

**Performance Budgeting: A Learning Strategy**

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**Hearing before the  
Subcommittee on Federal Financial Management, Government Information,  
Federal Services and International Security  
Senate Committee on Homeland Security and Governmental Affairs  
September 24, 2009**

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Mr. Chairman and Members of the Committee

I appreciate this opportunity to share my perspectives on the prospects for performance budgeting. The beginning of a new Administration offers a propitious time to take stock of the performance movement within the federal government. As we face ever growing fiscal challenges and an agenda of new ambitious policy initiatives, the performance agenda has, if anything, become more relevant. Strengthening our framework for budgeting for results can help promote more effective decisions and delivery of programs and outcomes

Our recent history offers much promise and considerable lessons for the future design of new initiatives.. In brief, performance informed budgeting has become institutionalized at the federal level through two successive Administrations, and the Obama Administration has reaffirmed its importance in their management agenda. We have succeeded in instituting a supply of valuable performance information, metrics and plans throughout federal agencies. The challenge now involves stimulating the demand for that information on the part of budget decision makers in both the executive and the Congress. If demand for management information goes unrequited, the supply of performance analysis and data may eventually wither.

Policymakers have an opportunity to build on the existing performance institutions created under the past two Administrations. GPRA itself must remain the bedrock of the supply side of performance. As agencies have gained more experience, the quality of data, coverage and depth of information continues to improve. The commitment to prepare plans, reports and data and use it to manage people and programs should, if anything, be redoubled.

The impetus behind PART must be preserved as well – performance information must be used to inform decisions on increasingly difficult budget choices faced by the President and Congress. However, rather than engaging in yet another round of reviews revisiting the same programs, it is time to build on the base of measures and assessments developed under both GPRA and PART to do broader- based and more selective assessments of broad program areas. Such assessments should review the relative contribution of multiple programs to overarching program goals, e.g. improving food safety, or providing for low income housing, and should include all major tools of government used by the federal government to reach those broad outcomes, including tax expenditures. The

assessments should also be performed in an open and inclusive manner that ensures the engagement of significant stakeholders and the Congress itself. Enhancing the prospects for Congressional attention to performance issues is vital if we are to promote this agenda for the future.

### The Surprising Staying Power of Performance Budgeting

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 over the longer term. This checkered history of reforms encouraged a certain amount of cynicism about the efficacy of performance management to achieve lasting success in government.

One lesson learned from these past initiatives is that the ultimate success of performance reforms will be predicated on their integration with the most important process engaged in by public managers every year – the budget process.<sup>1</sup> The introduction of performance goals and metrics into the budget process gained the moniker of “performance budgeting” and this has become a fundamental feature of current performance reforms at federal, state and local levels of government, as well as in most OECD nations.<sup>2</sup>

While the linkage of performance plans and metrics with budgeting was viewed as critical to the success of performance management, few really examined what this meant. Indeed, most simply treated performance budgeting as a proverbial “on-off switch” - you either did it or you didn’t. In reality, performance budgeting is more like a dimmer switch, with a continuum of different strategies to link budget decisions to performance data:

- Presentations – Budgets are infused with information discussing the performance consequences of budget decisions. The presentations can be linked at both the individual account level in the budget or at the aggregate performance plan goal level.
- Budget Restructuring – The fundamental basis of budget decisions – budget accounts – are reorganized to reflect performance goals. This can reinforce the shift in focus of budgeting from inputs to performance outcomes.
- Performance reviews and assessments- Formal assessment processes, such as PART, evaluate how well programs and operations are meeting performance goals and outcomes

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<sup>1</sup> U.S. General Accounting Office, Performance Budgeting: Past Initiatives Offer Insights for GPRA Implementation (Washington, D.C.: GAO, 1997)

<sup>2</sup> Organization of Economic Cooperation and Development, Performance Information in the Budget Process: Results of the OECD 2005 Questionnaire (Paris: OECD, 2005)



- Performance targets – Agencies have targets that are set in either outcome or output terms for performance for the coming year which are integrated with the budget request and appropriation.
- Performance linked funding – Under this approach, resource allocation decisions are driven in some mechanical way by performance levels and comparisons. Agencies achieving greater efficiencies by producing at higher levels get higher payments, while those falling short experience budgetary reductions. This approach is what many advocates of performance budgeting envision, but is typically the most difficult to implement.
- Outcome based budget formulation - Several jurisdictions have sought to go beyond the confines of traditional agency-centered models of budget formulation to establish outcomes rather than agencies as the primary decision unit for the budget process. The state of Washington notably was among the first to initiate this reform, with the help of David Osborne and other consultants with Public Strategies Group.<sup>3</sup>

Regardless of the form that performance budgeting takes, it is important to have realistic expectations about what such reforms can accomplish. The integration of performance information cannot, and should not, be expected to “take politics out of budgeting” or to supplant the judgment of performance evaluators and analysts for elected officials. There are too many other important criteria that properly belong in budgetary debates, including judgments about equity, needs and the relative priorities given to competing claims.

