your request.

I do not believe, however, that stronger oversight is enough by itself. If the natural tendency of organizations, whether public or private, is to thicken, tighter oversight is bound to fail as the oversight agencies themselves thicken. A more persuasive answer is to create greater government attention to the cost of thickening. Make performance matter by tying it much more explicitly to budget and pay, which is, of course, a hoped-for outcome of the Government Results and Performance Act.

I have also become convinced that we must address the life tenure question. This is a particularly difficult topic, especially for someone who has enjoyed the benefits of life tenure as a university professor. But the question must be asked: is a lifetime guarantee of employment in any field a help or hindrance to organizational performance? I am not yet prepared to suggest that all government employees and academics be placed on year-to-year contracts.

At the same time, I do believe that the public sector must create more flexible systems for removing those who lose their commitment to service. The answer may

e in five or ten year contracts, with renewal based on clear measures of performnce, not political affiliation. It may also be in longer probationary periods, although ıy experience has been that the problem of life tenure usually manifests itself later nd higher in career. This is, incidentally, just the kind of contentious issue that ıight be best handled by the kind of blue-ribbon base-closure styled commission roposed by Senators Glenn and Roth in the 103rd Congress.

Finally, I believe that a little competition cannot hurt. This competition does not ave to be between the federal government and a private entity, however. Allowing nits within the federal government to compete against each other for certain kinds f business can be healthy, too. But such competition must not be allowed to drive ıe government to take short-cuts on essential functions such as safety and fairness.

Mr. HORN. Thank you very much, Professor Light. I think the ɔur points you make on pages 4 and 5 of your statement, this comıittee will take to heart. The question is drafting a legislative lanuage on the authorization side, and then encouraging the Appro-ıriations Committees to follow suit with the negative type of lanuage they can use in their various bills.

But more about that later. I'm delighted to welcome again before he subcommittee Dr. Scott Fosler, president of the National Acadmy of Public Administration. We want to thank you and the Acadmy. The experts you've made available to us have been invaluable ı suggesting many of the topics for our hearings, as well as proiding many of the witnesses for our hearings, and a number of hem, testified themselves on more than one occasion.

So I thank you and the Academy for that help. I believe Mr. Wye ɜ with you, who's on the program staff at the Academy.

Mr. FOSLER. That's correct, Mr. Chairman. We've been pleased to e of assistance. Let me introduce Dr. Chris Wye, who is the direcɔr of the Academy's program on Improving Government Performnce. The Academy's panel on improving government performance eviewed several of the early GPRA pilots, and summarized their indings in a 1994 report, "Toward Useful Performance Measureıent."

And my testimony draws largely on the work of that panel and hat report, along with the fairly large body of work of the Acadmy that deals with the issue of performance. You have my written tatement. Let me simply highlight a few points from that statenent. First, the early pilot experience demonstrates that the GPRA an be a critical tool in improving government performance, if it is ıroperly understood and effectively implemented.

It should not be viewed simply as a measurement system that vill churn out simple answers to complex questions, but rather it hould be seen as providing the architecture for an overall performnce management system, linking strategic planning, annual perɔrmance plans, and annual performance reports. And even more mportantly, its real intent is to shift the culture of government rom a preoccupation with inputs to an appropriate concern with esults.

Second, sustained leadership within the executive branch and he Congress is critical to its success. The GPRA has enjoyed biparisan support in both the House and the Senate, and from the 'resident. But for the most part, agency and program managers ıave not shown the great interest or support that is going to be imɔortant. Quite often, responsibility for developing the GPRA pilots ıas been delegated to mid- or lower-level managers and analysts,

o labor hard to do the work, but don't always have the support :op management and leadership.

Third, a primary challenge to implementing GPRA is to develop › necessary capacities—the tools, systems, and skills to make it rk. Our review of the pilots indicate that many of the agencies k capacity to clearly define vision, strategic mission, put to- her annual performance plans, to develop performance measures d collect data, and to effectively analyze and present the data d communicate the results and actually use the information for proving performance.

Fourth, the implementation schedule for GPRA does not appear ely to be met if the pilot experience is a reliable indicator. This es not mean that we should push back the schedule, but only it the Congress should be aware of the fact that that schedule inlikely to be met.

Fifth, GPRA efforts need to be closely aligned with related initia- es to restructure government and improve performance.

The GPRA ought to be seen not simply as a separate act, but as integrating mechanism to link together some of the key areas performance, such as the performance agreements between the esident and the Cabinet secretaries; customer service standards; › performance management system envisioned in the administra- n's forthcoming civil service bill; and the numerous pieces of leg- ation, such as the Chief Financial Officers Act, the Government nagement Reform Act, the Federal Acquisitions Streamlining :, and the like.

think Mr. Koskinen addressed this very cogently, and is aware the need to integrate these different facets of management re- m, if we're not to have people stumbling over themselves and se efforts getting in the way of one another.

And then, sixth, Congress clearly has an important role to play assuring the effective implementation of the GPRA. And Mr. airman, the hearings that you are holding on this issue and on › issue of making government work are a major step in that di- tion of fulfilling the congressional role. There are other actions it we have suggested in the testimony, including making full use section 306(d) of the act, that requires agencies to consult with ngress on their strategic plans.

But perhaps most important is that agencies know that Members Congress and staff care about this act, and that they're going to : questions based on the information that the agencies will be viding, or should be providing, to fulfill the mandate of the RA.

Let me say, in summation, that there are significant challenges it remain; but that the early implementation experience dem- strates that the GPRA's potential as a powerful tool for improv- : government operations and communicating progress and re- ts is quite substantial.

And Congress clearly has an important role to play in assuring it this act does achieve its potential.

The prepared statement of Mr. Fosler follows:]

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

Mr. Chairman and Members of the Subcommittee:

I am Scott Fosler, president of the National Academy of Public Administration (NAPA). It is a privilege for me to be here to participate in your deliberations on the implementation of the Government Performance and Results Act (GPRA).

It is both appropriate and timely that your subcommittee is considering experience with GPRA to date, and how you can be most effective in assisting with its implementation.

NATIONAL ACADEMY OF PUBLIC ADMINISTRATION (NAPA)

The Academy is an independent, nonpartisan, nonprofit organization chartered by Congress to identify emerging issues of governance and provide practical assistance to federal, state, and local government on how to improve their performance.

To carry out this mission, the Academy draws on the expertise of more than 400 Fellows, who include current and former members of Congress, cabinet secretaries, senior federal executives, state and local officials, business executives, scholars, and journalists. Our congressional charter is one of two granted to research organizations. The other charter is held by the National Academy of Sciences (NAS), which specializes in scientific research. NAPA's emphasis is on public administration—the management of government operations.

The Academy undertakes assignments at the behest of Congress and executive agencies. Recent Academy work for Congress has included reviews of the Environmental Protection Agency (EPA), Federal Emergency Management Agency (FEMA), the Department of Housing and Urban Development (HUD), the General Accounting Office (GAO), and the Global Positioning System (GPS) as requested by the Department of Defense.

The Academy has a long-standing commitment to improving government performance (see Appendix A) and has undertaken the design, installation, and review of performance monitoring systems, like those envisioned by GPRA. For example, we developed a set of performance indicators for five programs and a guidebook on developing performance measures for the Department of Education, and a set of indicators for child health and foster care programs for the Department of Health and Human Services. In addition, we are just finishing a study of the performance aspects of the National Science Foundation's science and technology research centers.

We would be happy to share with the subcommittee these and any other project reports and statements by Academy panels (including those specifically addressing issues germane to GPRA). My presentation today will highlight key features of GPRA based on this body of work, as well as a review of early pilots by the Academy's Panel on Improving Government Performance summarized in its November 1994 report, *Toward Useful Performance Measurement: Lessons Learned From Initial Pilot Performance Plans Prepared Under the Government Performance and Results Act* (See Appendix B for background on the review).

PURPOSES, PROGRESS AND EXPECTATIONS OF GPRA

The Government Performance and Results Act of 1993 provides Congress and executive agencies with a major tool to orient policy making, legislative and program development, budgeting, and oversight toward improving government performance. The explicit recognition of service quality and outcomes engendered by GPRA should help elevate the quality of deliberations and improve resulting legislation.

Our review of the early GPRA efforts (since August 1993) indicates healthy progress. GPRA pilots now cover virtually the entire spectrum of government functions and activities. The size and scope of these activities—over 75 pilots in 27 agencies, with over 450,000 full time positions and $50 billion in operating funds—now dwarf the coverage of earlier combined performance-based activities in the governments of the United Kingdom, Australia and New Zealand combined.

But we are still only at the start of GPRA implementation. Our review indicates that we have some way to go to make this an effective tool for both the executive branch and Congress.

GPRA is not simply about measurement. It is about shifting the culture of government beyond a preoccupation with inputs, such as dollars and numbers of employees, to include a proper concern with results, whether defined as outputs or outcomes. GPRA reflects an awareness of the need to construct an overall performance management system, linking strategic planning, annual performance plans, and annual performance reports. *GPRA will require nearly every agency of the U.S. federal government to establish long-range strategic plans that define their missions and*

general long-term goals, annual performance plans with specific performance targets for each year, and annual performance reports that compare actual performance with the targets.

A potential problem with GPRA is the danger of over-expectation by Congress, the executive branch, and public administration experts. Once fully implemented, GPRA will provide information, such as that contained in annual performance reports on each major federal program, that should tell Congress and the executive branch leadership the extent to which desired outcomes are achieved.

This information, however, will not tell Congress and federal executives what caused those outcomes. Federal agencies usually have limited control over major program outcomes. Similarly, GPRA information will not necessarily indicate who or what is responsible for the outcomes. This is similar to the bottom lines of private businesses; many external factors can affect profits, sales, and market share.

Another limitation of GPRA information is that the outcomes of many federal programs cannot be measured well on an annual basis. This applies to basic research programs and planning activities, whose outcomes may not be observable for many years. This also applies to various programs addressing social concerns that tend to be experimental in many respects. At best, the executive branch can annually track whether the activities mandated are implemented, but not their full impact.

Despite these limitations, GPRA can provide a significant tool for enhancing government performance and communicating progress.

LEADERSHIP

Sustained leadership within the executive branch and Congress is critical to the success of GPRA. The President supported enactment of GPRA—a congressional initiative—and generally has embraced it as an important mechanism of his reinventing government initiative, led by the Vice President. However, despite support from the highest levels of the administration, the reaction of lower level political and career employees has been mixed.

Some managers have been enthusiastic, greeting GPRA and the pilot projects as opportunities to push their own management agendas. But for the most part, top agency and program managers have not yet shown great interest or support, and responsibility for developing the GPRA pilots has been delegated to mid-to-lower-level managers and analysts. One of the issues which surfaced in the NAPA review was that many pilots were conducted in isolated, non-mainstream parts of an organization or at lower management levels with limited personnel capabilities. As a consequence, many of the measures developed do not reflect the real interests of top managers or political executives, and so may have little influence in reflecting or promoting program performance.

The predominance of lower-level staff members in formulating the GPRA pilots not only separated higher-level executives and policy-makers from the process of developing valid measures, but also sent a message that the entire exercise was something less than a high priority for agencies. Some managers see GPRA as another management fad that will eventually fade, and they doubt the seriousness of top-level OMB and administration support for the effort. Managers are also reluctant to identify outcome measures that go beyond their immediate control. They are concerned that such program performance data will be used against them unfairly by agency heads, OMB, the Congress, the media, and the public, who do not fully understand the meaning of the indicators, the complexities of their programs, and their limitations in affecting desired outcomes.

OMB leadership, however, has encouraged budget examiners to learn about GPRA, visit the field operations of pilot efforts and develop good performance indicators in the course of their agency and program budget reviews. Both the OMB director and deputy director for management have announced their intentions to bring performance measures into the budget dialogue, beginning with the spring reviews. *But sustained leadership across all agencies is necessary for GPRA to succeed.*

CAPACITY

A primary challenge to implementing GPRA is developing the required capacities—the tools, systems, and skills. Our review of pilot performance plans indicate that many organizations lacked the capacity to: 1) clearly define their vision, strategic mission and annual performance plans; 2) develop performance measures and collect data; and 3) develop effective ways of analyzing and presenting data and communicating results for use by managers, customers, stakeholders, and policy-makers, including Congress.

The GPRA legislation recognized that such a new performance management system requires new skills and explicitly called for training. In conference, the GPRA

committees discussed the need for training, including a call for assistance from NAPA. Individual federal agencies have undertaken a variety of efforts to provide GPRA-related training and technical assistance to at least some of their personnel. In addition, the U.S. Office of Personnel Management, with the Federal Quality Institute, have undertaken efforts to develop training curricula. And NAPA is in the process of establishing a consortium of agencies on improving government performance, similar to the one it has established for human resources management issues. *For the most part, however, there have been few resources committed by Congress or the administration for training and building capacity for performance measurement and implementing GPRA.*

The federal government contains many highly competent and dedicated employees with considerable know-how and sophistication in the use of analytical and statistical tools. However, the broad sweep of GPRA will inevitably strain agencies' resources, particularly in these times of downsizing.

While many of the tools used in the private sector, such as customer surveys and strategic planning are applicable to the federal government, the scope of the results sought by federal legislation is an order of magnitude more complicated than private business. The private sector focuses on assessment of bottom-line indicators such as net profits, sales and market share. This process of applying a performance-measurement focus on service quality and outcomes on as large a scale as the U.S. federal government, with its diversity of missions and goals, is unprecedented.

The difficulty is that the focus on results is new and, for the most part, still undeveloped and untried. It poses many data collection difficulties, particularly in times when funds are very scarce. It requires training of those involved in the process and establishment of an appropriate management organization. And it also requires setting sound effectiveness indicators.

For example, in order to track the quality of their programs many federal programs will need to survey their customers regularly. Such extensive survey work requires a substantial expansion of federal survey activities and capabilities. Another major example: many programs are delivered through state and local agencies—such as programs of HHS, HUD, Labor, Transportation, and Education. Obtaining comprehensive data on outcomes will require major new intergovernmental efforts.

The most important training components for the future are: (a) to train managers in the use of performance data (such as how to motivate employees, to help them formulate their annual budgets and to help them to improve, continually, the quality of their activities) and (b) to bring a focus on service quality to every public employee. All federal employees should be encouraged to improve the quality of their services. Providing employees regular feedback on the quality and outcomes of their programs will be a big step in that direction.

IMPLEMENTATION

The implementation schedule for GPRA is not likely to be met if the pilot experience is a reliable indicator. Strategic plans are still in a preliminary state of development in most agencies so it should not be surprising if a proven performance measurement process is not available when it is required in fiscal year 1999. The first performance report is due to Congress and the President in the spring of FY 2000. The executive branch is pressing to try to meet these dates. However, we doubt that it will be possible for the executive branch to implement GPRA fully for several years thereafter.

Although Congress should expect to receive good performance information on many federal programs by FY 1999, and some even before, no one can predict what proportion of the federal government's major programs will be covered by that target date.

The GPRA legislation does not mandate an explicit strategy by which agencies are to meet specific goals and timetables. This has allowed for useful experimentation and flexibility in identifying targets of opportunity. Our early experience shows that some agencies would benefit from reassessing the context and scope of their work to ensure employees understand that GPRA is not just a demonstration project, but the beginning of system-wide changes.

Initial lessons from the pilots have shown that GPRA can work. In particular, measurable, quantitative performance goals can be set in advance. The pilots also show that all of government needs to be engaged early if useful plans are to be forthcoming in 1997.

Effective implementation will require clear and sustained communication between the executive branch and the Congress, within the executive branch and among government agencies and their customers, stakeholders and the public. GPRA's success

.mately will not be judged by a particular plan or even a set of performance indi-
ɔrs so much as by its ability to improve public confidence in the ability of govern-
nt to produce the best results at the least cost.

'uccessful implementation depends significantly on whether agencies, managers l employees have incentive to make the new system work. For example, knowing t their supervisors, OMB, and Congress will ask for performance information in er to assess their performance and determine their budget allocations would pro- e managers and employees with a powerful incentive to develop the data in the t place. Such incentive can also motivate managers to find ways of developing capacity they need to make the new system work. They can seek out or develop sting the skills of their employees, devise their own training courses, free up ds to purchase training, or push to get the resources they need for effective train-

t this time, we do not recommend that the findings from the annual federal pro- m performance reports be used as a principal basis for providing monetary com- sation to federal employees. For most programs, it will take several rounds of a collection and analysis before a federal agency can gain an adequate perspec- on the relationship between program performance and the service outcome asurements. While money can be a very powerful incentive, its use, however, as incentive can also backfire, particularly if those who receive rewards and those ɔ do not, lack confidence in the fairness of those measurements. We do, however, gest that nonmonetary rewards (such as recognition awards based on measured gram outcomes) be used for employee motivation, even in early GPRA years.

ALIGNMENT WITH RELATED EFFORTS

PRA efforts need to be closely aligned with related initiatives to restructure gov- ment or otherwise improve performance.

PRA's overall performance management system—connecting planning annual formance plans, and annual performance reports—needs to be closely linked with er performance-based activities, such as the performance agreements recently ıed between the President and cabinet secretaries, customer service standards t are now required of nearly all agencies under a 1994 executive order, and the formance management systems envisioned in the administration's forthcoming l service reform bill. But these performance elements also need to be integrated h other management systems such as those required by the Chief Financial Offi- s Act, the Government Management and Reform Act, and the Federal Acquisition eamlining Act.

PRA also needs to be more clearly linked to the other management reform ini- ives that are absorbing a great deal of energy in the various agencies. The first ort of the National Performance Review (NPR) established an ambitious agenda eform for many agencies. The second phase of the NPR expands that agenda. ; while the administration and central management agencies continue to main- ı that GPRA is an integral tool of overall reform, agency and program managers not necessarily see that link. In addition, many agencies have launched their own nagement reform efforts, so that the addition of GPRA, along with the NPR man- e to reinvent government, appears to some as one more requirement, one more ıplication, rather than a new tool for performance improvement.

'he combination of so many reforms in so many areas from so many different di- ions has created an overall sense of confusion for many government personnel. this context, GPRA can easily get lost in the shuffle, rather than being viewed a possible organizing focus or integrating tool to assure that the new wave of nagement reforms improves performance and does not just create a new genera- ı of procedural requirements.

'he administration has begun to recognize the seriousness of this problem and e steps to coordinate better these various reform efforts. Strong leadership from Congress will be key in establishing these links and assuring that the various iatives are effectively integrated and focus on performance.

'he recent interest by Congress and the executive branch on block grants and rformance partnerships" emphasizes more than ever that performance measure- nt should be developed jointly with state and local governments. It is important federal, state, and local agencies to coordinate their efforts and cooperate to pro- e information on service quality information that will help each level of govern- nt. It is equally important for state and local agencies themselves not only to col- ; information on service quality but also to use the data to improve their pro- ms. Such data is also needed by federal agencies and the Congress to understand impact of federal spending. While it will take considerable time and effort by to work out these arrangements, over the long-run this will benefit all levels of

government and the public they collectively serve. (Appendix A provides a case example already underway through FEMA.)

ROLE OF CONGRESS

The 1993 GPRA legislation as it currently stands provides a sound foundation from which to work. However, Congress still has an important role to play in assuring its effective implementation GPRA. In particular:

• *Congress should make full use of Section 306.(d) that requires agencies to consult with Congress on their strategic plans.* These are vital prerequisites for effective program performance measurement and, in most cases, they are still undeveloped.

• *Congressional committees and subcommittees should ask their staffs to review agency performance plans,* particularly the initial program plans, and provide suggestions to the executive branch about significant omissions in mission statements and performance indicators, and other problems with those plans. These reviews should be undertaken well before September 30, 1997, when the plans are due, to allow time for agency modification.

• *Committees should ask the tough questions about whether programs are achieving the intended results.* They should encourage agencies to provide information on outputs and outcomes. This is especially important given the emphasis of the current leadership on paring back government, challenging the cost-effectiveness of programs, and holding managers accountable for results and efficient operation.

