

**The GPRA Modernization Act: Realizing the Full Promise of Performance  
Management**

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## **The GPRA Modernization Act: Realizing the Full Promise of Performance Management**

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Chairs and Members of the Subcommittees

I appreciate the opportunity to share my perspectives on the implementation of the GPRA Modernization Act and the future prospects for performance management and budgeting.

The passage of the 2010 Modernization Act constituted an important milestone in a decades-long journey to use performance measures to inform decisions and manage far flung federal programs. The Act offers a valuable opportunity to highlight the importance of current Administration performance initiatives, as well as institutionalize the all-important management leadership necessary to sustain performance reforms. Most critically, the Act breaks new ground in requiring OMB to establish leadership for a select number of government wide policy initiatives that cut across agency boundaries and tools of government.

Those of us in the broad federal performance community truly have our work cut out for us. Not only must we implement the new Act, but we must do so in a way that will help us make the hard choices our fiscal challenges are forcing on us. While the new legislation promises to improve the supply chain of performance information, critical questions remain about how to motivate policymakers to use it – the demand side of the equation. We know from the checkered history of management reforms in the past that the most prodigious management reforms will fail to sustain attention by agency leaders and program managers if the new information and perspectives they provide go unrequited. It remains to be seen whether the new information will gain sufficient traction to become compelling to policymakers across the government in dealing with the most important problems facing them today, whether it be the Congress or the President.

The Act offers the potential for quantum leaps in the way we frame decisions and the information marshaled to support decision makers. However, the great gains that lie within our reach will also prompt the greatest challenges to our institutions at both ends of Pennsylvania Avenue. Reaching across agency and program boundaries to focus on those crosscutting policy areas that matter most may require nothing less than an institutional personality transplant for both Congress and the bureaucracy. Involving Congress as a partner with the Executive Branch and the President in selecting targets of opportunities for crosscutting budget and policy reviews will demand a spirit of collaboration not often seen in this town recently. While Congress should be congratulated for passing the new legislation, it will be

important for the committees to use the information generated by its own creation for its own work, whether it be budgeting, appropriating, authorizing, or oversight.

## **The Modernization Act in historical context**

Performance-based reforms have had a long history in the United States at all levels of government. Often led by state and local initiatives, public administrators at all levels have become gripped by waves of performance reforms intended to improve performance and enhance public confidence in government. Ushered in with great expectations, reforms such as Planning-Programming-Budgeting, Zero Based Budgeting, and Total Quality Management, achieved significant improvements but are widely acknowledged to have fallen well short of their mark in institutionalizing a sustainable focus on performance within government. This checkered history of reforms encouraged a certain amount of cynicism about the efficacy of performance management to achieve lasting success in government.

We turned a new page with the 1993 enactment of the Government Performance and Results Act (GPRA). Unlike its predecessors, this legislation ushered in a long-term sustained effort by federal agencies to generate and use performance information in planning and managing their resources. Notwithstanding the failures of prior incarnations of performance management, performance management reforms in general achieved a level of continuity and sustainability that is at once both surprising and tenuous. The Act, has ushered in a period where performance information and justifications have become accepted in federal agencies, in OMB reviews and even, sporadically, in certain committees of the Congress itself. Notably, the reform has not only survived through three successive Administrations but has become a vital part of the management reform strategies of all three Administrations.

Several features of GPRA were instrumental in sustaining attention to performance. First, it was anchored in a statute passed by Congress, and accompanied by a surprising amount of Congressional oversight attention including the “scoring” of initial agency performance plans. Second, it was linked to the budget by requiring agencies to link their performance plans to their budget program activities. While agencies had primary responsibility for preparing these plans, OMB reviewed the plans as part of the budget process and eventually worked with agencies to integrate performance plans into agency budget justifications. GAO found in the first ten years that federal managers reported having significantly more types of performance measures that were linked to planning and budget decisions although more remained to be done to promote the use of this information for resource allocation.<sup>1</sup>

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<sup>1</sup> U.S. Government Accountability Office, Results-Oriented Government: GPRA Has Established a Solid Foundation for Achieving Greater Results (Washington, D.C.: GAO, 2004, GAO -04-38)

The Bush Administration built on the GPRA infrastructure to use performance information more actively in the executive budget process. . Through the Program Assessment Rating Tool (PART), the Bush Administration sought to systematically review the performance of very major program in the federal budget. .