Some argue for a mechanical model of performance budgeting -- if performance goes up, the agency or staff get rewarded with increased resources, if it goes down, they get penalized. While appealing on first glance, such a model presupposes that there is a single budgetary answer to performance trends, when in fact there are many. Thus, for instance, if the number of drug abusers goes up, it is unlikely that we would penalize drug programs with a loss of funds. In fact, we may find that increased funding is necessary to bring about performance improvements, along with other needed management and program reforms.

The goal of performance budgeting should not be to provide the **answers** to inherently political choices in the budget process but rather to provide a new set of **questions**. The shift in the agenda for the budget process could be expected to bear fruit in a more informed debate that adds performance goals and results to the other important issues addressed in annual resource allocation debates.

### **Government Performance and Results Act (GPRA)**

The Government Performance and Results Act (GPRA), passed in 1993, fits well within the presentational models of performance budgeting. Very sensibly, the authors of the act felt that the budget linkage required a supply of credible information before it would be taken seriously by budget officials. Accordingly, the authors of the Act conceived of a

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<sup>3</sup> This reform formed the basis for David Osborne’s book with Peter Hutchinson, The Price of Government(New York: Basic Books, 2004)



phased implementation process. Agencies would develop strategic plans, followed by annual performance plans and reports to develop a credible “supply side” of goals, measures and data to build a solid foundation for performance management. Such information would be included in budget presentations and proposals

GPRA has ushered in a period where performance information and justifications have become widely accepted in federal agencies, in OMB reviews and even, sporadically, in certain committees of the Congress itself. GAO’s periodic survey of federal employees, similarly reports growth in the availability of performance information and measures, although the use of the information to make decisions remained a challenge.<sup>4</sup> The surprising staying power of GPRA is partly due to its statutory origins, as reformers realized that past initiatives undertaken without the support of the Congress failed to transcend the terms of their executive political champions

### **Program Assessment Rating Tool (PART)**

The Bush Administration built on the GPRA infrastructure to carry performance budgeting initiatives further along the continuum. While the agencies had made progress in developing the “supply side” of performance plans and measures under GPRA, the demand for this information by budget decision makers proved to be episodic at best, particularly in the Congress.

The Bush Administration sought to strengthen the linkage of performance with budgeting. First, they encouraged agencies to restructure their budget presentations and underlying account structures to better align budget resources with performance goals. Beginning with the fiscal year 2005 budget, OMB required agencies to submit a “performance budget” that would integrate the annual performance plan and the congressional budget justification into one document. For instance, the Department of Veterans Affairs sought to consolidate budget authority for its burial program from separate operating, construction, and grant appropriations accounts into a single account. While framed as a strategy to promote the GPRA agenda of linking plans with budgets, this initiative was viewed by appropriators and some agency managers as laying down the proverbial gauntlet by eliminating traditional information presentations that long served as the foundation for congressional appropriations and oversight.<sup>5</sup>

The Administration’s Program Assessment Rating Tool (PART) added a program review and assessment component to performance budgeting. The PART initiative was justified as a way to promote greater attention to the performance perspective that was originally fostered by GPRA. Moreover, the initiative also was premised on the need to transcend the traditional focus of budget process from one that focused disproportionate attention on incremental changes to existing programs to a process where the base itself is

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<sup>4</sup> Bernice Steinhardt, Government Performance: Lessons Learned for the Next Administration on Using Performance Information to Achieve Results (Washington, D.C., GAO, 2008, GAO-08-1026T)

<sup>5</sup> U.S. Government Accountability Office, Performance Budgeting: Efforts to Restructure Budgets to Better Align Resources With Performance (Washington, D.C.: GAO, 2005) GAO-05-117SP



periodically reexamined. Given the fiscal challenges facing the nation both now and over the longer term, such a periodic reexamination can be healthy for any political system.<sup>6</sup>

The PART process consisted of a series of questions rating the purpose and design, planning, management and results of each program in the budget. Programs receive ratings based on the answers to these questions, with ratings ranging from effective to ineffective and a separate category, results not demonstrated, when programs fail to have sufficient information or documentation. To date, OMB has assessed the performance of nearly 1000 programs, covering 96 percent of all programs in the budget.