• *Authorizing and appropriating committees should begin focusing more in their deliberations on program outcomes and service quality.* To the extent that these committees use the performance information from the GPRA effort, they will provide a major incentive to federal managers to provide relevant, credible information. Indeed, such congressional interest may help stimulate more active involvement of agency leadership in strategic planning and performance measurement which the NAPA performance panel found lacking in many of the pilots it reviewed.

• *Authorizing committees should review agencies' strategic plans to assure that agency programs are coordinated and jointly moving toward broad national goals.* Likewise, they can review annual plans to check progress toward long-term strategic goals.

• *Appropriating committees can use GPRA to focus on issues of efficiency, effectiveness, and cost effectiveness.* These committees will need to know how to interpret data presented by agencies on such things as past performance trends, performance targets, and actual program performance. They need to understand the differences among effectiveness, cost effectiveness, and efficiency, and between long-and short-term investments and returns.

• The budget process provides a special opportunity for Congress to make use of GPRA performance information. *Committees should question the executive branch about the expected results and effects of their budget proposals on outcomes and service quality.* Similarly, they should assess the outcomes reported in the annual program performance reports and explore reasons for success and failures. Suffice it to say that if members of Congress do not make use of this information to ask questions about results and service quality, executive branch personnel are not likely to take the performance requirements of GPRA seriously and the many potential benefits of outcome information will probably be unrealized.

• *Congress and its various committee and subcommittees, and its individual senators and representatives, no less than executive branch personnel, should also take full advantage of GPRA performance information* to help them focus on what service quality programs are achieving for their customers and the public.

When legislative direction is unclear or leaves discretion to agencies and program managers to define more specific missions, an agency has to develop its own mission statement or clarify the statutory mission. The NPR gives some possible guidance by encouraging managers to define the needs and desires of customers and stakeholders. Customer surveys, currently underway in most agencies, should reveal some useful information about expectations. GPRA also requires federal agencies to consult with congressional committees on program goals, but falls short of actually requiring Congress and the executive branch to establish goals.

• Pursuant to the point made earlier regarding block grants and performance partnerships, *Congress should in future legislation identify ways that all three levels of government can be encouraged to work together to focus on service quality and outcomes* so that the information provided will help each level improve its programs.

• One of the major purposes of GPRA is to "improve the confidence of the American people in the capability of the federal government, by systematically holding federal agencies accountable for achieving program results," Sec. 2(b)(1). To this end, subsequent to Fiscal Year 1999, *Congress should support the preparation and*

uance of an annual "Report to the Nation" on annual program performance re-
'ts.

CONCLUSION

'erformance monitoring and measurement is difficult for any organization, and the more so for service and knowledge-based organizations. But it is especially ficult for government. Few governments have ever been able to implement and ;tain effective performance measurement systems.

3ut while significant challenges confront GPRA, the early implementation experi-:e demonstrates GPRA's potential as a powerful tool for improving government :rations and communicating progress and results.

'erformance management is at the heart of the transformation that is occurring government around the world. While the Congress is currently focused on reduc-: costs and balancing the budget, it also confronts the task of redefining missions l goals, allocating resources, and delivering effective services in those areas ere it believes government has responsibility. GPRA could be a central tool to p the federal maintain or improve performance, even as it scales back. The new tem is beginning to work, and Congress has a key role to play in ensuring its :cessful implementation and use to improve the performance of government.

APPENDIX A: NAPA'S COMMITMENT TO PERFORMANCE

mproving government performance is central to the Academy's mission as em-lied in its congressional charter. The concept of performance-based public man-:ment has shaped activities of the Academy.

JAPA's 1980 book, *The Productivity Improvement Handbook for State and Local 'ernment* (John Wiley and Sons), was the first major collection on performance :ed management programs at all levels of government.

JAPA was an early leader supporting the development of the Government Per-mance and Results Act. In 1991, the Academy adopted a resolution endorsing the ' concepts embodied in the act, such as goal setting, performance monitoring and ular reporting. Academy Fellows Joseph S. Wholey, now at OMB where he is as-:ing with GPRA implementation, and Harry P. Hatry, director of state and local grams at the Urban Institute, both played key roles in the design of the legisla-ı and continue to support development in a variety of ways.

Aore recently, the Academy has actively worked to support a performance ori-ed approach to the management of government. The NAPA Advisory Panel on proving Government Performance, co-chaired by Harry Hatry and Harold B. Fin-, has supported a variety of activities to assist in GPRA implementation. These 'e included formal testimony before Congress; informal guidance to the National 'formance Review, Office of Management and Budget, and the General Account-Office; and oversight of Academy contract work related to performance monitor-. The Panel produced a report on the early experience with GPRA implementa-ı entitled, *Toward Useful Performance Measurement: Lessons Learned From Ini-' Pilot Performance Plans Prepared Under the Government Performance and Re-'s Act* (1994). The Panel also sponsors a monthly Discussion Forum on Improving 'ernment Performance to bring together people interested in the concept of per-nance monitoring and in the effective implementation of GPRA.

ı variety of project based activity at NAPA focuses on improving government per-nance, as does its various program concentrations, including the Program on Im-ving Government Performance, Center for Information Resources Management, l Center for Human Resource Management, and Alliance for Redesigning Govern-nt.

APPENDIX B: NAPA REVIEW OF GPRA PILOTS

n March 1994, the Academy's Panel on Improving Government Performance un-took a systematic review of early experience with the GPRA pilots. All GPRA pi-; were offered a no cost informal review of the initial plans which the statute re-red. Seventeen agencies responded to this letter.

Aembers of the Panel who reviewed the plans, all of whom are listed in the re-t, represented a wide range of expertise. They included representatives from the ice of Management and Budget, the General Accounting Office, the Congressional lget Office, the Congressional Research Service, and the Office of Personnel Man-ment. They also included practitioners from all levels of government, representa-:s of major government agencies, and experts from universities, think tanks, and 'ate industry.

For the purposes of the review the panel was divided into teams, each of which was responsible for reviewing several pilot plans. The teams were encouraged to talk with and, if possible, to meet directly with agency personnel responsible for preparing the plans. Most teams did in fact speak with agency people, and more than half actually visited the agency, some teams several times. The panel developed standard criteria for reviewing the individual pilot plans. These criteria included:

(1) The existence, reasonableness, clarity, and comprehensiveness of mission statements and their relationship to the performance plans.

(2) The mix of performance indicators covering various types of performance, such as input, process, outcome, efficiency, and service quality—but with a particular focus on coverage of program outcomes.

(3) The adequacy of plans for assessing the validity of the necessary data.

(4) The presence of numerical targets (the GPRA legislation uses the term "goals") for the performance indicators and the descriptions of the bases for the performance targets.

(5) The likely usefulness of the proposed performance indicators to program managers and policy makers for improving program performance.

(6) The likely usefulness of the proposed performance indicators for communicating program accomplishments to Congress and the public.

Each GPRA pilot plan was reviewed by a Panel team according to these criteria. Then each team presented its initial findings to the full Panel which, after considering reports covering all of the pilots included in the review, then formulated general conclusions. These conclusions were then summarized in a report, *Toward Useful Performance Measurement: Lessons Learned From Initial Pilot Performance Plans Prepared Under the Government Performance and Results Act* (1994). Elements of success included the following:

1. Provide sufficient time for plan preparation.
2. Training for plan preparation.
3. Include indicators over which managers have both limited and unlimited control.
4. Involve top leadership; people who drafted plans are connected to higher ups.
5. Pay attention to inter-program or inter-agency relationships.
6. Have a reasonable connection between indicators and legislative purpose and program mission.
7. Base indicators on available data, as well as that which must be collected.
8. Open and regular identification of and dialogue with customers.
9. Open and regular identification of and dialogue with stakeholders.
10. Address both small and large programs.
11. Provide clear and precise definitions of terms and concepts.
12. Focus on outcome and process indicators.
13. Attend to quality control in data collection.
14. Provide a clear rationale for setting performance goals and targets.
15. Define desired increments of improvement.
16. Disaggregate data to reasonable sub-populations and programs.
17. Discuss where explanatory information would be included.
18. Link program context to performance information.

APPENDIX C: FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA)

We have seen some promising signs that the Government Performance and Results Act is already having some positive effects at a level broader than the pilot activities. For example, the Federal Emergency Management Agency (FEMA) is developing "performance partnership agreements" with the states designed to provide increased flexibility on how a state emergency management program is run in exchange for increased accountability for results.

In a 1993 report, *Coping with Catastrophe,* an Academy panel recommended that FEMA develop a strategy for improving the capacity and consistency of state and local governments for emergency management. This included:

—Assessing existing capabilities of states, territories and trusts in order to gain baseline information for future actions.

—Setting performance and other standards for cooperative program funding and other special programs and projects.

—Monitoring and evaluating state and local efforts with respect to meeting those standards and, if need be, withholding funds to gain compliance.

—Using financial incentives to reward effort and performance in meeting objectives, not only for pre-disaster funding, but for post-disaster assistance.

ıe proposed partnership agreements would not only substantially implement our ›l's recommendation but also encompass all the basic elements of GPRA, that trategic planning, annual performance plans, and performance measurement. are especially attracted to FEMA's emphasis on the federal government and the ›s working cooperatively to set goals, determine performance measures, and e joint evaluations to disaster operations.

›ginning in fiscal year 1997, state/local performance and risk reduction will be ›rs used to determine the amount of FEMA financial assistance. If a state ac- plishes its annual outcomes, it may be eligible for additional funding the follow- fiscal year. FEMA's underlying goal is to strengthen state and local capacities ugh a comprehensive, risk-based, all-hazards emergency management system. :ess will depend, in large part, on financial resources being available to provide additional funding, develop and deliver needed training and education, establish mprehensive exercise program, and increase investment in state and local emer- :y management.

Ir. HORN. I thank you very much for those comments. Let me both of you a couple of similar questions, and then some ques- ıs individually. With Professor Light, I believe he mentioned t OMB appears not strong enough to properly fulfill its over- ıt capacity. How should Congress, in your opinion, go about ›ngthening the oversight capacity of OMB to strengthen its lead- ıip of the agencies? Or is that just wrong-headed, and we ought ·eally be encouraging leadership of the agencies, despite OMB?

Ir. LIGHT. Well, I think what you want is a pleasant blend of tral policy guidance and decentralized implementation. And ıt now, the fashion is complete decentralization. On the issue of ition management, it's very clear from past studies, going all way back to the 1950's, that agencies do not do well when given ıplete freedom to do position management on their own.

; just has not worked. The recent decision to break up the man- ment division of OMB and basically integrate it at the budget ılyst level, I think is a wonderful effort to integrate budget and nagement, but leaves the agency and the President ultimately hout a single focus for management review. I do not believe in ıting an office of Federal management, separate from OMB.

think that leaves you with a problem of influence. I think you as best you can to create a credible presence within OMB, and lible integration across the two divisions, but I don't think you do it by completely dismantling the management division and ding it into the budget units, which has been the case over the ; 1½ years or so.

o I would urge Congress and the administration to consider re- lding the management side of OMB and giving it a credible sence in OMB and throughout the budget process.

Ir. HORN. Any comments, Mr. Fosler?

Ir. FOSLER. Mr. Chairman, as you know, this is an issue of long- nding debate within the Academy. There are different positions t I think reflect different approaches that could be taken to try levelop a substantial management capacity. The ideal, I think, ırly, would be to try to fully integrate management with budget. ıttempts to do that in the past have not been successful, which ›ne of the reasons some of those with experience in those at- ıpts have suggested that while it may not be the ideal model, haps a suboptimal approach is to separate out management and ·e a separate office that's devoted to it. Clearly, that can create blems of its own.

I think in the end, what really matters is the determination of the top leadership, from the President on down, to make management important; to make performance important. And then whatever form of organization is chosen, to be sure that there is a staff capacity, the clear desire from top leadership, that management will be made to count, and that that is followed through on.

Mr. HORN. I'm just curious. You and I have discussed this before, and of course, I've leaned with those who have said that, if you're a chief executive or a chief operating officer of an agency, a member of the Cabinet, and they bring these questions up in your budget review, and resources are related to that budget review, that you're likely to listen more than if you've got a separate management group either in OMB or outside that comes along and talks to you about the glories of changing your structure and all the rest of it.

But you're saying that this experiment seems to have failed; or are you saying that? Is it too early to tell?

Mr. FOSLER. I think in this case, it's too early to tell. This is one more serious attempt to try to achieve that integration. And the efforts to do so in the past have not been successful. But perhaps with special determination from the leadership, perhaps it can be made to work. I think much will depend on the extent to which there really is a genuine focus on performance.

And to that extent, the GPRA can be an enormously important tool in helping the OMB and the agencies to develop more of a consistent structure for thinking through, what are the critical elements of performance and what will be expected of agencies in the budget review?

Mr. HORN. I take it, Professor Light, you favor retaining the management function within OMB, rather than having a separate office of management with a director equivalent to what would then become the office of budget, both reporting to the President?

Mr. LIGHT. That's correct, right.

Mr. HORN. What do you think about the attempt being made so far?

Mr. LIGHT. I think Scott is quite correct on the leadership issue. But Presidential leadership is ephemeral at best, and the budget tends to drive out all other attention most of the time. Budget analysts are well trained, highly professional in their area of policy analysis for the most part, and have not traditionally bothered much about management issues.

It's not been a concern to them. They don't have the professional training, and often have little interest in management. They tend to believe that management will take care of itself, as long as the dollars are in place. And I think that you have to have a credible analysis unit doing management work within OMB. And I would settle for the level of staffing that Richard Nixon had in place in 1970, when he created the management division.

That unit has been slowly decimated over the years so that there's really nothing left right now of the old management side of OMB. I said at one point, in commentary, that eventually, M in the OMB was made lower case, then it was dropped into subscript, and now it might as well not be in the title at all—we should just be

referring to the director of OB, rather than OMB. It's just not there anymore.

Much as Deputy Director Koskinen and Director Rivlin care about management, it is not the primary function in their day to day work, I'm afraid.

Mr. HORN. Has any scholar done a thorough work of the management function before and after the Nixon change of Bureau of Budget to OMB, as to what type of projects they engaged in; what was their degree of success?

Mr. LIGHT. There have been several that have done some very, very good work on that issue.

Mr. HORN. Who are we thinking of?

Mr. LIGHT. Perry Arnold, who is at Notre Dame, I believe; Larry Berman, who is at the University of California-Riverside; Ron Moe at CRS has done some of this work. Of course, Ron is a very strong advocate for the office of Federal management.

Mr. HORN. Very good. Do you want to add anything on the scholarship side of who's analyzed that operation?

Mr. FOSLER. We've done some examinations at the Academy. There are some pieces that I'd be happy to share with you, looking at the history of the BOB and the Office of Management and Budget over its tenure, with special emphasis on the issue of the role of management, dating back to its inception in the 1930's. I would add, by the way, that there isn't any incompatibility with attempting to integrate management into the budget side of OMB, and at the same time, maintaining a substantial general management capacity that is outside of the budget divisions per se, or even of the resource management offices that have been established.

You can have both. And I think there is a widespread consensus that the management side of OMB at this point has been shrunk to a point where it really is counterproductive; and that even with the integration on the management side, if you had some capacity in key areas, some of which have been the topics of hearings before your subcommittee, that that could be a major help.

Mr. HORN. I now yield to the gentleman from Virginia, Mr. Davis.

Mr. DAVIS. Thank you, Mr. Chairman. I apologize for not being here for the testimony. I did have a chance to review part of it before I came today. I was at another hearing. Let me just ask a question—I'll start with Mr. Light, and then Mr. Fosler or anyone else who has any comments, I'd be interested. I was head of a county government before I came here, and we looked at all the techniques in terms of bringing efficiencies and making changes—the same kind of things the Federal Government is going through, but the bureaucracies and the constituencies were probably less entrenched than they are here.

Do you know any effective way to punish ineffective organizations in a Federal Government environment? And the rules of the marketplace really are not effective at the governmental level. And once a department or agency or program is established, we find out there's probably nothing closer to eternal life. It's just very difficult to dismantle it or transfer it or do anything else.

What would you do if a program was clearly not working? Or an agency? I'll start with you, Dr. Light.

Mr. LIGHT. Well, I think it's up to Congress and the President to decide whether to eliminate that program. And if you have credible evidence that the program isn't working, and it's obvious that it's not working, then somebody needs to create a rationale for it—for spending the money or dedicating the employees to a program that clearly cannot be done.

That starts here in the hearing rooms of Congress, with consideration of workability in the legislative drafting process. So you have to be willing, on the committees, to say, will this program we're designing work, and have credible witnesses involved in your process, developing legislative history on that question. And then if you find, after a reasonable period of time, that the program has clearly failed, eliminate it, terminate it.

Mr. DAVIS. Do you have any good examples where that's worked up here?

Mr. LIGHT. Well, there's a debate—you mean as to whether we've ever been able to do it?

Mr. DAVIS. Right.

Mr. LIGHT. I would defer to Herb Kaufman, who was a long-time scholar at the Brookings Institution. The chairman may have known him when he was there. He wrote a wonderful book titled, Our Government Organizations Immortal. And his answer was, for the most part, yes. So I don't think we'll find too many.

Mr. DAVIS. So easier said than done.

Mr. LIGHT. Well, Synfuels was eliminated in the early 1980's. There was a question about whether it was working or whether it wasn't working. We have eliminated programs over the years, as we have eliminated titles and positions from time to time. But those are really the exception to the rule. There is a certain immortality once we create an agency.

Mr. DAVIS. OK. Any other——

Mr. FOSLER. Yes. We now have more experience in looking at termination, elimination, substantial restructuring, both from the private sector, from State and local government in the United States, and in particular, from national governments abroad that have been going through this process for about 10 years. And I think that there is a series of lessons that come out of that experience; that say that the key is to really ask, is this something that should be done in the first place?

A business asks, is this our line of business? A government asks, is this really our mission? And if it's not, it shouldn't be doing it, whether the program is working or not. If it is a legitimate mission, and the program is not working, then the question is, why isn't it working? Is it because it's poorly designed, it's poorly structured, it has inadequate resources, it's not effectively managed?

And if it really is important, then the question is, how can you assure that it has the capacities to make it work? If it has everything that you could possibly do to make it work and still doesn't, then it may be that it shouldn't be done, even if it might otherwise be a legitimate mission, because of the cost or difficulty of getting it done. But those are the kind of questions that have been asked elsewhere, and I think are now being asked by the Congress.

Mr. DAVIS. Of course, missions change and you get duplication. Sometimes the problems that were originally envisioned to be

solved or nurtured go away. But it seems that when that happens, the organizations seem to find new missions, seem to find a new direction. And I don't know what kind of a review that we've been getting.

But do you know any successful experience, outside of Synfuels, where we've been able to really terminate a department or function of government?

Mr. FOSLER. In the Federal Government, I think, as Paul Light has said, it has been difficult to find those examples. I do think you find it more at the State, local level. You see some clear examples of it abroad. New Zealand, which this committee has looked at in some detail, clearly started asking, what is the real mission of this national Government; what should it not be doing?

It privatized a good deal of those operations. It corporatized others with forms of government corporation, which made them more like private companies, with a higher degree of discipline and accountability. And then it got its core public service down to a fairly small, compact level.

Mr. DAVIS. OK. Thank you. Any other comment? All right, that's all I've got, Mr. Chairman. Thank you very much.

Mr. HORN. Thank you, Mr. Davis. Now, you gentlemen were here when some of the other witnesses testified, I believe. Were you here for both the administration and GAO? Do you have any comments on what they said? Did they say anything that particularly excited you one way or the other, positively or negatively? If so, what?

Mr. LIGHT. Well, let me—I have two basic comments. One is that I heard quite a bit of talk on occasion about the experience in Minnesota. And I would urge the committee to take a closer look at Minnesota as a very difficult case of trying to achieve a performance oriented budgeting process. Often from afar, many people in the East believe that Minnesota resides someplace so far away that we can't possibly visit it.