While PART can be viewed as building on GPRA, there were differences to be sure. Under GPRA, it was hoped that if agencies built the performance bridge, policymakers and managers alike would use it. PART featured a more active role by OMB in using performance data to review programs using a standard set of questions. While GPRA plans and metrics were largely developed by federal agencies themselves, PART marked a significant shift in control of the performance agenda from the agencies to OMB. It was the President's budget agency that designed the process and made the final judgments on program assessments, with the active participation of the agencies.

The PART process has itself been assessed by GAO and others in the federal community. During that period, the process institutionalized more formal and systematic program reviews in the executive budget process and gave many agencies more powerful incentives to improve their performance data. <sup>2</sup> However, by shifting control over the performance assessments to OMB, this reform was perceived by key players as reflecting the interests of one player in the process, undermining the broad support often needed to underscore the credibility of performance information.

The Obama Administration shifted away from the comprehensive and centralized model of PART toward a more selective and agency centered model. The Administration asked agencies to choose several high priority performance goals to focus on for a two year period, with quarterly reviews by OMB of their progress to achieve their own goals. The Administration retained the chief performance officers and council initiated under Bush. Notably, additional funding was provided to strengthen agency program evaluation capacity, a necessary foundation for understanding the impact of federal programs on outcomes. The GPRA Modernization Act, in fact, was intended to institutionalize the high priority goals approach initiated by OMB, with some enhancements that will be discussed below.

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<sup>2</sup> U.S. Government Accountability Office, Performance Budgeting: PART Focuses Attention on Program Performance, but More Can Be Done to Engage Congress (Washington, D.C.: GAO, 2006, GAO-06-26)

## **Lessons Learned**

The passage of the GPRA Modernization Act marks a possible inflection point in the performance movement – a time to take stock while we think through the strategies to be pursued by both the Executive Branch and the Congress in implementing the new legislation.

Our previous history has revealed some important lessons for the new performance management regime:

### **Real Gains in Performance are Possible**

Agencies have achieved substantial gains in outcomes that matter by applying the framework of performance management to their own programs and operations.

- Coast Guard realized major reductions in accidents under its marine safety program. The advent of performance analysis prompted a shift from monitoring the number of inspections and condition of marine vessels to a focus on the reasons for underlying trends in accidents. Finding that human error and industry practice were primarily responsible for poor safety outcomes, the agency worked with the marine industry on training programs. The result was a dramatic cut in the numbers of accidents per 100,000 employees, from 91 to 27 over four years.
- FDA's office of generic drugs used performance targets and monitoring to reduce the time to review generic drug applications. As a result, the percent of applications reviewed within 180 days went from 35 to 87 percent. In addition to tracking overall progress, performance data were used on a real time basis to monitor workload across units, enabling the agency to break through bottlenecks by shifting work to less burdened units.
- The Department of Veterans Affairs health care system has systematically reformed its delivery by using health outcomes as the basis for defining what is to be achieved by its regional health services networks. The underlying trend data were used both as a basis for funding the networks but also to analyze best practices. The analysis of cardiac surgery outcomes among VA health care units, for instance, promoted the introduction of best practices throughout the system, leading to reduced morbidity in cardiac procedures.

## **The burden of false expectations**

As we begin to implement the Modernization Act, we must right size our expectations, for inflated expectations can doom reforms perhaps more than anything else.

Some expect performance management and budgeting to transform government and policymaking from a political to an analytical process. The use of performance information for budgeting or management decisions cannot, and is not intended to, take politics out or supplant the judgments of elected officials with those of evaluators and analysts. Public sector decisions must be based on multiple criteria; these include value judgments about needs; equity in the sharing of benefits and burdens; and priorities among competing claims that, while they can be informed by analysis, are typically best resolved through the political process.

The goal of performance management and budgeting in the public sector is not to provide the **answers** to inherently political choices but rather to provide a new set of **questions** whose answers will inform those choices. Unlike the business world, if performance for vital public programs, such as reducing drug abuse, declines, there is no formula for deciding whether to cut or increase funds, or to change the underlying program design and management. The goal of performance management is to change the agenda of managers and policymakers by placing performance concerns on the radar screen, not to provide the magic bullet to unknot gridlock or solve the nation's deficits.