While PART can be viewed as building on GPRA, there are differences to be sure. PART constituted a more active strategy, where performance information would form the basis for explicit judgments of a program's effectiveness that would become part of the Presidential budget formulation process. Moreover, 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. At least in the initial years of implementation, agencies were encouraged to replace GPRA goals and measures with those developed under PART, substituting OMB's judgment for that of the agencies.

The PART process has itself been assessed by GAO and others in the federal community. The process has institutionalized more formal and systematic program reviews in the executive budget process and has helped to instill a more regular conversation between OMB and the agencies on the performance of their programs. If for no other reason, agencies had a more powerful incentive to improve their performance data and measures to protect themselves in this review process in the future.<sup>7</sup>

However, the PART process raises some vexing questions about the ability of any process to develop the appearance of a "bottom line" rating for complex government programs. Unlike the private sector, there is no single bottom-line for most federal programs. Given the multiple purposes and goals reflected in most programs, OMB staff invariably had to make judgments on how to answer yes/no questions on such issues as whether the program was effective in reaching its goals and whether the costs of the program were reasonable. Notwithstanding claims that PART rests on "objective" ratings, this is often not possible in the high stakes world of federal budgeting where multiple stakeholders have their own interpretations of seemingly straightforward numbers. A single program often has multiple performance goals and a single performance indicator, whether it is trends in drug abuse, serious crimes or welfare caseloads, is subject to multiple interpretations about what the performance data mean and how it should be used in making decisions. The GAO assessment of PART

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<sup>6</sup> U.S. Government Accountability Office, 21<sup>st</sup> Century Challenges: Reexamining the Base of the Federal Government (Washington, D.C.: GAO, 2005) GAO-05-325SP

<sup>7</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)



concluded that the experiences with the rating tool illustrate “the inherent limitations of any tool to provide a single performance answer or judgment on complex federal programs with multiple goals.”<sup>8</sup>

Moreover, the PART process used discrete budget program activities as its unit of analysis for assessments. The assessment of detailed budgetary activities have the advantage of more closely tying performance assessments to the budget, but at the price of accepting the current budget structure as a given. However, there is a tradeoff – while performance data may gain greater influence in budgeting, this may come at the expense of the breadth and openness that characterize strategic planning processes. The PART focus on relatively narrow budget accounts and activities contrasts with the broader planning and goal orientation of the GRPA planning process. The key question agencies are charged with answering in their GPRA plans and metrics is what difference does the agency and its programs make for outcomes that matter to the various publics in a democratic society? In many cases, whether it be low income housing, job training, food safety or child nutrition, such outcomes are achieved from the results of a number of programs and governmental tools that transcend the narrow contours of budget accounts.

The experience with PART suggests that any assessment will invariably reflect the interests of the entity that controls the process. As part of the President’s budget preparation, PART clearly must serve the President’s interests. However, it is unlikely that the broad range of actors whose input is critical to decisions will use performance information unless they believe it is credible and reliable and reflects a consensus about performance goals among a community of interested parties. This consensus building process is critical – if the goals in the plans gain broad support, their use in the budget will become more accepted and credible. The measures used to demonstrate progress toward a goal, no matter how worthwhile, cannot appear to serve a single set of interests without potentially discouraging use of this information by others. In the case of PART, the control of the process by OMB has arguably served to erode the support for the assessment process by such key players as Congressional appropriators and authorizers. The absence of broad based support will limit the impact that such a process can have longer term on the sustained development and improvement of linkages between performance and budgeting.

I might add that most efforts to integrate performance information into budgeting suffer to some degree from the absence of open collaboration with stakeholders and the Congress, reflecting the closed nature of the executive budget process where deliberations are considered to be “predecisional” and not subject to public disclosure our debate. This is true not only for the budgetary figures and decisions themselves, but also for performance data and plans that are part of the budget formulation process – whether it be the PART scores of the Bush Administration or the performance plans of the Clinton Administration.