Having just moved back from Minnesota to the East Coast, I can tell you that performance budgeting has been an extraordinarily difficult and uneven implementation at best; and possibly an extraordinarily large investment of resources and training capacity for very little gain at worst. I'd say, in the second comment, there's been a lot of talk about giving Federal employees the capacity to do performance measurement and so forth.

I think at least, and equally important if not much more important, issue for the committee to struggle with is giving Federal agencies the incentive to care about creating the capacity to do performance accountability. Do agencies have any reason to believe that this is going to be at all an issue for their future; that there's anything at risk when they do not perform well; that there's anything to be gained when they do perform well?

And I think that's the missing issue here. There's a great deal of exhortation right now, and I certainly agree that performance accountability is the way to go. But what is at stake for an agency that does not do this? What is at stake for an agency that does? And that's a question of incentives, and I'm afraid that the incentive structure right now does not favor a durable and deep embrace of performance accountability.

Mr. HORN. You heard me mention that quote by Bureaucratis
›m Federal Computer Week. Did you have any feeling on the sug-
›stion he made?
Mr. LIGHT. Which quote was that?
Mr. HORN. This is the quote that we ought to have, hanging up
ı the walls of the Controller General's office, and maybe OMB's
fice as well: "It's not legislation, it's management, stupid"; and
at we ought to provide some incentives for the managers, which
exactly what they do in New Zealand.
Mr. LIGHT. Oh, I think it may be that we need a somewhat dif-
rent sign.
Mr. HORN. Financial incentives, we're talking about.
Mr. LIGHT. Yes, that it's the environment of management, stupid;
at it's what's at risk that's most important for an agency. So I
ink you put on the table performance accountability reform. You
art talking about civil service reform; you start talking about de-
yering of agencies.
You put this all on the table and say, how do we get to perform-
.ce, how do we get better performance. And it's a series of reforms
at are involved, not just one or another. But it's a whole effort
get at a variety of issues.
I might say, in closing here that my students at the Humphrey
stitute are not demoralized by all this conversation in Washing-
ı about cutting agencies. What they're demoralized about is they
ink about working in the Federal Government, is the fact that
ere are very few chances for them to accomplish something
›rthwhile. They are not motivated by pay, otherwise they never
›uld have come to the Humphrey Institute in the first place.
Public service is not a paying profession, I'm afraid. What they
e motivated by is the chance to do something worthwhile, the
ance to have responsibility in employment, the chance to be able
advance in career. And I'm afraid at this point in time, the Fed-
al Government is increasingly an employer of last resort for our
ry best students.
It's the last place they would want to work, because it's one of
e places that gives them the least opportunity to be rewarded for
ccess and to have a chance to do something worthwhile, I'm
·aid.
Mr. HORN. Mr. Fosler.
Mr. FOSLER. One point I would stress, Mr. Chairman, that came
repeatedly is, how do we develop the capacity to do the job? I
ree that providing the incentive to get the capacity is key if
ı're going to motivate people to find out what they need and get
Let me mention in that regard that one of the things we're doing
the Academy is putting together a consortium of people from the
encies that are working on GPRA.
We're working with senior managers, and the intent is to develop
se studies and practical experience from the agencies themselves,
they can share that experience with one another; look at the
allenges that they've dealt with, the solutions, the benefits, the
›blems; and to develop, in essence, a different kind of capacity-
ilding mechanism, not just the traditional kind of training, but
;ually learning from the doing, which is not only more efficient,
'en this era of scarce resources, but really goes to where the

owledge is—the real knowledge—which is the people that are ıng and learning.

And they can enhance that by sharing that experience with one other.

Mr. HORN. Well, I appreciate that. I'm going to have to close out s part of the hearing. We have a vote on the floor, and we have e panel to go, of witnesses that are down there at the grass ots, living with how you get a Government Performance and Re- lts Act implemented. Thank you again, all of you, and you also, . Wye. We know you had a lot of input into this statement. anks for coming.

We'll swear in panel four before I leave for the floor. Mr. Wil- ms, Admiral Henn, Mr. Thompson and Colonel Ward please ne forward and we'll swear you in.

[Witnesses sworn.]

Mr. HORN. We will now go into a recess for 15 minutes, and ıen I come back we'll hear Mr. Williams' opening statement.

[Recess.]

Mr. HORN. The hearing will resume, as of 5:05 p.m., and we will ırt on panel four with Anthony Williams, the Chief Financial Of- er of the Department of Agriculture. Welcome.

ATEMENTS OF ANTHONY A. WILLIAMS, CHIEF FINANCIAL)FFICER, U.S. DEPARTMENT OF AGRICULTURE; VICE ADMI- RAL ARTHUR E. HENN, U.S. DEPARTMENT OF TRANSPOR- TATION, U.S. COAST GUARD; JOSEPH THOMPSON, DIRECTOR, NEW YORK REGIONAL OFFICE, U.S. DEPARTMENT OF VETER- ANS AFFAIRS; AND COL. F. EDWARD WARD, JR., DEPUTY COMPTROLLER, HEADQUARTERS AIR COMBAT COMMAND, J.S. AIR FORCE

Mr. WILLIAMS. Yes, Mr. Chairman, thank you for the opportunity speak to you today about USDA's implementation of the Govern- ent Performance and Results Act. I have with me Melinda Jones, ıo is our staff analyst in working with the agencies on this im- rtant endeavor. I would like to enter, for the record, my formal ıtement, and just make a few brief comments.

Mr. HORN. That's automatic with all statements, and then a 5- nute summary, if you could.

Mr. WILLIAMS. Thank you, sir.

Mr. HORN. The light system will help guide you. The last minute yellow.

Mr. WILLIAMS. OK. As I said before, responsibility for coordinat- ; GPRA lies with the CFO in USDA. We have some eight agen- s that are pilots under the act. We have the Forest Service, ıich I'm going to speak on in just a second; the Agriculture Quar- tine Inspection Program of the Animal and Plant Health Inspec- n Service, APHIS; the Scales and Weighing Program of the ain Inspection, Packers and Stockyards Administration.

We have the former Soil Conservation Service, now Natural Re- ırces Conservation Service, and in that subset, the Operations rvey, Water Supply Forecasting Program and Conservation Op- ıtions. We've got, interestingly, the Office of Civil Rights En- cements; the entire Office of Communications; and the former

Farmers Home Administration now the Rural Housing Community Development Service; and the Single Family Housing Program.

RHCDS had, I might add, a study that they submitted to the subcommittee on appropriations, on performance measurement; which I think is interesting, because I think there's a linkage there with the appropriations process. And finally, we have had underway programs with the Cooperative State Research, Education and Extension Service.

By way of summary, I'd like to refer back to what John Koskinen said in his exchange with you, Mr. Chairman: in talking about performance measurement in the overall program, we really need to think about what are the goals of our program; how are we going to measure our achievement according to those goals; and then finally, how are we going to build the accountability and report the results of what we've done.

And when we talk about the Forest Service and the enormous work that they've done, I think that they are a unique organization not just because of their size and magnitude—and I think we can all appreciate that—but because they have already underway a number of measures that are related to the Government Performance and Results Act, and really show how an agency must grapple with—as John would say, in the unified field theory—grapple with combining and coordinating and integrating, synthesizing, if you will, all these different initiatives.

For example, Mr. Chairman, they have had underway for some 20 years now, the Resource Planning Act, which requires them to submit every 5 years a strategic plan, stretching for 5 years. They've had to accommodate that. They have, very importantly, for some time now, been implementing what they call the All Resources Reporting System, which is a system integrating financial and accomplishment reporting to show the relationship between expenditures, revenues and accomplishments.

We think this is critical because good cost accounting systems are the only way we're really going to show the cost of achieving outcomes. It's really the foundation, we believe for good performance management. Another important thing, getting at management support in your exchange with Dr. Light and Mr. Fosler on how to build incentives. The Forest Service has underway, for some time, something called the Management Attainment Report.

And what it's tried to do, with its senior executives, to make a long story short, is incorporate performance measurements into that process of evaluating their senior executives. So in summary, Mr. Chairman, how has the Forest Service tried to coordinate and combine all these activities? How has it tried to address one, building better management support; two, better integration of all these initiatives; and three, better accountability?

I think 1996's performance report offers a good example. In 1996, what the Forest Service is attempting to do is to take the goals that they have to submit under the Resource Planning Act—take those as a launching pad, if you will, because they're for a 5-year period—build budget priorities based on those goals, and then GPRA 1 year performance plan goals under that.

So you've got, at least as a start, a unified system. Then on the back end, to begin in 1996, working toward an accountability re-

port that begins to at least compile together and we hope, later, synthesize requirements under the CFO Act, as well as GPRA performance evaluation requirements. With that, Mr. Chairman, I'd like to thank you for this opportunity. I'd be happy to answer any questions.

[The prepared statement of Mr. Williams follows:]

PREPARED STATEMENT OF ANTHONY A. WILLIAMS, CHIEF FINANCIAL OFFICER, U.S. DEPARTMENT OF AGRICULTURE

Mr. Chairman and Members of the Subcommittee. I am honored to be here today as the Department of Agriculture's Chief Financial Officer to discuss the implementation of the Government Performance and Results Act of 1993 (GPRA) in USDA. With me are Mr. Irwin T. David, USDA's Deputy Chief Financial Officer and Ms. Melinda Jones, USDA's GPRA Coordinator.

In USDA the responsibility for coordinating GPRA implementation has been delegated to the Office of the Chief Financial Officer (OCFO). USDA is implementing GPRA through our individual mission organizations and agencies. The OCFO is charged with providing policy guidance, oversight and technical assistance to USDA agencies, coordinating our activities with the Office of Management and Budget (OMB) and the General Accounting Office (GAO) and with developing Department-wide GPRA plans. Our staff devotes significant effort to support USDA agencies in developing strategic plans, performance plans and reports, and in coordinating with the budget process.

Eight USDA agencies have participated as performance pilot projects of the GPRA performance pilot program. USDA has submitted FY 1994, 1995, and 1996 Performance Plans for these agencies and is now finalizing the FY 1994 Performance Report for the pilot programs.

The eight USDA pilot agencies and programs include:

- Animal and Plant Health Inspection Service;
  - —Agricultural Quarantine Inspection
- Cooperative State Research, Education and Extension Service;
  - —Communities in Economic Transition
  - —Plight of Young Children
  - —Decisions for Health
  - —Food Safety and Quality
  - —Integrated Pest Management
- Grain Inspection, Packers and Stockyards Administration;
  - —Scales and Weighing Program
- Forest Service;
  - —Entire Agency
- Natural Resources Conservation Service;
  - —Snow Survey and Water Supply Forecasting Program
  - —Soil Survey Program
  - —Conservation Operations
- Office Rights Enforcement;
  - —Entire Office
- Office of Communications; and
  - —Entire Office
- Rural Housing and Community Development Service.
  - —Single Family Housing Program

USDA agencies are presently developing their strategic plans and annual performance plans and determining appropriate performance measures. We anticipate meeting all requirements of the Act within the scheduled time frames. To provide the Subcommittee with insights into USDA's experience with the Act, I have chosen to focus on the Forest Service, USDA's largest pilot project.

FOREST SERVICE

Forest Service (FS) has looked on the pilot GPRA efforts as an iterative process. The staff expects to learn new things each year in the development of a performance plan and then build that knowledge into the next plan. As a pilot project, the FS also chose to cover all program activities of the agency. This approach has given the FS a better appreciation of what it takes to develop goals and indicators for a total agency program; they will be better prepared to deal with full implementation of GPRA after the pilot phase. In addition, the FS has chosen, wherever possible, to

integrate the GPRA requirements into existing management processes and requirements.

The FS was in a somewhat unique position with the regard to GPRA. Under the Resources Planning Act (RPA), the agency has been preparing strategic plans every 5 years for the past 20 years. The 1995 RPA Program is currently in draft form and the four strategic goals identified in that draft have been the basis for the FY 1996 and 1997 agency budget requests and the FY 1995 and 1996 GPRA Performance Plans. Thus, the 1995 Draft RPA Program has been modified to meet both the requirements of the RPA and the GPRA.

The RPA also requires the preparation of an Annual Report of the Forest Service. The report provides detailed narrative and tables describing agency accomplishments during the fiscal year. For FY 1994, FS developed one document to meet the requirements for the Chief Financial Officer's Report required by the CFO Act and for the FY 1994 GPRA Performance Plan.

The FS has also been working for the past 6 years on developing the All Resources Reporting (ARR) system, an integrated financial and accomplishment reporting system which is being implemented in FY 1995. It is designed to show the relationship between expenditures associated with management activities on a National Forest, revenues and actual accomplishments. ARR measures include both accomplishments which are generally output oriented and results which are outcome oriented. This differs from the past focus on management activity and input oriented measures. Outcome measures in ARR generally focus on resource condition, for example, Watershed Condition or species Delisted or Reclassified. However, much work remains to be done in relation to outcome measures.

A third FS effort is to develop a set of "corporate performance measures" to enhance the implementation of GPRA. The intent is to develop a set of 8 to 10 "corporate measures" that would measure how well the agency is doing overall, not only on a program by program basis. These measures will be outcome oriented. This effort envisions a hierarchy of goals and associated measures that tier down from the FS mission and strategic goals to program and sub-program levels. Measurement indicators would be associated with each goal and program and sub-program level performance indicators would tier up to corporate measures. FS' leadership intends to use these corporate measures in evaluating individual performance of the National Leadership Team by incorporating them into the Senior Executive Service performance appraisal standards.

Corporate Performance Measure Development is being the coordinated with a similar effort at the Bureau of Land Management (BLM). The FS and BLM recently sponsored a "round table" of resource management agencies to share information and experiences with regard to strategic planning and performance measurement. The group has decided to meet on a trial basis for a period of 6 months with the intent of identifying areas where they might share common interests, including potentially common performance measurements.

FS' leadership is meeting today and tomorrow (June 27 - 28, 1995) to identify agency priorities over the next few years. Key input being used to frame the discussion includes the RPA strategic goals, the initial results of the Corporate Performance effort, GPRA annual goals, and changing budget emphases. Results of this meeting could include decisions to reduce or even eliminate some programs.

These major efforts are being further supplemented by over 20 program level performance measurement efforts. Examples include the development of "meaningful measures for recreation," an effort to develop activity-based costing for recreation; criteria and indicators for sustainable development both nationally and internationally; and performance indicators for cooperative forestry activities. The one area in which the FS is encountering the most difficulty in measuring outcomes is "Research." Inputs such as scientist time and outputs such as publications are easily identified, but capturing the outcome of research is proving to be difficult. The FS is working closely with other scientific organizations such as the National Institutes of Health on this issue. It may be that research will have to be measured through input/output measures and some subjective assessment process.

Performance measurement within the FS is done through the Management Attainment Report (MAR). MAR includes all measures to be reported in a given year. In FY 1995, the ARR measures are included for the first time. Accomplishments are aggregated from the field level where they are reported into the MAR system. Currently, Senior Executive Service employee ratings are based in part on accomplishments reported through the MAR system and MAR accomplishments are used to help evaluate program accomplishments.

FS GPRA Performance Plans

FY 1994 Performance Plan

.s a GPRA pilot, the FS had four simple objectives for the FY 1994 GPRA pernance plan:

- Establish a process that would be institutionalized;
- Establish a basic format;
- Get people thinking about how well current indicators/measures serve to really tell us something; and
- Start people thinking about clearly stated goals rather than assuming that "everyone" knows what they are.

'he FY 1994 Performance Plan was successful with regard to the first three objec-:s. A process was established which fit well with how the FS does business, red staffs to develop their own goals and indicators, required management over-ıt, and used resources efficiently. A basic format was also established. In addi-ı, many FS staffs were able to identify a need for new and better indicators. This ırmation, coupled with the ARR effort, clearly indicated a need for the agency ook closely at the measures it was using. Currently, FS has over 20 efforts ongo- to improve performance measurement. These range from development of inter-ional indicators of forest sustainability to indicators measuring the smallest com-ıents of recreation activities. The last objective was the weak link in the FY 1994 formance Plan. Most goals were timeless and non-quantified rather than annual l quantified; they were usually program objective statements from the Budget ılanatory Notes rather than specific quantified annual goals.

1995 Performance Plan

ıased on the FY 1994 experience, objectives for the FY 1995 Performance Plan tered on goals development and measures. It was recognized that while based strategic goals, annual goals could and should change based on a number of fac-ı such as program shifts, budget emphases, completed tasks, the development of icators by the ARR and Corporate Performance Task Groups, among others. As ısult, the objectives of the FY 1995 Performance Plan were:

- Focus on developing annual performance goals rather than timeless program objectives; and
- Implement the use of ARR measures as indicators wherever possible.

ıuccess in accomplishing these two objectives in the FY 1995 Performance Plan ı mixed. Some goals were annual and could be clearly tied to the strategic goals. ıers were still timeless program objectives. Some of the ARR measures were used indicators, while some were not. The critique of the FY 1995 Performance Plan ı identified a lack of management involvement in goal development. Goal devel-ıent was generally placed in the hands of staff, who might or might not have lear understanding of the goals the manager wanted to achieve. Given the itera-ı approach to developing these Plans that the agency is taking, the progress de in the FY 1995 Performance Plan was deemed to be adequate.

1996 Performance Plan

ıs a result of the critique of the FY 1995 Plan and of the fact that the FY 1996 n was the first to be formulated at close to the appropriate time in the budget cess, a different approach was undertaken to ensure manager involvement in l development. For FY 1996, for the first time, FS' management team used the 1995 Draft RPA Program strategic goals and actions under each strategic goal levelop a set of budget priorities for FY 1996. Based on these budget priorities, et of meaningful GPRA goals were then developed. This resulted in a clear hier-hy in which the agency strategic goals were tiered down through strategic ac-ıs, FY 1996 budget priorities and finally, FY 1996 GPRA goals.

'o better involve management in FY 1996 GPRA goals development and to begin titutionalizing GPRA principles, each Deputy Area had the Staff Directors, as a up, develop the GPRA goals for that Deputy Area using the strategic goals and ions and budget priorities as a starting point. The Staff Directors then developed ıropriate indicators to measure achievements related to each GPRA goal. Indica-trends were shown where available. In some cases, the indicators were new (i.e., dlife) and no trend lines could be displayed. Further refinement of the indicators each program will be a function of the performance measures efforts currently lerway such as ARR, Corporate Performance Measures Task Force, Chief Finan-l Officer Report, etc.

'his approach was relatively successful in getting management involvement and ımitment to the GPRA goals, although some Staff Directors felt that GPRA was reasing their workload rather than reducing it by replacing or eliminating other uirements. The manager time required to develop the annual goals was approxi-tely 6 - 12 hours each. Several managers invested significantly greater time ile serving as coordinators for their Deputy Areas.

Y 1997 Performance Plan

For FY 1997, FS will institutionalize its GPRA Performance Plan goal develop-ıent into its budget process. The FY 1997 formulation of the Agency Request is ıased on budget priorities tied to the Draft RPA strategic goals. Currently, Deputy reas are working on developing their GPRA goals, tiering them to the budget pri-ities in the FY 1997 Agency Request. These goals will be adjusted based on the epartmental Allowance and the FY 1997 GPRA Performance Plan forwarded to MB. Forest Service management anticipates using the GPRA Performance Plan ›als as one basis for allocating funding in FY 1997, thus further institutionalizing PRA.

lexibility Pilot

The FS has decided not to participate in the second set of projects (managerial :countability and flexibility). In general, those areas where the FS would be re-ıesting flexibility are under the purview of the Congress. It should also be noted ıat FS already has the benefit of some key "flexibilities" such as two-year funding.

CONCLUSION

GPRA has the potential to become an important management technique in USDA. ur pilot project experience, as exemplified by the Forest Service has been a very ›sitive, albeit difficult, learning experience. The results and the lessons learned ill be significant in Department-wide implementation. USDA is committed to a ;overnment that works better and costs less." Strategic and performance planning ill help us achieve that goal.