## **Balancing Supply and demand**

While notable successes exist, the challenges associated with sustaining the focus on performance are daunting. For the past 18 years, agencies have been busy building a credible "supply" of performance metrics and information. In the process, they have encountered major challenges in articulating performance goals and developing measurement systems. Many agencies have multiple goals that need to be reconciled and prioritized. Agencies must develop valid data and logic models to link their program outputs to the ultimate outcomes they are trying to influence, sorting out the impact of federal programs from numerous other factors driving results. Often the most important outcomes are often those that are most difficult to measure. For instance, programs like Head Start in the investment arena can relatively easily quantify the near term benefits received by children, but not so easily measure the longer term impacts that early intervention can yield for their lives as productive adults. Ultimately, gaining the confidence of stakeholders and other experts in the relevant communities involves many iterations and years of close engagement. Building a credible supply of performance data is essential if this data is to gain sufficient legitimacy to become a compelling factor in decision making. Thus, supply often must precede demand. Yet, at some point demand for the

information must be forthcoming, or supply will wither away. So far, while demand has in fact been demonstrated within agencies, OMB and even committees of the Congress, this has largely been more episodic than systematic. The GAO's latest survey of federal employees in 2008 found that while more managers have performance measures than before, the overall use in decision making has not changed in the past 10 years.<sup>3</sup>

However, demand has many dimensions in our pluralistic system. It can constitute demand from committees in the Congress itself of course. It can also mean demand from inside the agency itself – from agency managers seeking to use performance data to oversee contractors, grantees and other agency staff. It can also include GAO and OMB, who use information for oversight, control and assessments.

To survive, performance management systems under the new Modernization Act must succeed in satisfying these potential users and others who all have to perceive a line of sight between their interests and performance information. The Administration must strive to develop performance plans and reports that can be tiered and titrated to respond to the very different needs of these different audiences. A single voluminous report, while satisfying experts and agency managers, will prove frustrating to Member of Congress seeking to capture the vital few goals and measures that matter to high level policymakers. The coexistence of the high priority performance goals under the Modernization Act alongside regular GPRA strategic and annual plans is another strategy to satisfy the needs of both high level officials and numerous other agency experts and stakeholders.

### **The tension between learning and control**

Instilling new energy and focus often leads central leaders to impose new accountability regimes and scorecards on agencies, using natural incentives and sanctions such as shame to refocus the attention of agencies across the government. This central leadership was certainly evident during the Bush Administration as well as the current OMB leadership team. Agencies are required to report progress on a quarterly basis for their own high priority goals.

The Modernization Act institutionalizes accountability for high performance goals at both the agency and government wide levels. Leaders are to be appointed to head the goals, and periodic progress reviews and reports are required as well. The Act

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<sup>3</sup> Bernice Steinhardt, "Government Performance: Lessons Learned for the Next Administration on Using Performance Information to Improve Results", statement delivered before the Subcommittee on Federal Financial Management, Information, Federal Services, and International Security. U.S. Senate Committee on Homeland Security and Governmental Affairs, July 24, 2008

goes one step further by providing for consequences should agencies miss their targets over a three year period. Agencies would have to develop remedial plans, with the Congress ultimately being required to consider changes to legislation and funding should targets be missed over a three year period.

These changes promise to promote greater accountability and incentives for agencies to focus on high priority goals. But, like so much else in the performance movement, greater accountability to central leaders comes with a potential price. We know that when faced with sanctions, agencies often become compliance oriented, learning how to “pass the test” imposed on them without making real changes in the way programs are designed and managed. Since agencies have authority to determine their own high priority goals, the goals might be expected to become more pedestrian as the consequences for failure increase.

Ultimately, performance management achieves sustainable improvements by building a sustainable culture of learning and innovation within agencies. Ironically, more insistent and centrally driven directives can discourage the kind of learning and buy in necessary to institutionalize a culture of learning and change within agencies. The development of such learning cultures are somewhat idiosyncratic and reflect such factors as the clarity of an agency’s mission, the professionalism and cohesion of its staff and support by its many stakeholders. <sup>4</sup>

There is no magic formula that can be chronicled in OMB guidance or scorecards to promote a culture of learning and innovation among the agencies. The Obama Administration has usefully supported learning forums and best practice exchanges that can be perceived as enhancing agencies’ learning. The Performance Improvement Council that has gained statutory status in the new Modernization Act also can serve this purpose. Most importantly, the fact that the agencies themselves formulate their own high priority goals offers perhaps the greatest incentive for them to take ownership of this process and use it to drive through needed changes in program management and delivery.

### **The “weaponization” of performance information**

While the demand for information is vital to sustain this movement, it is important to answer what we mean by “use” of performance information. In my view, the most productive use for performance is as a strategic tool to set direction, validate results and inform the debate for budgeting, policy reform and implementation. Performance represents a new set of perspectives that has long been missing in action when we have debates at both ends of Pennsylvania Avenue.