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<sup>8</sup> U.S. Government Accountability Office, Performance Budgeting: Observations on the Use of OMB’s Program Assessment Rating Tool for the FY 2004 Budget (Washington, D.C.: GAO, 2004, GAO-04-174)



## Where Do We Go From Here?

PART and GPRA established the valuable expectation that performance will inform budget decisions. Continuity is important – the attention devoted to performance information by both Clinton and Bush Administrations have prompted agencies to take the generation of goals and measures and data more seriously. The new Administration is moving to continue the momentum, albeit with its own imprint. The question is – how do we build on the recent reforms to establish a performance budgeting process that will be sustainable and relevant over the longer term?

In our system of separated institutions sharing powers, performance budgeting will necessarily serve many masters and needs. To be sustainable, performance initiatives, accordingly, must be Janus-faced, accommodating various dimensions and emphases to satisfy the numerous accountability interests and actors in our system of government. . Different kinds of information will be appropriate for different actors and settings. Higher level outcome systems such as Oregon's Benchmarks are useful for strategic planning but not for oversight and control of government agencies. On the other hand, such "real time" performance management systems such as Citystat and other data management systems are useful for day to day control but not for overarching goal setting.<sup>9</sup> Rather than a single performance regime, a "menu approach" to performance management makes far more sense of our system of government.

Taking this into account, I will conclude with some suggestions for initiatives that can advance and sustain the use of performance information in budgeting across federal agencies, OMB and the Congress going forward.

### **Strengthening the foundations**

First, the foundation for performance budgeting must continue to be strengthened at the agency level. This entails continued development of credible performance measures, data and plans to foster greater confidence and agreement by decision makers that is a precondition for the use of this information in budgeting. Make no mistake, this is a long term enterprise and not all agencies have reached this level. It is only when such information is perceived to be fair, balanced, comprehensive and accurate that it will be taken seriously as a new input to an inherently political process.

OMB should work with agencies to support and encourage the development of these metrics as part of the budget formulation process. The conversation between OMB, the agencies and appropriators should ideally come to focus on the setting and accomplishment of discrete performance targets in budget presentations within the executive process as well as in appropriations debates and reports.

With support from the Congress, efforts should continue to reconstitute budget presentations and account structures to improve alignment of the building blocks of

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<sup>9</sup> Dall Forsythe, "Pitfalls in Designing and Implementing Performance Management Systems", in Dall Forsythe, Quicker, Better, Cheaper?, p. 522.



budget decisions with performance goals and strategies. This initiative, begun under the Clinton Administration and carried forward during the Bush Administration, now needs to engage the Congress more fully to support structural reforms. Congress has resisted such initiatives before, partly on the grounds that the new account structures threaten to eliminate information and support about the inputs of programs, e.g. numbers of staff, status of contracts, which are vital to effective congressional oversight of the executive. Accordingly, any reforms to introduce performance into budgeting can be expected to be additive, supplementing rather than replacing traditional information and controls.

### **Building a strategic focus for budgeting**

As we think about the priorities of government, it has become more apparent that the important goals and objectives of policy cut across the narrow confines of budget accounts, bureaus, and departments at the federal level. For instance, nearly one half of FY 2009 budget authority for homeland security is provided by numerous agencies outside the Department of Homeland Security. Indeed, most of the major missions of government transcend the boundaries of the federal government itself, requiring partnerships with state and local governments, nonprofit organizations and private for profit firms.

A focus on outcomes lends itself to a cross cutting focus, as achieving most outcomes engages the resources of many agencies and nonfederal actors alike. The traditional unit of analysis in budgeting, however, is the budget account and the federal agency, with little cross over to recognize the crosscutting dimensions of performance. The focus of GPRA largely reinforces this by emphasizing the preparation of plans by agencies and bureaus within departments.