FOLLOW-UP QUESTIONS AND ANSWERS

A. A. WILLIAMS, CHIEF FINANCIAL OFFICER, DEPARTMENT OF AGRICULTURE (USDA)

1. In what ways has top management supported or hindered the implementation 'GPRA at your agency/department or pilot project?

Top management has provided significant support for the implementation of PRA and the pilot projects by: (1) recognizing its importance, (2) communicating ıis importance to staff directors, (3) making necessary resources available, includ-g staff and training courses, to help develop performance plans, and (4) directly ırticipating in the development of annual performance goals and the strategic anning process.

2. Are both career staff and political appointees involved in the GPRA implemen-tion efforts? Please describe how and how it has affected the project.

Career staff and political appointees are involved in the strategic planning process ıd they actively communicate their endorsement of GPRA to all divisions within ıeir agency. In most cases, only career staff is responsible for day-to-day implemen-tion efforts.

3. How, if at all, do top political appointees and career managers show their sup-ırt for GPRA, and how is that support communicated throughout the agency?

Top political appointees and career managers show their support for GPRA by king seriously their responsibilities regarding strategic planning and performance easure development, and expressing this commitment to their staff. As stated in .e answer to #1, top management within USDA has provided significant support r the implementation of GPRA. Their support is continually communicated at staff eetings and conferences attended by employees, and during visits to regional of-:es.

4. Describe how your pilot is assessing internal constraints on managers' flexibil-y in achieving desired outcomes. What kinds of constraints, if any, have been re-oved and with what consequences?

USDA's agencies are not currently participating in the managerial flexibility pilot 'ogram. Some agencies are still collecting information to assess internal con-raints that may affect achievement of their desired outcomes. However, Natural esources Conservation Service (NRCS) has identified several constraints for their vo pilot programs:

Soil Survey Program has identified the following program constraints:

(1) Legislative language in their authorities prevents them from diversifying their service to customers;

(2) USDA rules and regulations prevent rapid procurement of needed com-puter equipment; and

(3) OMB rules relating to restricting the agency from charging for products and retaining those fees for program support.

Snow Survey Program constraints on managerial flexibility include:

(1) GPO printing regulations;

(2) ADP equipment procurements;

(3) Customer questionnaire limitations; and

(4) OMB rules related to restricting the agency from charging for products and retaining those fees for program support.

5. How has implementing GPRA changed the activities that staff focuses on, on a day-to-day basis? If it has changed things, in what ways have things changed?

Implementation of GPRA has affected agencies' day-to-day activities of staff personnel in different ways. Agencies, such as the Forest Service, that had some strategic planning and performance measures in place prior to pilot participation did not experience much change. Other agencies' staff now focus more on customer service, goal setting, and developing performance measures than ever before. For example, the Animal and Plant Health Inspection Service's ports of entry that are participating in the pilot have begun inspecting a random sample of airline passengers, maritime and air cargo, and vehicles crossing the Mexican border. These new inspection activities has caused some port staff to view their routine functions in a different way. However, significant changes to daily operations are not expected until the strategic plans are completed and performance measures are linked to the budget.

6. What approach is the pilot taking to link planning and performance measurement activities throughout the organization and integrate them with the processes in place at various levels of the organization, from top agency officials to line staff?

Agencies are taking various steps to integrate planning and performance measurement activities with other processes in place at various organizational levels. Some of these integration efforts include the following:

Animal and Plant Health Inspection Service—The pilot facilitation team has set up the measurement project to become fully integrated into normal activities at ports of entry. Front-line employees have been involved from the beginning in planning and measuring program results.

The goals and indicators for the pilot performance plan are now included in the agency's multi-year program plan and budget.

Grain Inspection, Packers and Stockyards Administration—Each regional office is involved in implementing the GPRA pilot program and in preparing quarterly reports on their performance. Input from regional field offices as well as top agency officials will be sought in planning and developing performance measures for the overall GPRA program performance plan.

Forest Service—FS has included GPRA information in their planning and budgeting exercises at National Leadership Conferences. Also, they have incorporated GPRA performance plan information into their agency's Program Budget Advice package.

Rural Housing and Community Development Service (RHCDS)—After the strategic planning process and the setting of State-level performance goals are completed, RHCDS plans to link performance goal achievement with employees' performance ratings.

The Office of the Chief Financial Officer (OCFO) is planning a symposium to provide USDA program managers an understanding of the relationship between GPRA and other management initiatives (such as the National Performance Review (NPR), Business Process Re-engineering (BPR), Farm Bill, Chief Financial Officers (CFO) Act, Customer Service, Culture Change, and Budget), and to stimulate ideas for integrating all of these initiatives' performance planning and measurement requirements.

7. How are the experiences of the GPRA pilot being shared with non pilot participants within the agency?

GPRA Coordinators have been appointed for every USDA agency. Regular meetings, sponsored by the OCFO, are held that include the sharing of information between pilots and nonpilots. The OCFO has held several "Lessons Learned" forums for the non pilot agencies within USDA. In addition, the pilot's performance plans were distributed to all USDA agencies. Also, intra-agency meetings and training classes have been held to disseminate GPRA information to program management, budget and other staff members. The OCFO is currently planning a symposium to address the integration of strategic planning and performance measures required by other management initiatives. The experiences of the GPRA pilots has provided useful insights for all USDA agencies.

8. How have you ensured that staff is adequately trained or knowledgeable in the techniques they are using?

In most agencies, staff has received external and internal training in planning and performance measurement. The OCFO has provided guidance for meeting the GPRA requirements. Agencies have also reviewed pilot plans from other USDA

agencies and Departments and have used those reports as references in developing their own pilot programs. Many agencies have used a team approach that consolidates GPRA expertise and aids planning and implementation efforts. For example, Forest Service has relied on a small cadre of personnel knowledgeable in the conceptual and technical aspects of performance measurement, goal development and corporate processes. Additional personnel become involved in the development of each successive performance plan and report. Animal and Plant Health Inspection Service has at least one employee and manager who attended four monitoring system design workshops at the ports of entry where results monitoring occurs in the pilot.

9. What has been the main impetus driving the implementation of the GPRA pilots?

For most agencies, the main impetus driving the implementation of the GPRA pilots is management's commitment to a results-oriented program that uses strategic planning and performance measurement as management tools. Some agencies had strategic plans and performance measures in place due to agency-specific legislation, but GPRA offered the challenge of developing outcome measures. Also, the Forest Service viewed GPRA as an excellent framework for developing and organizing information to simplify the evaluation of agency performance.

COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE

10. The Department of Agriculture is planning to ask to have the first stage pilot, the Cooperative State Research, Education, and Extension (CSREES), withdrawn from the pilots? It is a program that deals with state land grant universities, I think, is that correct? Can you describe the department's reasons? Are there inherent difficulties in working cooperatively with the states? Is this something that needs to be considered in light of the current enthusiasm for block grants?

Prior to the recent enacted USDA reorganization, the USDA Extension Service was accepted as a pilot project under GPRA. In fact, the Extension Service was noted by OMB as one of the exemplary pilot projects for 1994. The USDA reorganization has combined the extension activities of the Extension Service with the research and education activities of the Cooperative State Research Service. The resulting organization, Cooperative State Research, Education and Extension Service, is focusing its attention on the most appropriate combination of extension, research and education services. Therefore, a pilot project focused on extension activities alone is not appropriate in the new organizational arrangement.

FOREST SERVICE

2. What is the current status of the agency's ecosystem management approach in terms of its integration into the agency? In other words, have senior managers, line managers, and staff adopted and accepted this approach in its daily operations?

Ecosystem management is being fully integrated into the policy setting, planning, budgeting, and project development and implementation phases of the agency's management model. The concept of ecosystem management is an integral part of the Course to the Future, the Draft 1995 Resources Planning Act (RPA) Program—the agency's long-term strategic plan, the proposed revision to the Land Management Planning Regulations, the FY 1996 and FY 1997 budget submissions, and program direction in the field. Line and staff involvement have occurred in these and other efforts that are helping to define and communicate the mission, goals and objectives of the agency. Field-level managers have been at the forefront of accepting and utilizing ecosystem approach in the design and implementation of integrated resource projects that implement the direction in land management plans.

3. The Forest Service has developed one Annual Report meeting the needs of both the CFO Act and the 1994 GPRA Performance Plan. Can you describe the contents of the document and explain a little about how it combines the reporting requirements?

The Forest Service is producing an Annual Report in response to requirements in the Forest and Rangeland Renewable Resources Planning Act of 1974, the CFO Act of 1990, and the GPRA of 1993. The FY 1994 Annual Report of the Forest Service continues our efforts to combine as many of these reporting requirements as possible into a single document. The Report contains three major sections:

(1) an overview that contains some key information about the Forest Service, accomplishments related to CFO performance measures, and Performance Highlights related to the 1990 strategic RPA Program Themes;

(2) a GPRA appendix that contains the goals from the 1994 GPRA Performance Plan, planned and actual accomplishments, trend information and conclusions related to the achievement of the goals; and

(3) a series of statistical tables on Forest Service activities and outputs.

he information contained in the first section of the Annual Report is used in de-
ping the performance section of the agency's CFO Report. The GPRA appendix
sfies the GPRA reporting requirements. The entire report meets the RPA report-
requirements. Further integration of these reporting requirements is expected
he FY 1995 Annual Report.

Mr. HORN. We thank you, and we'll proceed with the reamining
nesses, and then have the questioning. Our next guest is Vice
miral Arthur Henn, the Vice Commandant of the U.S. Coast
ard. Welcome, Admiral.

Admiral HENN. Thank you, Mr. Chairman, good afternoon. I ap-
ciate this opportunity to be here and share with the subcommit-
the Department of Transportation's experience with our pilot
jects. As you know, the Coast Guard is participating as one of
r pilots in the Department, along with the National Highway
affic Safety Administration and major programs within the Fed-
l Highway Administration and the Federal Aviation Administra-
n.

Each project has a different story to tell, but at the same time,
der Secretary Pena's leadership, there's been a good deal of syn-
y between these pilots. We've learned from each other; we've
ared. If I might, I will focus for the most part on the Coast
ard's pilot project, which was distilled from a business plan that
first began within the Coast Guard in my previous office in
91.

t represents one of the major areas of work within our Coast
ard. This plan uses a simple formula to get the desired out-
nes—set goals, empower, manage risks, and measure. Measure
189 different activities within that specific program within the
ast Guard.

have to tell you that success has a key to it. And that key is,
. must give yourself permission to excel, whether you're a sec-
ary of a department; whether you're a modo administrator;
ether you're an associate modo administrator; or whether you're
irector. You must give yourself permission to excel.

Secretary Pena did this, as did the rest of the folks within our
partment. If I could focus on success for a moment, and take you
k to 1992 in the Coast Guard, in our office of Marine Safety,
urity and Environmental Protection, we undertook a com-
hensive organizational assessment. We surveyed our stakehold-
—Congress was one of those stakeholders; our field offices; pro-
m personnel at both our district offices and at headquarters.
e feedback we received clearly signalled the need for a change
the way we were doing business. One thing that became clearer
l clearer was that centralized management here in Washington,
, was keeping our field units from focusing on their activities
l their ability to contribute to those outcomes which we really
nted to have come about.

o we empowered our field commanders to get local mission per-
nance standards in place, and focus on local risk management.
other success of the organizational assessment was, it answered
r basic questions. And when we started down the road, I told
per & Lybrand and Gallup I wanted these four basic questions
ed. And they are, who do we think we are; and who are we real-
and what do we think we're doing; and what are we doing real-

Those are basic questions, obviously. But I would tell you they're asic questions, I personally believe, that parts of agencies and in-eed agencies themselves—many could not answer those basic uestions today. The biggest problems the Coast Guard faced was hanging the mind-set of our middle management. This is at the irector's level. Here it was imperative for senior management—the ecretary, the Commandant, the flag officers—to prove to our mid-le management that they do have permission to excel.

You can take risks. You must get buy-in from the folks within our organization at all levels. You have to get that buy-in if you're oing to be successful. Another problem the Coast Guard had was, e knew we needed to do something, but we didn't have the school-ook solution.

We didn't have a road map. So we did some backing and filling; es, we zigged and we zagged. But first, we put together what we alled—for lack of a better title at that time—a critical issues. And at was circa 1991—critical issues for an entire program.

We learned some more, and then we changed the name of critical sues to our strategic plan. And that was in early 1992. But out f our problems and out of our difficulties grew our success. For en, in 1993, we made some significant breakthroughs, and we eated what we called our business plan that, in 1994, we pre-ented to you as our performance plan.

An important part of the performance plan is performance indi-ators, tied to base lines, for each of the goals that you set. Let's lk about reporting requirements. Reporting requirements to OMB to the Congress really are not a problem for an agency, once you ave your plan in place. If you don't have a plan, you're lost. But r the Coast Guard, our problem was not reporting to you or OMB, ur problem was in reporting to ourselves.

For one thing, we found that our reports were built around get-ng information on activities—how many dollars and people we ere pumping on the input side; and what we were achieving as r as number of inspections, number of boardings, things like at—not the effect we were having in maritime safety or environ-ental protection. So we had to do something to get better infor-ation.

Some of that resulted in actual data calls from the field that we ded up doing pencil crunching on. Recommendations to other encies I would give: if you haven't started down the road to meet e GPRA section 3 by now, you're in deep trouble; and you're prob-ly going to have trouble meeting the deadlines. I would say that y agency not working on this today should realize they're in the th hour.

As far as legislative changes, we see no need for legislative anges. We believe that the GPRA, as it is written, is a win-win r the Congress, the administration, and the American people. Our commendation, if I could, to the subcommittee is, if you could, end some time looking at the reports required by Congress of the encies. I believe that you'll find these reports are activity ori-ted; that they are reports that look at the resources applied and e numbers and amounts of activities done.

They are not oriented to the results or the outcome; indeed, those ings envisioned by the act. And finally, sir, I would say that the

Department of Transportation will not be constrained by the past, nor will we be deterred by the future. Our success within the department can be measured by several things.

First of all, the involvement and support of Secretary Pena and the modo administrators; the commitment of senior managers to give all levels of our department permission to excel; and finally, an early head start, followed by just a lot of hard work by the folks at the Department of Transportation. Thank you, sir.

[The prepared statement of Admiral Henn follows:]

PREPARED STATEMENT OF ARTHUR E. HENN, VICE ADMIRAL, U.S. DEPARTMENT OF TRANSPORTATION, U.S. COAST GUARD

Good afternoon, Mr. Chairman. I appreciate the opportunity to share with the subcommittee our experience as a pilot project for performance goals under the Government Performance and Results Act. As you know, the Coast Guard is participating as one of four pilots in the Department of Transportation, along with the National Highway Traffic Safety Administration, and major programs within the Federal Highway Administration and the Federal Aviation Administration. Each project has a different story to tell but at the same time, under Secretary Pena's leadership, there has been a good deal of synergy among these pilots as we collectively worked through some of the issues and began preparing our plans. I know we learned a good deal from the other pilots and I expect they probably learned some things from us as well.

This morning I would like to describe for you the context of our pilot project, our planning approach, our program goals and major strategies for achieving those goals, the results we achieved in 1994, and some of the lessons we learned in the process. The statute has proven to be clear and workable. The costs have been quite modest and the utility in managing programs has been substantial. There are issues that remain to be resolved but none appear insurmountable. At this point, we would continue our course with or without a statutory requirement to do so.

COAST GUARD'S MARINE SAFETY, SECURITY AND ENVIRONMENTAL PROTECTION PROGRAMS

The Coast Guard's pilot project spans the full range of our Marine Safety, Security, and Environmental Protection programs. The mission of these programs is to protect the public, the environment, and U.S. economic interests by preventing and mitigating marine incidents. Our principal responsibilities include:

- establishing federal policies and standards for the design, construction, equipment, manning, operations and maintenance of commercial vessels, and for the qualifications of their crew
- developing standards for the handling of hazardous materials on board vessels and marine facilities
- negotiating international maritime safety and environmental protection standards on behalf of the U.S.
- assuring U.S. vessel compliance with domestic and international standards (our flag-state responsibilities) and compliance by all vessels and regulated facilities in U.S. ports and waters (our port-state responsibilities), through a combination of education, monitoring, and enforcement
- controlling vessel and facility operations to correct or reduce significant safety, security, or environmental threats
- coordinating national protocols for preparedness planning, training and exercising
- directing response activities to mitigate the effects of maritime casualties and pollution

Historically, our Marine Safety Security and Environmental Protection program operations have been directed through nationwide performance standards for hundreds of specific activities in prevention and response. National goals expressed by Congress and the Administration were translated by the Coast Guard into fairly detailed program designs. Funding and staffing levels were tied to the scope and frequency of specific program elements, such as inspection of waterfront facilities or harbor patrols.

Over the years, a number of studies have been used to optimize these activity levels on a nation wide basis. However, while we gained some incremental improvements in our programs, the changing environment quickly out paced these broad

studies. Additionally changing program mix fundamentally altered the equations and local circumstances were commonly believed to be a more significant risk factor than was credited.

CHANGING THE WAY WE DO BUSINESS

In 1992, the Coast Guard Office of Marine Safety, Security and Environmental Protection undertook a comprehensive organizational assessment, surveying stakeholders, field offices, and program personnel at Districts and Headquarters. The feedback we received clearly signaled the need for a change in the way we do business. One broad, recurring theme was especially evident: centralized management was undercutting the focus of field units on the purpose of their activities and limiting their ability to contribute toward outcomes we really care about.

The Vice President's National Performance Review, in its report to the President, outlined a plan for government operations founded on the principle of empowering employees to get results. The President subsequently issued a memorandum in September 1993 entitled Streamlining the Bureaucracy, and directed that government efforts at streamlining be characterized by delegation of authority, decentralization, empowerment of employees to make decisions, and mechanisms to hold managers and employees accountable for their performance. Secretary Pena's has made this transformation one of his eight key goals in his strategic plan for the Department of Transportation, along with goals to promote safety and enhance the environment—the basic goals of our programs.

Roughly concurrent with the National Performance Review, the Government Performance; and Results Act of 1993 established a requirement for strategic plans which set outcome oriented goals, as well as a requirement to measure progress toward those goals. The Act requires annual reports to Congress on program performance, and established the principle that Federal programs should be managed by outcomes rather than inputs. Amplifying guidance from the Office of Management and Budget emphasizes the need for focus on outcomes versus outputs, aiming at the purposes of the programs rather than simple measures of activity levels. The general direction of empowerment in both NPR and GPRA validate many of the findings from our own earlier organizational assessment. It became clear that our greatest opportunities lay in getting away from detailed management of field activities, and letting those closest manage the risk.

Assembling the senior management for our marine safety programs, we began developing a Marine Safety Business Plan to guide all of our activities, at every organizational level, in carrying out our mission. The intent was to distill our real program priorities, and to derive business decisions from those priorities rather than micro manage program activities. The approach hinges on setting and negotiating clear goals or outcomes we want to achieve, and measuring their attainment. After validating these goals with our Districts and outlining some general strategies, we published our first Marine Safety Business Plan in January 1994 and started execution. Our first Performance Plan as a GPRA pilot came two months later, and was essentially distilled from this business plan.

SETTING GOALS AND MEASURING PERFORMANCE AGAINST OUR GOALS

In our GPRA Performance Plan, strategic goals establish the outcomes we aim to achieve over the next five years. Performance goals establish annual targets. Together they reflect a judgment of what is really important, independent of how we get there. Some of our goals aim at broad, measurable progress; some aim at specific, major problems or risks we want to resolve. Collectively, they represent the yardstick by which we will measure success.

Our FY94 Performance Plan contained eight performance goals which highlighted key outcomes we expected and were committed to achieving over five years:

In Marine Safety and Security, we aimed to:

(1) Reduce deaths and injuries from maritime casualties by 20%.

(2) Prevent any passenger vessel casualty with major loss of life.

(3) Improve the safety of commercial fishing from its "most hazardous" ranking to at least halfway toward the median of all industrial occupations.

(4) Eliminate substandard commercial vessels from U.S. waters.