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<sup>4</sup> Donald Moynihan, The Dynamics of Performance Management (Washington, D.C.: Georgetown University Press, 2008)

However, I become concerned when performance becomes used as a formula to reward or punish claimants and employees in budget and personnel assessment processes. Here, the potential for the distortion of information and behavior is greatest. Agencies can expect to be defensive in supplying information and metrics if they know it can be used against them in some direct, formulaic manner. Moreover, performance systems often have gaps and challenges in measuring all significant outcomes, particularly those dealing with quality of services. Given the well known tendency to work to measures, the behavior of agency employees may be distorted as a result, as agencies focus primarily on those values with metrics to the exclusion of other important goals. As performance information becomes more critical in meting out rewards and sanctions, it is doubly important that the metrics and information are comprehensive and credible to avoid the inevitable gaming and challenges that are likely to arise.

Performance management, thus, exists on a knife's edge between irrelevance and overextension. Either way lies the abyss that will kill the movement. The challenge is how to walk that fine line where information informs debates without becoming a formulaic answer designed to reward or sanction measured behavior.

### **The New Crosscutting Focus**

While each agency will face many of these, and other, challenges in implementing the Modernization Act, the legislation also levied a new responsibility on OMB to prepare crosscutting federal priority goals. This crosscutting emphasis is one of the pieces that have been missing in performance reforms in this or prior Administrations.<sup>5</sup> In some respects, we had to learn to crawl by establishing performance measures within programs and agencies before taking this next, far more complex stage.

One of the lessons we have learned over the years is that achieving any important results or outcomes in government involves parallel and coordinated efforts across multiple agencies and programs. GAO has reported many examples of fragmentation, overlap, and apparent duplication, in which multiple government agencies and programs serve the same or closely related objectives.<sup>6</sup>

To take just one example, fragmentation in the nation's food safety inspection system causes significant performance shortfalls and quality control problems. This fragmented system is the key reason GAO added the federal oversight of food safety to its high-risk list in 2007. Fifteen federal agencies collectively administer at least

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<sup>5</sup> This section is based on work currently being done by Steven Redburn and the author for the Peterson-Pew Commission on Budget Reform.

<sup>6</sup> Government Accountability Office, Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars and Enhance Revenue, March, 2011, GAO-11-318-SP

30 laws related to food safety, with inconsistent oversight and ineffective coordination. Federal spending across two major agencies involved – USDA and FDA – is mismatched with these agencies’ relative responsibilities; FDA with responsibility for 80 percent of the food supply spends only 24 percent of total federal food safety dollars. Other countries’ food safety systems integrate activity across the entire food supply chain, from “farm to table” by placing primary responsibility for safety on producers; separating risk assessment and risk management; conducting risk-based inspections; and taking steps to ensure certain food imports meet equivalent safety standards.

Decision-making around the new federal priority goals could be the launching pad for a new effort to improve budgeting. A government-wide performance planning requirement has long been needed to afford policymakers and the public a broader view of the outcomes achieved by interrelated portfolios of programs and subsidies. This ‘portfolio perspective’ could reframe budget formulation in both the executive and Congress by changing the primary unit of analysis from individual programs to broader outcomes that groups of programs are intended to influence. The development of plans on a portfolio basis would highlight the potential gains from adopting this new focus. Should this prove to be compelling to high-level policymakers, planning and budgeting in both the executive and Congress may never be the same