However, the GPRA also included a requirement for the President to prepare a governmentwide performance plan. Such a plan could begin to reframe budget decisions by providing information on performance for the broad mission of government that cut across traditional agency lines. For the most part, this plan has not been forthcoming. Only once in 1998 did OMB prepare a presentation by budget function – the nearly 20 major mission areas of government. This presentation illustrated how the value of such a process by presenting the outcomes for major federal agencies sharing responsibility for common mission areas. For instance, the Natural Resources and Environment chapter included an extended discussion of the many agencies involved in federal land management, presented in the context of three governmentwide federal land management goals: protecting human health and safeguarding the natural environment; restoring and maintaining the health of federally managed lands, waters, and renewable resources; and providing recreational opportunities for the public to enjoy natural and cultural resources. Moreover, the discussions included not only discretionary programs but the involvement of other tools of government such as tax expenditures and regulations in promoting the broad missions of the government.<sup>10</sup>

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<sup>10</sup> Government Accountability Office, The Results Act: Assessment of the Governmentwide Performance Plan for FY 1999 ((GAO-AIMD-GGD-98-159, 1998)



### **Reconstituting program assessment**

With federal budget deficits forecast as far as the eye can see, some kind of periodic assessment of federal program results will continue to be an important dimension of performance budgeting in the years to come. While the PART sparked such a review process, it is an ideal time to rethink the assessment process. As all programs in the budget have gone through at least one review cycle, simply continuing the current process through yet another round of assessments would not constitute the best use of scarce analytic resources in the agencies and the budget community. The completion of the cycle of PART reviews, instead, should provide the occasion to refocus the attention of the budget community on a broader, yet more targeted assessment process that would be more inclusive and open than PART has proved to be. The process I have in mind would refocus assessments on the broader outcomes that individual federal programs are attempting to influence together, building on the results of both GPRA planning and individual PART reviews.

The experiences of other nations can be examined to help us rethink our own process. In the Netherlands, reconsideration reviews are conducted on both particular programs as well as broader crosscutting areas selected for each budget cycle, with participation by working groups of central budget and departmental staff as well as external experts, resulting in a public report with recommendations to be considered. According to OECD, the process has been in place since 1981 and has led to significant savings as well as many reforms of major policy areas.<sup>11</sup> In their broader crosscutting reviews, which they call Interdepartmental Reviews, their system is different than PART in several respects. First it is selective, with about 10 reviews each year. Second, it has a broader focus as reviews address an entire policy area or governmentwide management concern. Third the reviews are more collaborative involving a partnership the budget office, agencies and outside researchers and academics.

Our own recent experience as well as that of other nations suggests it is time to consider a revised assessment process within the context of continuing and enhancing the connection between performance planning and budgeting.. Such a process should include the following elements:

- Targeting future assessments based on such factors as the relative priorities, costs, and risks associated with related clusters of programs and activities addressing common strategic and performance goals. More selective reviews would help ration scarce analytic resources as well as focus decision makers' attention on the most pressing policy and program issues.
- Adopting a broader unit of analysis keyed to program outcomes, not budget accounts. PART's focus is overly narrow and fails to focus attention on the most important areas for governmental policymaking – the relative contribution of different programs and tools to policy outcomes. Thus, rather than producing separate reviews of the many different job training programs in differing budget years, a more comprehensive review process would cover all significant programs

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<sup>11</sup> OECD, Reallocation: The Role of Budget Institutions (Paris, OECD: 2005)



together in one assessment. Such a review should cover all significant governmental tools address broader outcomes, including the more indirect tools such as tax expenditures and regulatory programs.

- Establishing a more open process that is more independent of OMB and the agencies. The Netherlands process entails reviews by committees often chaired by independent experts, with participation by budget and agency officials. There are many options to open up the assessment process here. One option that could be considered would be to anchor the process in a nonprofit organization while guided by OMB and the Congress. While including a broader base of stakeholders, such assessments must be truly independent and neutral to attain the credibility necessary to influence budgetary decisions.

### **Engaging the Congress**

Mr. Chairman, it is vital that such a revised assessment process engage the Congress. Given the strong role Congress plays in both budgeting and management oversight, Congressional involvement will prove to be vital in reinforcing the importance of performance assessment and ensuring that such a process reflects a broader base of values and interests.

It is important to note that Congress is not the performance wasteland that some critics suggest. GPRA itself was the creation of the Congress and, as this hearing attests, Congressional committees have retained a vital oversight interest in monitoring progress. Authorizing committees include performance targets in legislation and often focus on how well agencies are meeting goals and performance expectations.<sup>12</sup> Appropriations reports are replete with congressional expectations for performance, often requiring monitoring of agency workloads and outputs. It is true that appropriators have generally not been as supportive of outcomes and have been resistant to executive attempts to restructure long standing budget accounts and presentations, partly because these initiatives threatened to eliminate information on inputs and staffing that is vital to congressional control of spending.