In Marine Environmental Protection, we aimed to:

(1) Reduce the amount of oil and chemicals going into the water from maritime sources by 20%.

(2) Reduce the incidences of plastics/garbage going into the water from maritime sources by 20%.

(3) Reduce the total number of major and medium oil spills by 50%.

(4) Increase the removal (volume) of spilled oil by 20%.

t is significant that each of these goals reflects a result clearly outside the Coast ard's control. We have broad influence over these outcomes, but external factors y a major role as well. Each target level was judged to be realistically attainable, intended also to be a reach. That is, each represented a level of improvement ond the historical trend. They were a reach and required new approaches to iness.

'reliminary data indicate that by the end of 1994 we had achieved or surpassed FY94 target levels for seven of the eight goals. Data for the remaining goal are n a non Coast Guard source and are not yet available.

KEY STRATEGIES

angible managerial flexibility has been the underpinning of our management ap- ach. Accountability for results requires that managers be given sufficient flexibil- to manage their activities and reinvest resources toward goal achievement. At same time, an "outcome" orientation inherently offers the opportunity to reduce ailed, centralized direction of activities. Since the beginning of 1994, we have re- ıded or relaxed performance standards for all marine safety field activities not uired by law, regulation or for national consistency. The scope and frequency of vities like harbor patrols, cargo transfer monitoring, or waterfront facility in- ctions—previously subject to national standards—were deferred to the judgment ɔcal commanders, who developed strategies for achieving program goals based on ad policy guidance and risk assessment. By substituting command discretion for internal mandates, managerial flexibility has been increased for over 460,000 k hours of activities annually. By further deactivating specific program activities ı low return, another 60,000 work hours have been freed for reinvestment. These k hours have been employed by local commanders in activities that best help n accomplish overall performance goals.

ur plan further identified five areas of business focus. These areas of mission ıhasis—like fishing vessel safety, port state control, and human factors—were ;ed to reflect our best investments over the next 3-5 years toward achieving our ls. All of these have begun to drive structural changes in our programs. A focus ɔort state control, in particular, has generated a broad new targeting program, ed at identifying flag states, classification societies, and vessel owners whose ;els are disproportionately represented in the population of substantially non- pliant vessels, where intervention action is taken under international treaty. s program has substantially leveraged Coast Guard resources, as well as serving ı model for other nations' port state control programs.

USING PERFORMANCE INFORMATION TO MANAGE PROGRAMS

rogram use of performance information has been another essential ingredient in .eving results and iteratively tuning our plan. This depends on the ability to ggregate the primary measures into their component parts, from many different les and on the relevance of these measures to senior management for managing vities and resources.

fter development of our program goals, we identified staff members with exper- in policy analysis and program evaluation to begin developing performance indi- rs for each goal. These individuals created an ad hoc Program Evaluation Group ort through potential measures, find and calibrate data, and present options to or management. We found this separation of roles between the Board of Direc- and the Program Evaluation Group to be important for the utility and credibil- ɔf our evaluation system. Where a goal might focus on personal safety, the per- ıance indicator takes into account the relative reliability of fatality vs. injury re- s, a common normalizing factor for changes in exposure, comparability in form ı other safety data, and statistical methods for determining underlying trends. ıe Program Evaluation Group further identified a range of possible risk factors ted to safety and environmental outcomes, external factors which may affect evement of our goals, and possible unintended effects of our programs, for fur- analysis. Several of their findings have helped redirect our programs and re- 'ces. For example, evaluation of fatality rates by vessel service has shown an un- ;ctedly high fatality rate for crew aboard uninspected towing vessels. This find- has led to a collaborative effort with the towing industry to isolate the problem :argeted, non-regulatory solutions, and to a new performance goal in our subse- ıt FY1995 Performance Plan. Furthermore, these measures are comparable with ty measures for other industries and activities across a variety of government ;rams. This potentially offers the ability to extend the Coast Guard's experience ıore broad, government-wide decision making.

LESSONS LEARNED FROM GPRA PILOT IMPLEMENTATION

Our GPRA pilot experience has given us a number of insights into the planning and evaluation process, many of which may be transferable to other agencies in their implementation of GPRA. Some of our observations are:

- Senior line managers must be personally involved (more than passive advocates) in formulating program goals. These goals will be the benchmarks which define success for the organization.
- GPRA requires a fundamental rethinking of programs. You can't go in trying to document current business/activities—it is a strategic thinking exercise. GPRA is not about what you do—it's about why you exist.
- Goals and measures are pert of a bigger communication process—the idea is to communicate the value of the programs, in terms which are ultimately comparable with other Federal programs, for making high level decisions on relative priorities.
- Goals and indicators must extend beyond what the program/agency controls. By definition, things you can control are not outcomes. You can't comply with the law without dealing in the realm of influence.
- Goals should be a reach. Safe target levels do not provide as much intrinsic value to the public, and do not motivate employees to rethink how they do their work. Goals must also be realistically achievable, but program managers shouldn't be punished for failing to meet goals.
- It helps to understand that goals/indicators aren't direct measures of a program's performance—they are a window to the external world that we're trying to influence. This fact allows managers to take the risk needed to set outcome-oriented goals.
- Outcome-oriented goals inherently cut across organizational lines, and therefore their development is facilitated by use of a cross-organizational group (vs. delegation to smaller components of the organization to develop their own goals).
- There are two basic questions for which GPRA requires answers: 1) are the intended outcomes occurring? and 2) what is the program contribution to those outcomes? The first question is more easily answered than the second, and can provide a wealth of meaningful management information by itself (to help focus activities and resources).
- Goals must be stated in terms that are clearly understandable to your "next door neighbor."
- Goals should include major functions only—the things that essentially characterize the organization—not diluted with many trivial programs.
- The pursuit of unattainable precision in measures can be a distraction. Imperfect measures are OK. The process is iterative.
- Strategies for achieving goals are necessary before the first plan is published. There should be some logical linkage between the goals and your plans to achieve them.
- Outcome-oriented goals free the organization to explore alternative approaches to delivering products/services. Managerial flexibility is inherent (and necessary) in the process. In fact, managers can't be held accountable for achieving outcome oriented goals without sufficient managerial flexibility to achieve those goals.
- Organizations must have the flexibility (from higher levels within the Administration and from Congress) to reinvest their own resources toward higher payback activities.
- Managerial flexibility can be increased dramatically by simply reducing the organization's own internal rules and standards for activity performance.
- Implementing GPRA need not be an onerous, costly effort. The Coast Guard's pilot project has been done entirely by Coast Guard personnel, without any non-Federal assistance. The cost has been about four full-time staff, or about one-tenth of one percent of our direct program staffing. However, there may be increased costs to collect measurement data if expanded Coast Guard or government-wide.
- Plans must be simple.
- Incentive/reward systems need to be changed to encourage risk-taking.
- It is important not to underestimate the strain of reengineering. Implementing GPRA involves new approaches to business which can challenge the more familiar and comfortable management processes already in place.
- Using outcome-oriented goals and measures, as required by GPRA, may take years to establish trends that show the results of an agency's influence.

IMPLICATIONS FOR FEDERAL PROGRAM MANAGEMENT

he central issue in GPRA may well be the shift in focus from activities and out-
s to the realm of outcomes—not what the organization does, but the real-world
cts of what it does. This presents a number of difficulties and opportunities, and
itably creates organizational stress. Outcomes are inherently beyond our ability
ontrol. This has important implications for our traditional sense of accountabil-
Outcomes also tend to be cross-organizational. Organizations which were set up
ptimize activities may be poorly aligned to address outcomes. This suggests the
ie of a cross-organizational approach at the outset. Most importantly, the shift
ocus to outcomes is probing the very basis for existence of individual government
grams. GPRA requires that we ask "why?" to each of our activities, and that we
nately express the value of the program to the American public. Measurement
his environment can be particularly threatening.
n the other hand, the advantages and benefits of this sort of planning and pro-
n evaluation have become clearer than ever. We get better management of our
grams. We have a better basis for making tradeoffs among programs and re-
ces. We have a better basis for dialog with our stake holders, who are seriously
rested in outcomes but not so interested in activities. Finally, we have greater
ibility and better internal communication. Everyone in the organization knows
re we're headed and why. And there is a greater likelihood we'll achieve some-
g worthwhile.

FOLLOW UP EFFORTS

ver the past six months, the Coast Guard has begun an effort to extend the ex-
ence of its pilot project and integrate all of its operating programs with a com-
ensive set of goals and performance indicators for the organization. Instigated
Secretary Pena's observations from the DOT pilot project experiences and his
ern for the long lead times needed to develop good goals and measures, this
ect has the attention and direct involvement of the Coast Guard's senior leader-
. Although preliminary, the results of this expanded effort and its potential use
he Coast Guard are very promising.
ie Office of Management and Budget has been very supportive of our efforts,
has afforded much-needed room for experimentation in the process. The Gen-
Accounting Office has been very helpful in distilling key activities for successful
ementation of the Act, and offering a genuine partnership in making this work.
lieve that the efforts of this Subcommittee demonstrate clear and essential Con-
sional engagement in the process, and will be most instrumental in paving the
for the more broad cultural changes we might expect throughout government
e change our management approaches to comply with the spirit of GPRA.
om our experience, I believe that GPRA can be implemented successfully with-
hanges in the law, although others might identify opportunities to enhance cer-
provisions. We have not participated in the pilot phase of managerial flexibility
ers nor have we explored performance budgeting to any significant degree. As
ve testified, we have found substantial managerial flexibility from within our
organization.
iere remain a number of separate legislative requirements for program activities
h might be reexamined to provide further agency flexibility, but these will be
of a continuing process of working with our authorization and appropriations
nittees. Mr. Chairman, thank you for the opportunity to appear before this Sub-
nittee to discuss the Coast Guard's experience with GPRA. I would be happy
iswer any questions you may have.

FOLLOW-UP QUESTIONS AND ANSWERS

IMPLEMENTATION OF GPRA

JESTION. IN WHAT WAYS HAS TOP MANAGEMENT SUPPORTED OR
DERED THE IMPLEMENTATION OF GPRA AT YOUR AGENCY OR PILOT
JECT?
iswer. The Coast Guard's top management drove the Coast Guard's involvement
ie Government Performance and Results Act (GPRA) pilot project. The Program
ctor and Deputy Director for Marine Safety, Security, and Environmental Pro-
on guided the entire planning process, led planning conferences, and were ac-
y and personally engaged in the deliberations on Coast Guard Marine Safety,
rity, and Environmental Protection missions, goals, strategies, and performance
sures. Moreover, the Secretary and Assistant Secretary of Transportation fully

supported Coast Guard efforts, including experimentation and risk-taking throughout the development of the pilot project.

Top management involvement was critical to the success of the project. Their involvement has been a key ingredient in identifying program outcomes which cut across organizational lines, and in sustaining commitment as the organization begins to shed its "traditional" ways of doing business. The Coast Guard's top managers recognized the intrinsic value of good planning and evaluation before beginning the process, and they insisted on personally directing the planning efforts of subordinate program managers.

QUESTION. ARE BOTH CAREER STAFF AND POLITICAL APPOINTEES INVOLVED IN THE GPRA IMPLEMENTATION EFFORTS? PLEASE DESCRIBE HOW IT HAS AFFECTED THE PROJECT.

Answer. Coast Guard senior management support and involvement was a key element of the pilot project's success. Senior manager involvement conveyed a high level of priority for the effort, ensured support from all levels of management, and also provided the strategic thinking required to set the goals and establish the framework for meeting Government Performance and Results Act (GPRA) requirements.

Both career staff and political appointees have been involved in the GPRA effort in the Department of Transportation (DOT). The four pilot projects all benefited greatly from the strong support and commitment of the DOT Assistant Secretary for Budget and Programs, whose personal involvement conveyed strong support for the goals of the GPRA and the importance of senior management involvement in the process. DOT Senior Executives provided continuous assistance through routine interactive sessions for the pilot-project personnel and the development of a GPRA measurement training program.

QUESTION. HOW, IF AT ALL, DO TOP POLITICAL APPOINTEES AND CAREER MANAGERS SHOW THEIR SUPPORT FOR GPRA, AND HOW IS THAT SUPPORT COMMUNICATED THROUGHOUT THE AGENCY?

Answer. Top political appointees in the Department of Transportation (DOT) and career managers in DOT and the Coast Guard demonstrate their support for the Government Performance and Results Act (GPRA) through personal involvement in strategic planning and in sponsoring and participating in planning conferences, briefings, interactive sessions to share lessons learned, etc.

For example, the Department of Transportation Assistant Secretary for Budget and Programs, along with one of her senior career managers, participated at a meeting of the Coast Guard top leadership (the Executive Steering Committee, consisting of flag officers and 2 Senior Executive Service officers) to outline the GPRA and its importance.

QUESTION. DESCRIBE HOW YOUR PILOT IS ASSESSING INTERNAL CONSTRAINTS ON MANAGERS' FLEXIBILITY IN ACHIEVING DESIRED OUTCOMES? WHAT KIND OF CONSTRAINTS, IF ANY, HAVE BEEN REMOVED AND WITH WHAT CONSEQUENCES?

Answer. In the early stages of the pilot project, the Coast Guard recognized the need and opportunity to give managers the flexibility to achieve outcome-oriented program goals. The Coast Guard looked first at internal rules and performance standards, and found that over 80 percent of port safety and environmental protection mission performance standards could be relaxed or rescinded to give field commanders greater discretion in managing local risk. The Coast Guard retained only those standards required by law, treaty, or regulation, or those judged essential for national consistency. As a result, field commanders at Marine Safety Offices are each developing their own mix of activities from their "toolbag," and they have been able to better target their activities such as harbor patrols, facility inspections or cargo transfer monitoring based on local circumstances. This flexibility to redirect activities and reinvest resources has been a major element in a new management approach, and undoubtedly contributed greatly to the success in achieving the ambitious goals set forth in our fiscal year 1994 Performance Plan.

QUESTION. HOW HAS IMPLEMENTING GPRA CHANGED THE ACTIVITIES THAT STAFF FOCUS ON, ON A DAY-TO-DAY BASIS? IF IT HAS CHANGED THINGS, IN WHAT WAYS HAVE THINGS CHANGED?

Answer. The Coast Guard has distilled six key areas of business focus to guide the efforts and priorities of staff at all levels of the pilot organization. These areas of business focus—such as fishing vessel safety, port state control, and human factors—reflect specific opportunities to refocus and bring activities more in line with today's maritime risks. As a result, the Coast Guard has begun testing all of the Marine Safety, Security, and Environmental Protection program activities against its goals and business focus. This has helped redirect priorities for research and development projects as well as standards and regulatory projects, and helped lead to

a major program initiative to target human factors and processes in maritime operations. On a day-to-day basis, this is best reflected in the greater flexibility given to field commanders to evaluate local risk and direct local resources accordingly.

QUESTION. WHAT APPROACH IS THE PILOT TAKING TO LINK PLANNING AND PERFORMANCE MEASUREMENT ACTIVITIES THROUGHOUT THE ORGANIZATION AND INTEGRATE THEM WITH PROCESSES IN PLACE AT VARIOUS LEVELS OF THE ORGANIZATION, FROM THE TOP AGENCY OFFICIAL TO LINE STAFF?

Answer. The Coast Guard's Government Performance and Results Act (GPRA) pilot project Marine Safety, Security, and Environmental Protection Performance Plan was drawn from a more comprehensive Business Plan of these programs, first published in January 1994, and was aimed at guiding all of the activities and priorities at every level of the organization. The plan was developed collaboratively by Headquarters program managers and district staff. Every individual in the program was charged with focusing their efforts as outlined in this Business Plan. Existing processes were opened for reexamination as program goals replaced detailed, activity-oriented performance standards. The plan showed the measurement and evaluation function to be central to both prevention and response efforts, and managers were specifically encouraged to expand their investigations and analysis operations. Performance measures were shared with the district and field offices. In a very participative process, data were developed for district and field analysis to use in managing risk, and distributed quarterly. Headquarters experts were sent out to the districts to help with tools and training. At the senior levels of the organization, top management is using performance information derived from these same data to redirect activities and to help frame discussions with industry and other stakeholders, particularly our recent joint initiatives with the towing industry. It has been essential that this plan was more than a descriptive document, but a complete guide that was usable in setting priorities and managing business. Participation was important, and replacing old systems instead of just adding new requirements was necessary for organizational buy-in.

QUESTION. HOW ARE THE EXPERIENCES OF THE GPRA PILOTS BEING SHARED WITH NONPILOT PARTICIPANTS WITHIN THE AGENCY?

Answer. Coast Guard personnel involved with the development and execution of the pilot project are directly involved expanding the Government Performance and Results Act (GPRA) effort beyond Marine Safety, Security, and Environmental Protection programs by ensuring that their experiences are shared and reflected in the Coast Guard-wide effort.

Several "lessons learned" sessions for the four Department of Transportation (DOT) GPRA teams have been sponsored by DOT's Assistant Secretary for Budget and Programs to share experiences with the pilot projects. These sessions were well-received and greatly enhanced understanding of GPRA and its implementation. DOT also sponsored the development of a GPRA training program to assist all DOT administrations in developing GPRA plans. One of the lessons learned by the DOT pilots was that development of outcome-oriented goals and measures and establishing baselines may take several years. Therefore, DOT has directed all of its administrations to start to develop performance goals in support of GPRA. Copies of pilot project GPRA plans and reports are shared throughout the agency and status briefings at both worker levels and upper management levels continue to keep agency personnel updated on how GPRA planning is developing/progressing in each administration.

QUESTION. HOW HAVE YOU ENSURED THAT STAFF ARE ADEQUATELY TRAINED OR KNOWLEDGEABLE IN THE TECHNIQUES THEY ARE USING?

Answer. Several members of the Coast Guard's program evaluation staff have postgraduate-level expertise in economics, operations research, and/or policy analysis to assure credible performance measurement. Staff members regularly attend academic workshops and seminars on total quality management, program evaluation, performance measurement, and study the literature in the field of program evaluation and interact with other Government Performance and Results Act (GPRA) pilot project managers to share experiences. Periodic training in risk management and assessment is provided to field personnel by the program evaluation staff and is incorporated into courses taught at the Coast Guard's Marine Safety School.

QUESTION. WHAT HAS BEEN THE MAIN IMPETUS DRIVING THE IMPLEMENTATION OF THE GPRA PILOTS?

Answer. An organizational assessment performed in 1992 signaled the need to change the way the Coast Guard's Marine Safety, Security and Environmental Protection Program did business. It indicated a need to better align the basic aims of the Marine Safety, Security and Environmental Protection program with its daily

activities. It identified a heightened significance of local circumstances in the risk equation than was being reflected in our nationwide mission performance standards. Field commanders needed more flexibility, and the program needed a clear and common understanding of its program goals. This led to the development of a program business plan, and the Government Performance and Results Act (GPRA) performance plan was distilled from the business plan.

QUESTION. WHAT HAVE BEEN THE MOST SIGNIFICANT CHANGES IN THE NATURE OF THE COAST GUARD'S WORK SINCE RESULTS-ORIENTED MANAGEMENT WAS ADOPTED?

Answer. While the Coast Guard's primary Marine Safety, Security, and Environmental Protection missions have not changed, adoption of results oriented management under the Government Performance and Results Act has led to a fundamental change in the program's business approach, broadly replacing detailed mission performance standards with field discretion aimed at a set of outcome-oriented goals. By deactivating program activities with low return, 60,000 work hours have been redirected by field commanders to critical, local needs. This shift has required rethinking the relationship with stakeholders, approach to program evaluation and measurement, models for staffing and allocating resources, and policies for program execution. As a result of these changes, progress can be measured in a more credible way, and the program's value and impact can be more easily demonstrated.

QUESTION. HOW DO YOU PLAN TO EVALUATE YOUR PROGRESS TOWARDS ATTAINING THE EIGHT PERFORMANCE GOALS YOU HIGHLIGHT IN YOUR TESTIMONY? DOES YOUR REPORT FORMAT INCLUDE AN EXPLANATORY SECTION WHERE YOU DISCUSS THE EXTERNAL FACTORS IMPACTING THE OUTCOMES?