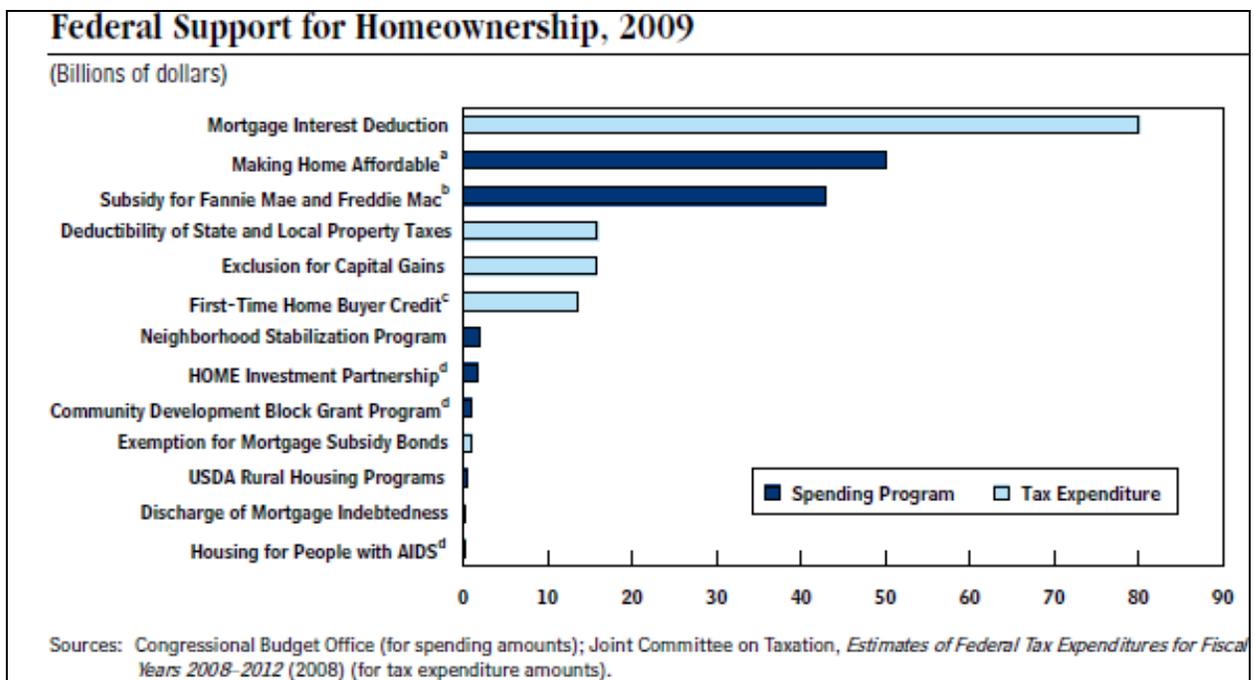
I don’t need to tell you how difficult this will be to accomplish in our system. One of the reasons we have such fragmentation of programs addressing common goals is due to the presence of multiple overlapping committees in the Congress and agencies in the Executive Branch. Several strategies will help overcome some of the obvious barriers and achieve the greatest potential impact:

- Collaboration between OMB and key congressional committee leaders in selecting areas to focus on for crosscutting performance reviews
- Selective focus on a vital few areas to be undertaken each year. PART taught us that attempting to cover the entire budget can ultimately exhaust both the suppliers of information and the potential audience
- Integration across policy tools which will add significant value to current budget and performance presentations. Tax expenditures, for instance, are of equal magnitude as total federal discretionary spending, yet they are largely not considered in the executive or congressional budget processes and they remain largely immune from performance assessments
- Building from existing budget subfunctions which already use OMB budget data in focusing on broader mission areas supported across

agencies in the budget. For instance, the Natural Resource budget function includes the following subfunctions

- Water resources
- Conservation and Land Management
- Recreational Resources
- Pollution control and abatement
- Other natural resources

The following chart illustrates how critical both spending and tax expenditures are for a major federal portfolio – support of homeownership.



Other nations have used portfolio approaches to budgeting that we can learn from. For instance, Australia has launched a series of strategic reviews of a select number of cross agency missions, to include both spending and tax expenditures. The Netherlands have been doing crosscutting reviews of performance for over 30 years, involving teams of agencies, budget office and external experts in developing recommendations for groups of programs in about ten areas each year.

### **Congressional involvement: The Keystone to Success**

As we move to the next stages ushered in by the Modernization Act, congressional involvement will be even more important to realize the goals of the act and the

promise of performance management. The Modernization Act, indeed, emphasizes consultation with the Congress in developing both government wide and agency high priority goals.

Congressional involvement is particularly critical to the success of the new crosscutting performance reviews. Congress is often the fountain from which springs forth the fragmented array of programs and tools that confound policymakers and publics alike. Is there hope that a crosscutting framework could be employed in a body with such widespread dispersal of power across committees?

While committees and subcommittees are indeed fragmented, congressional leadership has strengthened during the past several decades. Whether it involves developing health reform or negotiating budget deals with the White House, Congress has shown that it is capable of making major policy decisions on a more centralized basis than before.

When thinking about models for congressional involvement with the new crosscutting portfolio reviews, three broad pathways come to mind: collaboration, congressional oversight and congressional budgeting.