When it comes to using performance to assess programs, the PART was viewed by many in Congress as serving the President's needs, and therefore not those of the committees. Performance assessments could be more credible if Congress were engaged in selecting reviews, highlighting key differences with executive interpretations and using their own information resources to challenge executive data.

Several alternatives might be considered to enhance Congressional involvement in program assessment:

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<sup>12</sup>A Congressional Research Service report found that mentions by Congressional authorization committees grew to the point where 76 public laws from the 106<sup>th</sup> Congress (1999-2000) contained statutory or committee report language relating to GPRA and performance measurement Virginia A. McMurtry, Government Performance and Results Act: Overview of Associated Provisions in the 106<sup>th</sup> Congress, (Washington, D.C.: CRS, 2001).

- A more collaborative approach could be adopted where the new President and the Congress could 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 the Congress to articulate its oversight and reexamination priorities centrally and OMB to invite Congress to help determine executive assessment priorities.
- Congress could request the GAO to undertake a series of assessments of broad program areas deemed in need of reexamination by the leadership. The agency would engage in an evaluation synthesis, systematically examining the evidence from other studies, including its own, of the effectiveness of federal program design for the area in question. Such studies could, in effect, constitute Congress' own assessment process oriented to the oversight and performance priorities expressed by its own leadership in contrast to those articulated by the President.
- Congress could adopt its own performance assessment and review process linked to the budget process. 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. Such a performance based resolution could be coupled to a reconciliation process where committees would report savings to be achieved from such review process.
- The Budget Committee could not only spearhead such a resolution but also become a focal point for undertaking more systematic oversight of important crosscutting issues, perhaps in concert with this committee. Similar to a process undertaken by the Senate Budget committee in the 1990's, a budget committee driven oversight process could add value to the traditional oversight conducted by other committees by conducting assessments that both cut across current committee jurisdictions and have significance for current and future budgets.

### **Concluding Observations**

We have reached a new and more challenging plateau for performance management, thanks to the progress and persistence of agencies and OMB in generating a supply of useful performance metrics and data. The new challenge is to use this new information more systematically to improve decision making and management. However,



performance information is never neutral and each actor has their own views about what constitutes the best outcome for decisions and programs.

In this context, progress in performance budgeting should be reconceived. Rather than expecting a new dawn of rationality in budgeting, we should settle for a process where political conflict is not eliminated but rather conducted with reference to performance. Rather than wringing our collective hands when political interests “politicize” data, we might come to celebrate this outcome as a tribute to the importance of performance information in a highly diverse, pluralistic political system. In this context, the primary “use” of performance plans and information would be to promote internal management direction and oversight and help reframe questions for budgeting and oversight by OMB and to some extent the Congress itself.

Some are seeking to go beyond this model of “use” to directly tie funding and personnel pay to performance. While promising greater attention to metrics, there are real risks in this approach. Behavior and policy decisions alike may become distorted if the performance metrics fail to capture all significant values and priorities that people and programs are expected to accomplish. Moreover, as the stakes involved with using performance grows, so will the temptations by bureaucrats and other political actors to distort measures and data that threaten their resources.

Building a partnership with the agencies and the Congress in this environment will constitute a challenge for the new Administration. The previous Administration used scorecards as a vehicle to motivate and, at times, shame agencies into focusing more attention on performance. This strategy certainly stimulated interest in the short term and led some agencies to upgrade their capability. However, in hindsight, it is apparent that such leadership strategies can promote a culture of compliance rather than real commitment and change. While agencies did improve their PART scores over time, some observers attributed this to improvements in “taking the test” rather than real substantive long term changes in outcomes.

Ultimately, performance management achieves sustainable improvements by building a sustainable culture of learning and innovation within agencies. Ironically, more insistent and centrally driven directives and edits 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>13</sup>

Whether it be agencies or the Congress, actors will “use” performance information when they find it in their own interests to do so. 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. However, it would be incumbent on the new Administration to think about the modest steps that could be taken to build agency

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<sup>13</sup> Donald Moynihan, The Dynamics of Performance Management (Washington, D.C.: Georgetown University Press, 2008)

capacity and commitment. For instance, support for learning forums and best practice exchanges could be part of such an initiative. Enhanced support for the evaluation function of federal agencies could also be part of a joint commitment by agencies and OMB to bolster the analytic foundations necessary to support a performance informed budget process.

Mr. Chairman, this concludes my statement. I would be glad to respond to any further inquiries by the Committee.