Answer. The Coast Guard's first evaluation report, comparing actual performance to the goals in our fiscal year 1994 plan, was submitted to Office of Management and Budget in March. A copy is attached for review. External factors are addressed generally (see page 6 in the report), and individually, as they impact the achievement of specific goals.

Mr. HORN. Thank you very much, Admiral. Our next speaker is Mr. Joseph Thompson, the Director of the Veterans Affairs New York regional office of the Department of Veterans Affairs. Mr. Thompson, welcome.

Mr. THOMPSON. Thank you, Mr. Chairman. I am pleased to be here today to discuss the status of the implementation of GPRA in the Department of Veterans Affairs; specifically in the New York regional office. VA is active in the pilot project phase of GPRA implementation. We had three pilot projects get started in fiscal year 94—the National Cemetery System, our home Loan Program, and the New York regional office.

I should point out the New York regional office is also a reinvention lab, part of the National Performance Review. The feeling of experience gained through participation in these pilot projects is being shared and applied throughout the agency, and we'll be positioned to implement the performance planning provisions of GPRA by September 1997.

To tell you a little bit about the regional office, we're 1 of 58 administering veterans benefits throughout the country. Until recently, we were organized based on a hierarchical control oriented model. Benefits claim processing was broken down into small, discreet tasks, which were handled via a sequential assembly line type operation. Numerous elements, spread across division lines, handled each claim.

For example, a disability claim could require a dozen people and 20 to 30 different steps, and actually pass through seven separate chains of command. Internal communications, as you would guess, tended to break down not only with ourselves, but also with our veteran customers. The manager's role was to focus on establishing

der. We put controls at every level, and that added a lot to the erhead of what we were doing.

And our quality measures tended to focus on our internal needs, ıd productivity was really stifled by this whole process. The jobs emselves were narrowly focused, and low employee commitment as assumed. Employee control over work processes and their ıowledge of the outcomes was minimal. Pay was based on senior- / and job title, and bonuses were based solely on individual per- rmance, regardless of how well the organization did.

The results were inefficient operations, staffed by unhappy em- oyees, providing inadequate service to veterans. In March 1992, e began to change this dynamic. We started with a blank sheet paper, and used managers, union officials and rank and file em- oyees, and basically redesigned the operations from scratch. A ıar later, we opened a prototype unit to test this new model. By ıgust 1994, three-quarters of the operation had converted to this ew process.

The differences were striking. The assembly line had been re- aced by self-managed teams who had end to end ownership of the ocess. Entire organizations were eliminated. We had 12 separate bs combined down into 3. The number of managers was reduced 40 percent. The number of organizations went from seven to ur. The 20 to 30 step process was reduced to 8.

Performance measures were completely revised. Pay has begun move toward a skill based and variable pay, or at-risk model. ost importantly, teams are providing a level of individualized rvice to veterans that was not possible under the old system. Em- oyees have greater control and more authority, and find their bs a lot more satisfying.

Under GPRA, the office was able to develop a comprehensive set measures, designed to give a balanced picture of performance in is new environment. We borrowed a term from the Harvard Busi- ss Review—"balanced score card." In addition to VA's traditional easures of timeliness and accuracy, we added measures of cus- mer satisfaction, employee development and unit costs. As a di- ct result of one of these measures—unit costs—we were able to oid $14 million in expenses over a 10-year period.

This new balanced measure approach is being adopted by the en- e Veterans Benefits Administration, and will be the basis for fu- re planning processes. We're also restructuring our traditional easures to look at how we measure timeliness and accuracy from veteran's perspective. The development of these measures in New ork took about a year to do, and a lot remains to be done.

Probably most important is linking these measures and the en- e process to the pay and rewards and performance evaluations individuals within the regional office. We're in fact working with e Office of Personnel Management now, to become designated as demonstration project to move away from the general schedule ıd get into a skill based and variable base pay model.

We believe the experiences in New York will reduce development me for these performance measures in other Veterans Benefits dministration programs, and provide additional other useful infor- ation. For example, this balanced score card approach has al-

/as based on seniority and job title. Bonuses were based solely on individual per-
›rmance, regardless of organizational outcomes. The results were inefficient oper-
tions, staffed by unhappy employees, providing inadequate service to veterans.

In March 1992, the office began to fundamentally change this dynamic. Starting
tabula rasa," teams of managers, union officials and employees redesigned oper-
tions. One year later, a prototype unit, incorporating these changes, opened for
usiness. By August 1994, three-fourths of the office was using the new model. The
ifference between old and new was striking.

The multi-organizational assembly line was replaced by self managed teams with
end-to-end" ownership of the process. Entire organizations were eliminated. Twelve
eparate jobs were combined into three. The number of managers and organiza-
onal layers were substantially reduced. The twenty to thirty process steps were re-
uced to eight. Performance measures were expanded to include customer satisfac-
on, unit costs and employee development. Pay began moving toward a skill-based
nd variable pay model.

Most importantly, teams provide a level of individualized service to veterans that
'as not possible under the old system and employees have greater control, more au-
ıority and find their job much more satisfying.

The change process is approximately half completed. We will be testing a new pay
ystem and over the next three years, the remaining elements of the organization
'ill move on to teams.

The office was designated as a "reinvention lab" under the National Performance
eview and was selected by the Office of Management and Budget as a pilot for the
overnment Performance and Results Act (GPRA). This provides the New York Re-
ional Office with a unique opportunity to test changes in process, organization and
erformance measurement.

Under GPRA, the New York office developed a comprehensive set of measures de-
igned to give a balanced picture of performance. In addition to the traditional
ıeasures of accuracy and timeliness, there now are measures of customer satisfac-
on, employee development and unit costs for a large number of the processes. As
direct result of using one of these measures, unit cost, the office has been able
› find an estimated $14 million in savings and cost avoidance (over a ten-year pe-
od) in space utilization, rent charges and telephone costs. This new balanced meas-
re approach is being adapted by the VBA and will become the basis for its future
lanning processes.

The dual GPRA pilot and reinvention lab role of the New York office has allowed
to take a different look at the traditional measures used by the VBA organization.
or example, the old timeliness measure was developed internally, based on what
'as assumed as a reasonable length of time. The new timeliness measures are de-
eloped from a customer perspective, what the customer believes is timely service.

This change agent role has not been a easy one; however, valuable lessons have
een learned from the New York experience. Its successes were in no small part due
› the support it has received. Support for changes made through reinvention lab
nd GPRA pilot status was sought at all levels—managers, employees, union offi-
als (American Federation of Government Employees), veterans' organizations and
A Headquarters. This support, coupled with "reinvention lab" flexibility, has al-
ıwed the office to deal with the challenges inherent in fundamental change.

The development of new measures to use in the New York GPRA Pilot Program
equired a one-year effort. Several obstacles had to be overcome. There was a tend-
ıcy to focus solely on internal (VA) process measures instead of outputs and out-
›mes that are important to veterans and taxpayers. A system to adequately meas-
re customer satisfaction needed to be established without creating an undue ad-
ıinistrative burden on the veteran or ourselves. The data needed to create a unit
›st measure required information from separate data systems and required includ-
ıg existing significant overhead in the calculations. Finally, it is difficult to build
measure to adequately determine the skill development needs of staff members
ı a new working environment. Most important to the entire process is a link be-
veen all of the measures and the pay, rewards and performance of team members.
Iuch remains to be done with the new measures; but the experiences of New York
ill reduce development time for new performance measures in other VBA pro-
rams.

The lessons learned in New York and the other VBA GPRA pilot, the Loan Guar-
nty Program, have created a framework for the phased implementation of the
PRA requirements for other VBA programs (Compensation and Pension, Edu-
ıtion, Insurance and Vocational Rehabilitation and Counseling). VBA has imple-
ıented an GPRA implementation program that includes development of focused
erformance goals and measures for each of our benefit programs. VBA has used

ady proven useful in development of core performance measures r all of VBA's programs—compensation, pension, education.

And our efforts to identify unit costs for the office have also laid e groundwork for VBA-wide systems for the identification and re-rding of data to develop program unit costs. Before I close, I ›uld just like to say that I am an enthusiastic fan of the Govern-ent Performance and Results Act. We volunteered to become in-lved in this while it was still pending legislation.

We felt that, given the dramatic organizational changes we were ing through, it certainly required a new way of measuring out-mes. And we felt the GPRA was the perfect tool for us at that ne. So I would just like to say that, for the New York regional fice, it is a great tool and I'm an enthusiastic supporter. Mr. ıairman, that concludes my statement. I'll be happy to answer ıy questions.

[The prepared statement of Mr. Thompson follows:]

PREPARED STATEMENT OF JOSEPH THOMPSON, DIRECTOR, NEW YORK REGIONAL OFFICE, U.S. DEPARTMENT OF VETERANS AFFAIRS

Mr. Chairman and Members of the Subcommittee:

: am pleased to be here today to discuss the status of the implementation of the vernment Performance and Results Act (GPRA) of 1993 in the Department of terans Affairs (VA), specifically at the New York Regional Office. GPRA rep-ıents the primary vehicle through which VA is developing more complete and re-ed performance information to better determine how well its programs are meet-; their intended objectives.

/A is an active participant in the pilot project phase of GPRA implementation. ree formal pilot projects were launched in FY 1994 covering the National Ceme-y System, the Loan Guaranty Program and the New York Regional Office. In ad-ion, VA has a number of internal pilot projects covering other key program areas, luding pilots at several medical centers. All of the pilot organizations are develop-; performance plans that include measurable performance goals and objectives, d performance reports that summarize how well they are doing in meeting their formance objectives. The experience gained through participation in these pilot ›jects is being shared and applied throughout the Department so that VA will be ›itioned to implement the performance planning provisions of GPRA in September 97.

mplementation of GPRA is the avenue through which a more direct kink is being ablished between strategic planning, performance measurement, budgeting and ancial management. A balanced set of performance measures tied to strategic ıls and objectives is being developed for every VA program. These measures will used to assess program outputs, effectiveness, efficiency, and outcomes with the ective of improving the management of VA's programs. As it is developed and ted, this improved performance information will be included in future budgets, ancial statements, and other performance reports.

)ur Nation has provided benefits and services to veterans and their families since Revolutionary War. The structures and processes for administering current pro-ıms—disability compensation, service pensions, education, housing, vocational re-›ilitation, burial allowances and survivors' benefits—are rooted in American his-y, some dating as far back as the eighteenth century. Today, benefit payments administered by fifty-eight regional offices.

'he VA Regional Office in New York employs 350 people. Until recently, it was anized based on a hierarchical, control oriented mode. Claims processing was ken down into small, discrete tasks which were handled via a sequential, assem-line operation. Numerous elements, spread across division lines, handled each im. For example, a disability claim could require 20-30 steps and involve a dozen ployees, in seven different chains-of-command. Internal communications, as well communications with customers, were difficult and tended to break down.

Managers focused on establishing order; controls were established at each step of process and given their number, adding significant overhead and stifling produc-ity. Quality measures were based on internally derived specifications only.

'obs were narrowly focused and low employee commitment was assumed. Em-yee control over work processes and knowledge of outcomes was minimal. Pay

the experiences of the two pilot projects in developing implementation criteria for the other VBA benefit programs.

GPRA is an ongoing and evolutionary process. VBA established a GPRA Steering Committee to guide the organization through the GPRA processes and the development of meaningful GPRA measures. We have obtained knowledge on performance planning and performance measures from our pilots and their experiences. The GPRA Steering Committee has established a strategic planning process for VBA that complies with GPRA requirements and core measures to be used by each VBA program. VBA developed a strategic plan several years ago and has recently taken steps to adjust the strategic plan and the planning process to meet GPRA requirements. VBA has always measured timeliness and quality. We have begun to focus our measurements on balanced performance goals that include customer services and unit cost, as well as the traditional performance measures. The development of program outcome measures will be a difficult process and require data that are not now collected. VBA will begin the process of developing outcome measures for each VBA program with the FY 1998 planning process.

The improvements that are being made by the employees of New York were made without the benefits of modern technological tools. Because the New York office was scheduled to move to a different building in mid-1995, installation of VBA's modernization equipment could not be accomplished prior to the changes instituted as a Reinvention Lab and GPRA Pilot. A decision was made to postpone any significant technological improvements until after the move.

To date, the Reinvention Lab and GPRA pilot initiatives at the New York Regional Office have provided valuable information to the VBA organization. Although a complete assessment of the New York experience is not scheduled until completion of the GPRA pilot project, VBA is taking immediate advantage of improvement opportunities that result from the experiences of New York. The concept of teams is being used at many of our offices and could be a basis for other agencies involved in claims processing. The work of the New York office in identifying performance goals, performance measures and the balanced scorecard approach to performance measures has already proven useful in the development of core VBA performance measures to be used by the VBA programs in GPRA implementation. New York's efforts to identify unit costs for its office lays the groundwork for a VBA-wide system for the identification and recording of data to determine program unit costs.

Mr. Chairman, this concludes my statement. I will be happy to respond to any questions that you or other members of the Subcommittee might have.

FOLLOW-UP QUESTIONS AND ANSWERS

1. In what way has top management supported or hindered the implementation of GPRA at your agency or pilot project?

ANSWER: Top management has been very supportive of our efforts to implement GPRA in our pilot project. Headquarters staff helped us to develop our new system of output and outcome measures and provided funding when contractor support was required.

2. Are both career staff and political appointees involved in the implementation efforts? Please describe how and how it has affected the project?

ANSWER: We have had excellent support from the Office of the Under Secretary for Benefits as well as the Office of the Assistant Secretary for Management. Last fall, the Under Secretary for Benefits formed a GPRA Steering Committee to guide the implementation of GPRA throughout the Veterans Benefits Administration (VBA). As a member of this committee, I feel we've made good progress towards successfully taking the experiences of our two pilot projects (the Loan Guaranty Program and the New York Regional Office) and creating a system which can be used throughout VBA.

3. How if at all, do top political appointees and career managers show their support for GPRA, and how is that support communicated throughout the agency?

ANSWER: The Secretary, Deputy Secretary, Assistant Secretary for Management, and career managers in VBA have fully supported our efforts in implementing the New York GPRA pilot project. The Under Secretary for Benefits formed the GPRA Steering Committee for the Veterans Benefits Administration (VBA). This Steering Committee is made up of top career managers in VBA. The Under Secretary for Benefits has agreed to our Steering Committee's proposals for training the entire VBA in the principles of GPRA. He and his Policy Board have approved several issues that define process steps necessary to fully implement GPRA in VBA.

Describe how your pilot is assessing internal constraints on managers' flexibil-
ı achieving desired outcomes. What kinds of constraints, if any have been re-
ɜd and with what consequences?
ISWER: Most of the constraints which we encountered in our pilot resulted
VA's own internal policies. VA headquarters gave us relief from all internal
directives as long as we kept the managers in headquarters apprised of what
vere changing. This allowed us to significantly alter our organizational struc-
workflow, and job structure. Without this relief, we could not have made these
ges.
How has implementing GPRA changed the activities that staff focus on, on a
:o-day basis? If it has changed things, in what ways have things changed?
ISWER: Our new measures (customer satisfaction, unit cost, and employee de-
ɪment) have been included with our traditional measures (speed and accuracy)
ı assessing performance. This has helped to shift our focus from strictly inter-
/A concerns to areas of interest to our other stakeholders—veterans, taxpayers,
employees. Additionally, since the measures are of organizational performance,
are starting to be linked to pay, they should help to move us towards better
work.
What approach is the pilot taking to link planning and performance measure-
; activities throughout the organization and integrate them with processes in
ı at various levels of the organization, from top agency officials to line staff?
ISWER: The GPRA pilot programs in VBA, the New York Regional Office and
ɔan Guaranty Program, have provided a framework for VBA to develop an in-
ıted planning and performance measurement program for all VBA programs as
implement the requirements of GPRA. The pilots have provided a basic frame-
of "core performance measures" that will be used by all VBA programs. The
s, in conjunction with VBA's GPRA Steering Committee, have developed the
steps of a planning process framework that will be used by our programs to
lop plans, performance measures, and budget requests.
How are the experiences of the GPRA pilots being shared with nonpilot partici-
s within the agency?
ISWER: Both pilot programs and nonpilot programs participate on the VBA
A Steering Committee. The experiences of the pilots are shared with the
ilot programs as the issues and processes for GPRA implementation are formu-
in VBA. In addition, a comprehensive training plan for implementing GPRA
ɔeen developed for all VBA staff. One segment will teach program staff how to
.op and use scores and specific measures under GPRA. Another will teach man-
ı and staff members who handle performance measures how the systems will
. The third segment will be a general orientation for all VBA employees. This
ing should be completed by early fall, as we begin the planning and budget
for FY 1998.
How have you ensured that staff are adequately trained or knowledgeable in
echniques they are using?
ISWER: Although changes to our processes are necessary to fully comply with
A requirements, VBA developed a strategic plan in 1991 and conducted a na-
l customer survey in 1992. Additionally, timeliness and accuracy measures
been used for many years to evaluate performance. VBA will enhance its train-
f staff with the comprehensive GPRA training program.
What has been the main impetus driving the implementation of the GPRA pi-

ISWER: In the case of the New York Regional Office, GPRA and its emphasis
outcome measures was entirely consistent with the office's attempts to fun-
ɜntally change its operations as a reinvention lab under the National Perform-
Review (NPR). In fact, NYRO volunteered to become a pilot program under
A while the legislation was still pending. It was felt that the new measures de-
ɜd under GPRA would help to leverage the attempts to make the regional office
customer-focused and collaborative.

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What has the department done to reexamine the VA's mission under GPRA and
ɜcond phase of the Administration's National Performance Review? How has
:eexamination affected the New York region's initiatives?
ISWER: As part of Reinventing Government Phase II, VA examined its basic
ons, reviewed all of its major programs, and concluded that benefits and serv-
'or veterans are inherently the responsibility of the Federal government. Veter-
vore the uniforms of the United States and the United States is responsible
roviding the benefits and services that are due them. It would not be possible

to devolve this responsibility on any large scale to states or local governments, although VA has for many years offered grant programs to states for veterans' cemeteries and veterans' homes. Although veterans' programs, by and large, cannot be terminated or devolved, significant improvements can, and should, be made. VA is proposing twelve specific initiatives. These include one program elimination and significant privatizations, consolidations, and reengineerings. Even in a period of reassessment of the proper role of the Federal government, the American public's commitment to veterans and veterans' programs remains very strong. VA has searched for ways to improve service, maintain high quality of care, and become more efficient. The savings identified are an important measure of VA's resolve and may be reinvested to improve veterans' health care and benefits.

The initiatives of the second phase of Reinventing Government impact programs administered by all of VBA's regional offices in the areas of Insurance and Loan Guaranty. These will be incorporated into initiatives already underway in the New York Regional Office. When the reinvention initiatives are implemented, they will enable us to provide better service to our customers and improve efficiency of operations in those programs we administer.

2. How many layers did the office have before the restructuring? How many did it end up with? How many people did a manager supervise before the restructuring, and how many did a team leader supervise afterwards?

ANSWER: There were seven operating divisions with 47 supervisors in the Regional Office in 1991. Today there are four operating divisions, 12 supervisors and 16 team coaches. Each operating division has lost at least one layer of management. The supervisory ration in 1991 was 1:8. Today, counting each coach as a supervisor, the ratio is 1:12.5.

3. How did the office calculate the unit cost of processing? What sort of system is in place to accumulate the data required? By how much did unit cost decline as a result of the changes put in place?

ANSWER: In broad terms, we divided the staff hours expended into costs, which included salaries, equipment, rent, administrative overhead, etc., to determine a "standard hour." We multiply this standard hour against the number of hours it takes to do a particular "unit" (claim) to determine the unit cost. The number of hours required to process a unit is established by VBA's work measurement system and is based on national work sampling studies.