### **Collaboration**

OMB could invite key congressional leaders from relevant committees to meet and reach agreement about those areas to be assessed in each budget year. Congress could help ensure that areas that are ripe for reexamination, such as those up for reauthorization, would get attention in the executive review process. The resulting assessment process could have greater credibility in the process. Such a process would require changes from both institutions. Congress would have to be willing to articulate its oversight and reexamination priorities more centrally. OMB would have to be willing to open up its own process to become more collaborative with the Congress in development of performance assessment – a prospect that has been resisted in the past.

### **Oversight**

House and Senate government oversight committees have formal authority to coordinate oversight plans of congressional committees. While such authority has not been exercised with noticeable impact to date, the new crosscutting reviews may help stimulate such an initiative.

Indeed, Congress has started such reviews itself by imposing the new mandate on GAO to conduct periodic reviews of duplication and overlap. The committees can build on GAO's work, as well as OMB led cross cutting reviews, by undertaking their own reviews of portfolios of programs. Such oversight could build on GAO's work by: (1) comparing the relative effectiveness and efficiency of existing programs in achieving common performance outcomes and (2) assessing alternative strategies

to reform and restructure portfolios of programs to achieve better results with lower costs. In a recent report, the Peterson-Pew Commission on Budget Reform recommended that Congress work with GAO to trigger these reviews.<sup>7</sup>

### **Budget Process**

While often led from the leadership offices themselves, the budget committees were established precisely to lead and coordinate crosscutting assessments of budgetary choices. The Budget Committee not only has a government-wide perspective, but also uses budget functions as building blocks for the budget resolution. Functions and subfunctions serve as proxies for broad missions or goals that can be the foundation for systematic performance assessments of the myriad of programs and tools addressing each mission. Moreover, the annual budget focus gives these Committees a routine responsibility that can be coupled to the performance assessment process

However it is designed, a revitalized allocation process in budgeting will be increasingly important as the fiscal constraints becoming more binding. As health and Social Security continue to eat away at the discretionary room in the budget, there will be fewer resources to respond to new and emergent problems and issues in a dynamic society with a growing population. The congressional budget process will be pressed to review claims across the board to reduce spending and increase revenues. A crosscutting portfolio review process for specific areas would strengthen the capacity of the budget committees and the Congress itself to make hard choices going forward.

The Budget Committees could be the vehicle to accomplish this by reporting out a “congressional performance resolution” as part of the budget resolution. Such a resolution could be the vehicle to engage the full Congress in debate over those areas most ripe for review and assessment each year. The resolution could be viewed as a requirement that committees undertake the assessments through hearings, GAO studies and other vehicles that they deem appropriate to reexamine the program areas identified in the resolution.

These assessments could be undertaken by committees and used to inform their own legislative and oversight processes. However, the assessments could also feed into the congressional budget process in the following year. In year 2, the committees could report their findings and policy recommendations as part of the Views and Estimates process, an established part of the budget process.

Alternatively, the assessments could become the basis for a new performance based reconciliation process the next year where the committees would be required to take actions on their findings, with the protections of the reconciliation process in place. This alternative would obviously be controversial with the committees and

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<sup>7</sup> Peterson-Pew Commission on Budget Reform, Getting Back to Black, November 10, 2010

many stakeholders as well. Committees might protect their programs, knowing that their assessments might be used against them the next year to force savings. However, if a reconciliation process were in the cards anyway for that year, this process would help provide committees with input into setting the reconciliation targets and process than the current process.

## **Conclusions**

The GPRA Modernization Act could not have come at a better time. It has potential not only to revitalize performance management, but to help the nation come to grips with the hard choices that our fiscal challenges are forcing on us. Realizing the full potential of the Act will call for strengthened networks of managers at all levels in federal agencies working together, a prospect enhanced by the statutory base given to Performance Improvement Officers. .

It will also call on OMB to achieve greater integration itself to enable it to exercise policy leadership for cross cutting policies. In particular, it will be important to fully engage the agency's budget examiners to draw on their deep knowledge and leverage with the agencies. Since tax expenditures are such an important part of the federal policy presence in so many areas, OMB will also have to collaborate with Treasury to ensure that all federal subsidies are on the table when reviewing crosscutting policy areas.

Ultimately, the real gains in performance and budgeting that the new Act can bring will only come about if both the executive and legislative branches are committed to a more open, more collaborative, more results-driven approach to policy formation, oversight and annual budget formulation. It will take unprecedented levels of collaboration within the Executive Branch and Congress as well as between these often contentious bodies to achieve lasting progress.

That concludes my statement and I will be glad to answer any questions.