The experiences of the pilots are providing information that will be used in designing a standard for all VBA programs to use in developing a unit cost. VBA does not have a system in place to track the new performance measures (customer satisfaction, employee development, and unit cost) across all five VBA programs. The development of an automated system for accumulating unit cost data is part of VBA's GPRA implementation plan. It is still too early in the use of unit cost to accurately determine a decline in that cost.

4. You say that the improvements being made were done without the benefits of modern technological tools. Does this mean you use a manual system to accumulate costs to calculate unit cost per program?

ANSWER: Because the New York Regional Office had been scheduled to relocate for some time, the Stage I Modernization technology available to other Regional Offices was not installed until the move was actually completed, on June 19, 1995. As a result, all of the changes brought about in the New York Regional Office used existing technology for the delivery of benefits. Regarding the cost accumulation, we do have to gather data from a variety of systems and manually calculate our unit costs.

5. You estimate that, as a result of adopting a unit cost approach, the office will be able to save $14 million over a ten-year period. How exactly do you think that will be accomplished?

ANSWER: Unit costs forced us to focus on expenses we normally wouldn't consider. For example, our rent and phone bills are paid directly by our Headquarters office. We typically do not see the bills. As we began to add these charges into our unit cost calculations, we discovered opportunities for saving money. Regarding rent, we were able to demonstrate to GSA that the amount of rent being charged was excessive given the state of the commercial real estate market in New York City. GSA agreed and lowered our bill by approximately $1.1 million in FY 1994 and $780,000 in FY 1995. When we researched phone service for our new location, we found out that purchasing our own system could be less expensive than leasing the services from GSA, which is the typical arrangement for regional offices in multi-tenant Federal Buildings. Based on a competitive bid process, we secured a system for $1.1 million over the 10 year life cycle. The GSA bid for the same services was $5.7 million. The difference is what we estimate to have saved. Finally, we made a complete review of our proposed floor space needs in our new location to try to

luce our costs. These plans, which had already been through the architectural de-
n phase, were pulled back and redrawn. Even though it ultimately delayed the
ve by six months, we were able to consolidate a number of operations and save
proximately 30,000 square feet. At approximately $28 per square foot, this saves
4 million over 10 years.
. How did you measure customer satisfaction?
NSWER: We have a vendor conduct a monthly phone survey of veterans or fam-
members who have recently contacted or filed claims with the New York Re-
nal Office. This survey is based on a test instrument called SERVQUAL, which
s also used for a national survey conducted by VBA in late 1992.
. How do you see the experience gained through these pilot projects being used
oughout the VA? When more than one office or hospital is involved, will the sys-
n be able to provide aggregate data on all units as well as disaggregated data
individual units?
NSWER: The experiences of the GPRA pilot programs have assisted VBA in
ping the implementation plan for the five VBA programs (Loan Guaranty, Insur-
e, Compensation and Pension, Vocational Rehabilitation and Counseling, and
ucation). The implementation of GPRA at the program level includes unit cost as
of the core measures. When VBA transitions from the pilot programs into imple-
ntation, an automated system for GPRA performance measures will be designed
l implemented. This system will be designed to accumulate data at many levels,
luding program, VBA, and office; however, unit cost for each regional office does
now exist.
. Does the VA plan to extend performance measurement to the VA hospital sys-
n?
NSWER: For several years, VA's Veterans Health Administration (VHA) has
tured and widely used a variety of performance information in monitoring var-
s program operations. Most recently, they have initiated two major efforts to ex-
d this activity.
irst, VHA is conducting pilot projects under the Government Performance and
sults Act of 1993 to identify and develop a process by which planning and per-
nance measurement will be more closely linked throughout the health care sys-
. Six medical centers are participating in these pilot projects, all of which are
ng conducted internal to the Department. To date, the pilot organizations have
duced draft performance plans that identify goals and objectives as well as a se-
of performance measures to use in assessing progress in achieving the goals and
ectives. A balanced family of performance measures is being tested dealing with
ncial management, access, customer satisfaction, and quality of care. The experi-
e and lessons learned from these pilot projects will be used to extend the plan-
g and performance measurement efforts throughout the rest of the health care
tem.
econd, the Under Secretary for Health has completed a reorganization proposal
ch is outlined in a document titled VISION FOR CHANGE. The reorganization
n includes an extensive discussion of performance measurement at all levels of
health care system, i.e., system wide, Veterans Integrated Service Networks
SN), and individual facilities. As part of the VISN development effort, the Under
retary for Health established a Committee on Performance Measures. The final
ort of this committee is due in July and will include proposals for performance
asures to be used at different levels of the organization.
. You say a complete assessment of the New York experience will not be done
il after the completion of the project. When will that be? Shouldn't assessment
on an ongoing basis over the life of the pilot? How else can you know if it is
king?
BA has reviewed the New York pilot and has in fact adopted its major design
nent—the creation of a core group of measures—for use in all VBA programs and
onal offices. The office has undergone substantial change as a result of the NPR
also has recently moved to a new location. While VBA is monitoring the office's
rts, a complete assessment will not be done until the first or second quarter of
1996. In the meantime, VBA will continue to stay active in working with the
e to further implement the project.
). Are you making any efforts to determine the effects of your initiatives? What
s of measures (outcomes, outputs, or others) are you using to document the re-
s of the Regional Office's initiatives?
NSWER: We measure ourselves on the five core areas of our balanced scorecard
a monthly basis. We do a bi-weekly review of our annual regional office plan to
k the status of each initiative and meet quarterly to do more in-depth reviews.
l. Have you found that regulations are constraining your initiatives to improve
k processes? If so, are these regulations imposed at the department level or by

central management agencies? What efforts have you made to obtain waivers from these regulations? How successful have these efforts been?

ANSWER: Pay and personnel regulations are the most limiting to us. We are working with the Office of Personnel Management this summer to secure demonstration project status for changing our pay system. If granted, we hope to move from the General Schedule (GS) to a skills-based and variable (at risk) pay system. The other major constraining area is the budget. Money seems to be earmarked at each stage of the allocation process so that by the time it gets to the hands of the line manager, there is very little flexibility on how or when it can be spent. VBA has given us some relief in this area, but many of the constraints are imposed by Congress.

12. In your testimony you state, "The experience gained through participation in these pilot programs is being shared and applied throughout the Department." However, a March 1995 report (CNA Report) states that the VA does not have a plan to integrate these pilot projects into VA operations. What specific steps has the New York Office or the VA Central Office taken to develop a way to bring the valuable lessons and experience from your GPRA projects to other VA regional offices?

ANSWER: The CNA Corporation report entitled "An Organizational Assessment of VBA Modernization Activities" was completed in early 1995, before much of the progress in GPRA was completed and before the VBA GPRA Steering Committee could utilize the lessons learned from the pilot programs and begin the VBA GPRA implementation plan. The CNA findings indicated that VBA was beginning to implement, over a two to three-year period, a strategic planning process. This strategic planning process includes the planning and performance measurement criteria of GPRA. CNA mentioned as part of their recommendations, "For the long term, VBA must follow through on its plans to implement a new strategic planning process." In addition, the GPRA Steering Committee has made major strides in development of GPRA training material and the development of core measures for VBA, all based on the experiences of the GPRA pilots.

13. In your testimony you state, "The Veterans Benefits Administration, or VBA, developed a strategic plan several years ago and has recently taken steps to adjust the strategic plan and the planning process to meet the GPRA requirements." However, the VA Inspector General stated in his February 6, 1995, audit report that the VA's strategic plan that the criteria for performance measures were not specific enough to measure levels of improvement. What performance measures were included in the revised strategic plan and how are they specific enough to measure improvement in VA productivity and service?

ANSWER: I believe this report referred to efforts in the Veterans Health Administration (VHA). As mentioned, within VBA, we have plans to bring the experiences of our two pilot programs to our efforts to design meaningful strategic and tactical measures to improve productivity and customer service. This is evident in our five core measures that will apply to all VBA programs.

Mr. HORN. Thank you very much, Mr. Thompson. We appreciate that statement. The last member of this panel is Col. F. Edward Ward, Jr., Director of Field Offices for the Defense Finance Accounting Service. Colonel Ward, welcome.

Colonel WARD. Thank you, Mr. Chairman. Mr. Chairman, I appreciate the opportunity to report on Air Combat Command's involvement in the performance measurement pilot of the Government Performance and Results Act of 1993.

ACC's mission is to organize, train and equip U.S. based combat Air Forces to meet any possible aggressor. They provide the vast majority of the combat air power our unified commanders depend on to support the full specter of military operations in their theaters.

In an era of downsizing and austere budgets, ACC has had to intensify its efforts to perform its mission in the most cost effective means possible. Improving productivity by actively streamlining operations and cutting costs has become an integral part of daily operations. ACC's goal is for their leaders to foster an operating style that creates for their people a working climate of trust, teamwork and continuous measurable improvement. This leadership approach

an ongoing, evolving process, and they use it to constantly refine ıe way they perform their mission and measure their progress.

ACC's involvement in the performance measurement pilot of PRA is a natural outgrowth of their commitment to quality im-:ovement. Their operating style agrees fundamentally with PRA's goals. Of the three GPRA pilots, ACC is currently partici-ıting only in the performance measurement pilot, but hopes to ıke part in the performance budgeting pilot in 1998.

There are three ACC wings participating in the GPRA perform-ıce measurement pilot. The 314th Air Lift Wing at Little Rock Air ɔrce Base, Arkansas; the 20th Fighter Wing at Shaw Air Force ase, South Carolina; and the 355th Wing at Davis Monthan Air ɔrce Base, Arizona. As part of the pilot project, the wings, with ssistance from ACC headquarters, prepared fiscal year 95 and fis-ıl year 96 performance plans. These include comprehensive mis-on statements and goals and objectives covering their major func-ons—operations, logistics, support, and medical. The plans also .clude performance measures with defined targets to validate ıeir results in each of the four functional areas. As an adjunct to ıe pilot project, ACC will attempt to tie cost per unit of output to small number of performance measures. The wings are currently ɛecuting their fiscal year 95 performance plans; and the fiscal ɜar 95 performance report is due to the Office of Management and udget in February 1996.

Although ACC's progress with the performance plan pilot has ɜen encouraging, one of the major challenges was developing a .ethodology to capture and track cost per unit of output. To meet ıis need, ACC is employing the Job Order Cost Accounting System , or JOCAS II, to capture the costs associated with the test per-rmance measures. They are currently installing JOCAS II at the 55th wing at Davis-Monthan.

A major lesson ACC learned from the experience with perform-ıce plan pilot deals with the need to solidly link goals and per-rmance measures. ACC found that as pilot wings developed their ɔals and objectives, they needed to formulate the indicators they ɜeded to use to measure their success in meeting these goals. This ill ensure the pilot wings track areas important to their organiza-on's future, and not just those areas that lend themselves to easy .easurement. In addition, performance measures must be quantifi-ɔle in order to meet the requirement to link cost to the indicator.

ACC's experience with the performance measurement pilot has ɜen productive. Should you recommend a third round of perform-ıce measurement pilots, the added experience may contribute to ı even better understanding of the entire process before the law ɜquires all Federal agencies to submit strategic and performance .ans at fiscal year 97, to support the fiscal year 99 budgets.

In addition, ACC hopes work on the 1998 performance budgeting .lot will begin soon, with input from the entire executive branch. CC believes performance budgeting will take more time and effort ı implement across government than the previous two pilot rojects. It represents a tremendous challenge for all Federal agen-es requiring new ways of thinking about resource allocation.

In closing, GPRA has the potential to impact the Federal Govern-ıent in a creative and positive way. It mirrors many of the same

leals and methods ACC has adopted with its leadership style and uest for continuous improvement. ACC appreciates the commit-ee's interest in GPRA, and the opportunity to participate in this earing. I would be pleased to answer any questions you may have.

[The prepared statement of Colonel Ward follows:]

PREPARED STATEMENT OF COL. F. EDWARD WARD, JR., DEPUTY COMPTROLLER, HEADQUARTERS AIR COMBAT COMMAND, U.S. AIR FORCE

Mr. Chairman and members of the committee, thank you for the opportunity to port on Air Combat Command's involvement in the Performance Measurement ilot Project of the Government Performance and Results Act of 1993 (GPRA).

Air Combat Command (ACC) is the largest command in the U.S. Air Force. Our ission is to organize, train, and equip U.S.-based combat air forces to meet any ossible aggressor. We provide the vast majority of the combat air power our unified ommanders depend on to support the full spectrum of military operations in their eaters. Our mission is big business, involving some 230,000 active-duty, reserve mponent, and civilian personnel, 3,085 aircraft, major units on 32 installations, nd an annual operating budget of $9.5B. Even in peacetime, our operations extend orld-wide, with over 5,000 ACC people deployed to help keep the peace in south-est Asia and the former Yugoslavia, as well as supporting counter narcotic oper-ions and running Cuban refugee camps in our own hemisphere.

In an era of downsizing and austere budgets, we have had to find ways to perform ur mission in the most cost effective means possible. We have improved productiv-y by actively streamlining our operations and cutting costs. Such an approach has come an integral part of our daily operations. Our goal is for ACC leaders to fos-r an operating style that creates for our people a working climate of trust, team-ork and continuous measurable improvement. This leadership approach is an on-ing, evolving process, and we use it to constantly refine the way we perform our ission and measure our progress.

Strategic planning is an essential element in our approach to improving produc-vity. Our Strategic Planning for Performance Improvement (SPPI) process is igned with the quality principles and concepts described in the Malcolm Baldridge ational Quality Award criteria. Each of our 29 wings use SPPI to translate the rporate Air Force and ACC vision and mission statements into goals and objec-ves for themselves and the 591 squadrons below them; the squadron is the basic nit of production in ACC. The wings and squadrons also develop the performance dicators they use to measure their progress in meeting those goals. We call these dicators Quality Performance Measures (QPMs).

Today, we have 190 QPMs that encompass our four major mission areas—oper-ions, logistics, support, and medical—and measure our performance in each gainst quantifiable standards. Examples of ACC wing-level QPMs include bombing curacy, aircraft and vehicle in commission rates, civil engineering customer satis-ction, and pharmacy waiting times. We aggregate the QPMs and review them arterly against the ACC standard for that particular activity.

Our involvement in the Performance Measurement Pilot of GPRA is a natural itgrowth of our commitment to quality improvement. Our operating style agrees ndamentally with GPRA's desire to make government more responsive and ac-untable by measuring and reporting on performance, stripping away unneeded re-rictions, and ultimately linking performance to the budgeting process. Of the three PRA pilot projects, our command is currently participating in the Performance easurement Pilot, and we hope to take part in the Performance Budgeting Pilot hen it starts in 1998. We do not have any ACC units participating in the Manage-al Flexibility and Accountability Pilot Project.

There are three ACC wings participating in the GPRA Performance Measurement lot Project: the 314th Airlift Wing at Little Rock Air Force Base, Arkansas; the th Fighter Wing at Shaw Air Force Base, South Carolina; and, the 355th Wing Davis-Monthan Air Force Base, Arizona. The wings, with assistance from our adquarters, prepared their FY95 and FY96 Performance Plans. The performance ans they developed contain comprehensive mission statements, and goals and ob-ctives covering their operations, logistics, support, and medical functions. The ans also include QPMs with defined targets to validate their results in each of the ur functional areas. As part of the pilot project, we have taken the normal ACC easurement process one step farther by attempting to tie cost per unit output to small number of the QPMs under study. The wings are currently executing their 795 Performance Plans and we are compiling data on their performance indica-rs. At the end of the fiscal year, we will use the data to determine how well they

t their respective performance plans. Our FY95 Performance Report is due to the ice of Management and Budget in February of 1996.

ılthough our progress with the Performance Measurement Pilot Project has been ıd, one of the major challenges we encountered was developing a methodology to ıture and track cost per unit output. To meet this need, we are employing the sting Job Order Cost Accounting System II (JOCAS II) to capture the cost associ- d with the test QPMs. We are currently installing JOCAS II at the 355th Wing Davis-Monthan. To get JOCAS II up and running at the base requires installing v computer equipment, restructuring the wing's financial data to properly inter- e with the system, and conducting operator training. We should have the system ırational in August of 1995 and will use it to map and cost three QPMs from the ıg's FY95 Performance Plan. If this test is successful, we will install the system the other two test wings. Eventually, we would like to use JOCAS II to capture l track cost per unit output data for every QPM in Air Combat Command.

'he major lesson we learned from our experience with the Performance Measure- nt Pilot Project thus far deals with the need to solidly link goals and performance asures. We found that as our pilot wings developed their goals and objectives, y needed to formulate the QPMs they intended to use to measure their success meeting these goals at the same time. This will ensure they track areas impor- t to their organization's future, and not just those areas that lend themselves easy measurement. In addition, the performance measures must be quantifiable ırder to meet the requirement to link cost to our QPMs.

)ur experience with the Performance Measurement Pilot Project has also given insight into possible changes to some of the GPRA provisions to make implement- the law easier and more efficient. We recommend extending the incubation pe- l of the Performance Measurement Pilot Project by allowing a third round of per- nance plans for FY97. The added experience will improve our understanding of process before the law requires all federal agencies to submit strategic and per- nance plans in 1997 to support the FY99 budgets.

n addition, we would hope work on the 1998 Performance Budgeting Pilot Project ıld begin soon with input from the entire executive branch. We believe perform- e budgeting will take more time and effort to implement across government than previous two pilot projects. It represents a tremendous challenge for all federal ıncies, requiring new ways of thinking about resource allocation.

n closing, GPRA has the potential to impact the federal government in a creative l positive way. It mirrors many of the same ideals and methods ACC has adopted h our leadership style and quest for continuous improvement. Using strategic ns, setting annual goals, and measuring how well they are achieved will improve ountability and, very likely, productivity. We appreciate the committee's interest GPRA and look forward to helping other federal agencies implement its provi- ıs.

FOLLOW-UP QUESTIONS AND ANSWERS

VIEW OF GPRA

ıuestion: How do top-ranking officers view performance management and the ious requirements of GPRA?

'ol Ward: ACC's senior leaders are committed to performance management, stra- ic planning, and performance planning. As the Air Force continues to downsize l budgets are cut, ACC persists in identifying ways to perform its mission in the st cost effective means possible. Performance management helps ACC identify se methods and leads to continuous improvement and mission accomplishment.

GPRA IN OPERATIONS

ıuestion: What effect has GPRA had on the nature of operations of the Air Com- Command?

'ol Ward: ACC's involvement in the GPRA is a natural outgrowth of the commit- nt to quality improvement. ACC stresses continuous improvement through per- nance measurement and thus has an immediate link with GPRA. The effect on rations within ACC has been somewhat transparent compared to an organization h less of a quality foundation. Among major impacts of GPRA on operations has n the help provided in preparing ACC for full implementation of the Law as well ıntensifying the relationships between ACC goals and performance measures.

PROCESS DEVELOPMENT

Question: Who is responsible for making sure that the performance measures are leveloped, the necessary data accumulated, and the results actually used?

Col Ward: Everyone, from the commander to the airman level, is responsible. The erformance measures, or Quality Performance Measures (QPMs) as they are called n ACC, are developed by the process owners. It is the process owners who accumuate the necessary data and make sure the results are actually used. However, to id this process, the 190 ACC QPMs are aggregated on a quarterly basis, not only t wing level, but also at the command level where Headquarters ACC staff reviews nd compares them against the ACC standard for that particular activity.

ASSIGNING RESPONSIBILITY

Question: How do you assign responsibility to employees for outcome measures hat may not be fully under the employees' control?

Col Ward: Responsibility is assigned to the extent the employee has control over he inputs. Positive outcomes are achieved using flexibility and empowerment.

MISSION STATEMENTS

Question: Are the comprehensive mission plans' statements in the performance lans the same mission statements you used before the GPRA projects started? Did ou make any changes as a result of rethinking your missions or in response to hanging external circumstances?

Col Ward: Yes to both questions, with a few exceptions. The overall ACC mission tatement changed slightly from the FY95 ACC Performance Plan to the FY96 ACC erformance Plan. The word "sustainable" was added during an annual review of ne mission statement by ACC's wing commanders. The statement now reads "ACC rofessionals providing the world's best combat air forces, delivering rapid, decisive, nd sustainable airpower, anytime, anywhere." As for the three pilot wings particiating in the Performance Measurement Pilot, both Little Rock AFB's and Shaw FB's mission statements are the same ones used before the GPRA projects started. avis-Monthan AFB shortened its mission statement from the FY95 Performance lan to the FY96 Performance Plan. This new mission statement is more comrehensive, yet succinct.

PERFORMANCE BUDGETING PILOT

Question: Do you plan to use any of the Performance Measurement Pilots to parcipate in the Performance Budgeting Pilot program?

Col Ward: Yes, it is our plan to nominate all three pilot wings (314th Airlift Wing, ittle Rock AFB, Arkansas; 20th Fighter Wing, Shaw AFB, South Carolina; and 55th Wing, Davis-Monthan AFB, Arizona) to participate in the Performance Budgting Pilot program.

PILOT PROJECT ADDITIONAL COST

Question: What were the additional cost of the pilot project?

Col Ward: Additional costs of the pilot project have been for additional manpower equired both at the headquarters and wing levels, computer hardware and software ssociated with the cost per unit efforts (specifically at Davis-Monthan AFT), and her administrative costs such as travel. As a minimum, two temporary personnel re required to operate the new computer hardware and software, as an adjunct to ne Performance Measurement Pilot.

STANDARDS DEVELOPMENT

Question: In your testimony you say that quality performance measures are agregated and compared to Air Combat Command standards for particular activities. an you give an example of how these standards are developed?

Col Ward: Air Combat Command sets standards for performance based on mission equirements and customer needs. ACC's functional staffs at the headquarters, in njunction with their field counterparts, establish ACC standards for each Quality erformance Measure. For example, ACC sets its standards for Aircraft Utilization ates (number of flights per aircraft per month on an annual basis) based on the umber of pilot sorties needed to maintain the desired combat capability levels. CC wants to set achievable standards, yet challenge its personnel to stretch for igher levels of performance. Once ACC reaches an optimum standard, its efforts cus on gains in efficiency for example, taking time, cost, or work out of existing rocesses, while maintaining that standard

MANAGERIAL FLEXIBILITY & ACCOUNTABILITY PILOT

Question: Have you submitted any proposals for the Managerial Flexibility and countability Pilot? If not, please explain the problems you are facing and suggest lutions. If you have, was it rejected by OMB, and if so, for what reasons, or are u still waiting to hear from them?
Col Ward: Air Combat Command has not submitted any proposals and does not tend to participate in the Managerial Flexibility and Accountability Pilot program. owever, it does intend to continue its participation in the Performance Measure-ent Pilot and hopes to participate in the Performance Budgeting Pilot when in be-ns in FY98.

JOCAS II

Question: You referred to JOCAS II in your written testimony. It sounds like the nd of system other agencies can make use of to track costs. Could it be easily apted for other agencies and projects?
Col Ward: The Job Order Cost Accounting System II, or JOCAS II, represents the odernized and redesigned Job Order Accounting System used in the former Air rce Systems Command, RDT&E arena. The Defense Finance and Accounting rvice (DFAS) owns JOCAS II. ACC does not know how adaptable it would be to ner agencies and projects, or the required software modifications, but encourages yone interested to contact a DFAS systems administrator.

GPRA

Question: In what ways has top management supported or hindered the imple-entation of GPRA at your agency or pilot project?
Col Ward: Top management has encouraged the implementation of GPRA within CC by providing guidance, instruction, funding, manpower, and publicity for the plementation effort.
Question: Are both career staff and political appointees involved in the GPRA im-ementation efforts? Please describe how and how it has affected the project.
Col Ward: Yes. Secretary of the Air Force, Comptroller (SAF/FM) and Under Sec-tary for Defense, Comptroller [USD(C)], specifically the Performance Measure-ent and Results Directorate, have provided excellent support to ACC as a Perform-ce Measurement Pilot. They both have furnished timely instruction and guidance further ACC's GPRA implementation efforts.
Question: How, if at all, do top political appointees and career managers show eir support for GPRA, and how is that support communicated throughout the ency?
Col Ward: Secretary of the Air Force, Comptroller (SAF/FM) has publicized ACC's PRA implementation efforts through letters to other Air Force agencies and at esentations to financial managers at the Professional Military Comptroller School MCS), the Financial Staff Officer Course (FMSOC), and the Air Force Quality In-tute (AFQI). Both USD(C) and SAF/FM have expressed their intention to visit e of the pilot wings within ACC to closer examine the implementation efforts. is level of interest demonstrates to wing level personnel the support for this pilot ogram.

DESIRED OUTCOMES

Question: Describe how your pilot is assessing internal constraints on managers' xibility in achieving desired outcomes. What kinds of constraints, if any, have en removed and with what consequences?
Col Ward: ACC has a system in place that establishes desired outputs and out-nes. On a quarterly basis, the headquarters staff and field agencies review the CC Quality Performance Measures (QPMs) and their results. This system allows continuous improvement to the QPMs. Process owners at all levels refine and date their goals, objectives, and processes as needed. Constraints on managers' xibility should be identified during this process.

GPRA

Question: How has implementing GPRA changed the activities that staff focus on, a day-to-day basis? If it has changed things, in what ways have things changed?
Col Ward: Implementing GPRA has not changed the activities that the ACC staff uses on, on a day-to-day basis. The essence of GPRA was already in place. ACC's ality program laid the foundation for performance planning and measurement d strategic planning. GPRA provides a different opportunity for implementation ce it is an actual statute, offering more incentive to adopt/practice quality con-

pts. GPRA provides ACC further opportunity to smooth out its experiences gained rough the quality program.

PILOT PROCESS INTEGRATION

Question: What approach is the pilot taking to link planning and performance easurement activities throughout the organization and integrate them with procses in place at various levels of the organization, from top agency official to line aff?

Col Ward: ACC has a "goal alignment" policy that starts at the Pentagon and casdes down through each level of command. The USAF vision, mission, and key poly directives are integrated at ACC Headquarters and used to formulate broad "corrate" goals for the year. Subordinate units develop increasingly more specific als and objectives, all aligned with the ACC goals.

The squadron is ACC's basic unit of production in each field organization. (ACC is almost 600 squadrons.) At the squadron level, leaders develop very specific goals d objectives, along with appropriate measures to insure performance meets establhed command standards. The whole ACC planning and measurement process is ntinuously refined and updated.

SHARING GPRA EXPERIENCES

Question: How are the experiences of the GPRA pilots being shared with nonpilot rticipants within the agency?

Col Ward: ACC feels that it is one of their responsibilities as a GPRA pilot to are their experiences and lessons learned. ACC will be participating in the 1995 uality Air Force Symposium held in Montgomery, Alabama, for the second concutive year. Last year, ACC presented a paper on GPRA, while a panel discussion ill be the highlight this year. ACC has had many requests for information about eir experience in implementing GPRA. ACC developed a simple GPRA introducry package which can be tailored to meet the needs of the requester. Quarterly, CC offers a working-level briefing to Air Force organizations outside the command. CC has incorporated the GPRA message into its Senior Leader's Course targeted squadron commanders and above. A letter from Secretary of the Air Force, Compoller (SAF/FM) provided a GPRA update to nonpilot participants within the agen- this past spring.

TRAINED STAFF

Question: How have you ensured that staff are adequately trained or knowledgele in the techniques they are using?

Col Ward: Quality is a way of life in ACC. ACC stresses continuous improvement rough performance measurement and thus has an immediate philosophical link ith GPRA. GPRA's basic intent is to make government more responsive and acuntable by measuring and reporting on performance, stripping away unneeded rerictions and finally, by linking performance to budgets.

The Air Force Quality Institute provides training to a few key personnel who in rn go to their units and teach others the basic premises and concepts: a ripple fect.

A three-day course for senior leaders within ACC is oriented toward quality that cludes instructions on GPRA.

IMPETUS OF GPRA PLOTS

Question: What has been the main impetus driving the implementation of the PRA pilots?

Col Ward: The main impetus driving the implementation of the GPRA pilots has en ACC's search for continuous quality and productivity improvement, which is perative to perform its vast missions effectively and efficiently. Productivity imovement allows ACC to increase its output with less input. In an era of wnsizing and austere budgets, ACC has had to find ways to perform its mission the most cost effective means possible. As ACC's people continue to focus on procs, product, customers, and output, it moves closer to the position of automatically erating in a cycle of continuous improvement.

Mr. HORN. Thank you very much, Colonel. We appreciate your stimony. Let me ask a couple of questions about your presentions. I want to start with Mr. Williams, the Chief Financial Offier of Agriculture. I was interested in the pilot programs you listed. here doesn't seem to be any that represent the largest proportion

of the Department of Agriculture. That's your nutrition and food programs, in terms of dollar value, it's about 70 percent of the Department of Agriculture's budget. Am I off on that?

Mr. WILLIAMS. That's about the correct order of magnitude, Mr. Chairman.

Mr. HORN. Yes. Was there any thought given to including them in this process as a pilot program, some of them?

Mr. WILLIAMS. I would add, Mr. Chairman, the Forest Service represents the greatest number of employees, and certainly the first in a number of other areas. But when we went through the pilot solicitation process, it was a voluntary process.

Mr. HORN. I see.

Mr. WILLIAMS. And so there wasn't any active effort on our part to go out and designate these pilots. So it was done on a voluntary basis. But I might add that even though food and consumer services is not an official pilot, they have efforts underway to begin strategic planning, identification of mission goals, begin developing strategies, begin to try to at least match that with their financial system so that at such time when everyone is put under the roof of the act, they're going to be ready.

So I would say, in some regard, while they're not officially a pilot, they have launched some initial efforts.

Mr. HORN. Is that true of all of the agencies within the department, that they're sort of slowly being brought along, based on the experience with the pilots?

Mr. WILLIAMS. Well, one, I think this is one of the beauties of—and I would like to, I guess, echo my colleague here from Veterans Affairs. I'm an enthusiastic supporter of the Government Performance and Results Act, speaking as someone down there on the ground level, because I think it's going to change the whole way we're doing things. One of the things we're trying to do, and I think one of the benefits of the act, is to take it as an interim process, learn lessons from some of these initial pilots, and then try to disseminate that information to the broader agencies.

And it's our fervent hope, and I don't want to get out of line here, but as we finish the Farm bill, to take that Farm bill as a set of guiding principles and begin some real strategic planning across the entire department. I think the Farm bill gives us a really great tool to do that.

Mr. HORN. Now, why do you feel the Farm bill does that? Has it been substantially revamped? What's your opinion?

Mr. WILLIAMS. The Farm bill, I think, Mr. Chairman, offers us some initial guiding principles, a lode star, if you will, from which to orient our mission and goals for the different mission areas and sub-agencies. So it's a launching point, a starting point. And I think that's healthy to have that in law.

Mr. HORN. So you're going to be using that as the base statement of goals, at least by the Congress, in the administration's interaction with the Congress?

Mr. WILLIAMS. That's correct, sir. I think our base set of expectations on the accountability side, or aspirations from a vision side; that's correct, sir.

Mr. HORN. Let me ask Admiral Henn, I noticed on page 2 of the Coast Guard presentation, you had a very good list of the goals of

ıe Coast Guard. As I read it, and maybe I missed it, because I 'as skimming it, the one thing that means the most to me, and ɔmething I noted when I visited the 11th Coast Guard District, is ıe wonderful work you're doing in terms of illegal alien and drug ıterdiction. I didn't see that that fit into any of those goals. Did miss it?

Admiral HENN. No, sir, you didn't miss it. And the reason why ɔu didn't miss it is that what we've put forward is from the proram of Marine Safety and Environmental Protection. Actually, ıis particular program has done quite a bit of work as far as putng together staffing standards, identifying the 189 specific activiies that are performed within that program. What we are doing ɔw is, since we are 3 years into this process, we are now going ıto our fourth iteration.

And that's why I said, some agencies, if they haven't started, ıey're at the 11th hour. It's not easy. You've got to work on this. ' you wait until the last year to get started, you're not going to ıake it. But the point is, we now are migrating what we've done ı this one program to our program of operations, to our program ' navigation. So indeed, their business plans are now beginning to ıodel what was done in this one program, and they, too, will follow ith a performance plan much like we have.

Mr. HORN. Very good. Let me now ask some general questions ' all of you. In your experience, in being responsible for impleenting these programs, were both career staff and political emoyees involved in the implementation effort? How would you deribe the role of the career staff employees and the political staff nployees? What sort of things did they particularly undertake, if ıey were participants? Do you want to start, Mr. Williams?

Mr. WILLIAMS. I'd say the career staff, I think, at least in Agriılture—and I think this is emblematic of the entire government. ı like to echo what Mr. Mascara was saying and John Koskinen. 's pretty much emblematic, I think, of the high level of profesonalism of Federal employees. You take the Forest Service, who under tremendous pressure.

They had last year one of the worst fire seasons in memory for long, long time. They're under all the same constraints in terms ' downsizing, streamlining, reinventing, this and that, everyone se is—and yet, I might also add, are also in the midst of all these her related complementary initiatives. And when they're preınted with this new approach to performance management, and n speaking of the career folks, approach it enthusiastically.

I was out in your part of the world, sir, out in California, visiting me of the national forests out there. And I just recount this story you because of the Angeles National Forest and the San ernardino National Forest have tremendous demand for use of creational space. And you had the forest supervisors out here, caer people down on the ground, trying to meet this tremendous deand, and complaining as well as a lot of Federal staff about the ngressional reports they've got to send up; about all the new anagement controls they've got to adhere to; and about—and I ink the Forest Service is a great example of this—the tremenıus lines of appropriation that they've got to abide by

Well, to make a long story short, they really saw better business thinking as a way to, one, give decisionmakers all the way up here in Congress better information on what they're doing; and in exchange for that, more flexibility to meet some real needs on the ground. So in other words, they could start generating good, useable, accurate information on what they're doing right there in the forest for you back here in Washington and everyone down the chain in exchange for that.

And as part of that whole partnership, I think, implicated in the act would have greater flexibility to meet some real needs there. So they wouldn't be faced with a situation where they've got a recreation center with enormous demand closing down for lack of appropriation. And at the same time, they've got more money for parking lots than they could ever have anything to do with because they can't get the people in there to go to their recreation center.

So I think that's a real example of what the career people are doing down there. Speaking of the political staff, I think I'd separate that into two different parts. I'd say there are the career management folks, and the career program folks. And frankly, I think when we talk to a lot of the management people, we're talking to the choir; that is to say the political appointees. And when we're talking to the program people, I think we've got to face the fact that we've got a challenge.

We've got to really show people, at least at that level, that what we're doing is not just another 1 of 30 initiatives that have been done over the last 30, 40 years; two, that it's something that really will capture and excite the interest of the public so that they have that set of incentives. And right now, that isn't always the case. People think of inputs.

You've heard that before, Mr. Chairman. I think that's true throughout the Government. We've got to show them that outcomes are also important. And people out there in the regular public care about those outcomes.

Mr. HORN. Admiral Henn, how would you say the career staff and political appointees were involved, and how did they affect the outcomes so far?

Admiral HENN. Well, sir, actually, we have three groups we're looking at—the political appointees, the career, and also the military folks. Obviously, as we ratchet down, the political appointees we see more at the higher grades. Certainly from the Secretary, deputy secretary, modo administrator, deputy modo administrators, there was complete not only support but buy-in early on.

And that goes across the board, whether they be political, career or military. I would tell you, once you get down into the career employee, civilian employee, and military employee, at basically the 06 level and basically at the GM 15 maybe junior SES level, that there's where you really have to work on getting the buy-in. Frankly, we're 3 years into this process.

I had some of those folks work for me, military and civilian side. You've got to select leaders; you've got to politically appoint leaders; and you've got to promote military leaders. And the ones who aren't willing to do the job, perform, you have to fire them. And that's a tough job, but you've got to do it. I have to tell you, I've

fired military and I've fired civilian career employees who wouldn't buy in.

We worked with them. Most of them—90 percent—bought in. The ones who didn't, they're gone. And you must do that if you're going to have a performance organization.

Mr. HORN. Very interesting, because it's often said that, gee, it's impossible to fire them. Now, that isn't true in the military. You can send them to a distant post pretty easily, and have them count icebergs or something.

Admiral HENN. Yes, sir. There's other ways to fire them, too. There's also ways to fire career civilian employees. Just too often, we take the excuse that you can't.

Mr. HORN. Right. I agree with you. Mr. Thompson, how did you handle it with the VA? How did the role of career staff, if any, differ from those of the political employees, in terms of trying to achieve the goals you've set out to achieve?

Mr. THOMPSON. Mr. Chairman, my dealings with political staff are limited, but from what I've seen from the Secretary's office on down into our organization, the support has been very good, and the interest has been high. Within the Veterans Benefits Administration itself, John Vogle, who is the Undersecretary for Benefits, almost a year ago, created a steering committee which he appointed me to, simply to try to take these lessons learned in the pilot projects and expand them throughout the VBA to increase the knowledge and the experience and blend our budget, planning and measurement systems together.

The level of support within the Veterans Benefits Administration has been excellent. The career staff, I agree that you run into skeptics, but I've found that most people—if you sit down and spend some time and talk through measuring outcomes and about trying to find out what really is important and what really should be done—most people, at least intellectually, will agree that that's an important thing to do.

There may be some skepticism as to the commitment, as to whether government can hold the course and get it done, but I think at least at one level, everybody would agree it needs to be done. And I would say that within the career workforce, this can be done. And I think within VA, it will be done.

Mr. HORN. Just for the record, now, are you a career employee, as director?

Mr. THOMPSON. Yes, I am.

Mr. HORN. And how long have you been with the VA?

Mr. THOMPSON. Twenty years.

Mr. HORN. Did you find, as one who had been with the VA, when you're talking to your fellow career employees at the senior level, do some of them say, hey, wait a minute; we went through this a few years ago on zero-based budgeting or whatever in the 1960's—I've forgotten now. I have a chapter on it somewhere, but it's long since out of my mind.

Mr. THOMPSON. They used to say that.

Mr. HORN. They don't now?

Mr. THOMPSON. Well, everybody's so shell-shocked from all of the changes coming in, I think they believe anything is possible today.

ing: you may have been successful under one system; you may not look quite as successful under this; you should know what the new rules are. That usually is enough to pique their interest. And I found that with a little bit of understanding of it, they're very interested.

Mr. HORN. Yes. Colonel Ward.

Colonel WARD. Within Air Combat Command, we're dealing only with career employees and career military. The support and buy-in was excellent; ultimately, you have to sell the program. And within the Department of Defense and the Office of the Assistant Secretary of the Air Force for financial management, as well as the Under Secretary of Defense Comptroller, particularly the performance measures and results directorate, tremendous support and assistance was provided every way they could. They really helped us make the thing happen.

Mr. HORN. Thank you, Colonel Ward, for your answer. I'm conscious that you all have waited very patiently, and I have a few more questions. If you don't mind responding, the staff will send them to you. If you could respond in writing, we'd be most grateful. Let me thank the staff that worked on this hearing, and I thank each of you for your examples.

If you could send us some of your reports, the way they are now, I think it would be an education for us to try and go through them and see what we feel about them and give you some private feedback, if we have any. Because I think this is a tremendously important endeavor, and it ought to spread rapidly throughout the Federal Government. Any organization that's going to survive must keep up with the times, the changing clienteles, and the changing expectations of those clienteles.

Let me thank the majority and the minority staff—Russell George, the staff director; Anna Young, who's on my left, the professional staff member primarily in charge of the hearing; Tony Polzak, legislative fellow; Andrew Richardson, subcommittee clerk; and then Matt Pinkus and Dave McMillen, from the minority staff; and our official reporter, Marianne Nash.

Thank you all for coming, and with that, we'll adjourn this hearing.

[Whereupon, at 5:50 p.m., the hearing was adjourned, subject to the call of the Chair.]

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