

TESTIMONY OF

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before the

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Oversight of Government Management,
Restructuring, and the District of Columbia.

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Mr. Chairman and Members of the Committee, thank you for inviting me here today to discuss the importance of government reform and the need to provide American taxpayers an honest accounting of government activity. My name is Scott A. Hodge, and I am the director of tax and budget policy at Citizens for a Sound Economy Foundation (CSE Foundation), a 250,000-member nonpartisan, non-profit consumer advocacy group that recruits, educates, trains, and mobilizes hundreds of thousands of volunteer activists to fight for less government, lower taxes, and more freedom.¹

When Vice President Al Gore unveiled the National Performance Review (NPR) with great fanfare in September 1993, he promised that his "reinventing government" program would make Washington "work better and cost less."

Today, after nearly seven years of perfecting the art of recycling paperclips, there is simply too much evidence to deny that the federal government now works worse, and costs more: Government spending has escalated to record levels; half of all federal agencies cannot produce auditable books; serious mismanagement continues to plague most federal programs; redundancy and duplication abounds; outmoded programs have become nearly immortal; and, government assets continue to crumble into disrepair.

The bottom line is that "Reinventing Government" has failed to cure the widespread cancer of waste, fraud, abuse, and mismanagement that is crippling the federal government.

These problems persist because the administration has been too caught up in tinkering with the *process* of government, rather than engaging in a serious effort to address the *substance* of what government should or should not do. As a result, they have wasted enormous amounts of resources on process-oriented, pseudo reforms that may make the bureaucracy work better for bureaucrats (or make good photo-ops), but have little substantive impact either on the functioning of federal programs or on their cost to taxpayers.

The renowned management guru Peter Drucker once described the trivial nature of "reinventing government" in this way:

"In any institution other than the federal government, the changes being trumpeted as reinventions would not even be announced, except perhaps on the bulletin board in the hallway. They are the kinds of things that a hospital expects a floor nurse to do on their own; that a bank manager expects branch managers to do on their own; that even a poorly-run manufacturer expects supervisors to do on their own – without getting much praise, let alone any extra rewards."

A classic example of this is the "Plain English" award given by Al Gore to a Department of Agriculture employee in 1998 for re-writing the USDA instructions for cooking a Thanksgiving turkey. Remarkably, no one on the Vice President's staff, and no one in the bureaucracy, asked why the government is spending precious tax dollars to write directions for cooking turkeys when Americans have successfully cooked turkeys since the first Thanksgiving more than 300 years ago.

The most serious shortcoming of "Reinventing Government" is that it has failed to get federal agencies to do even the most basic function – account for how they spend the taxpayers' money.

As proof, we need look no further than the most recent financial statements of the federal government. In March, the U.S. General Accounting Office (GAO) reported that "because of the serious deficiencies in the government's systems, record keeping, documentation, financial reporting, and controls, amounts reported in the U.S. government's financial statements and related notes may not provide a reliable source of information for decision-making by the government or the public."

In other words, the federal government – which will spend more this year than the *combined* economies of Canada, China, and Mexico – has no idea where it is spending the taxpayers' money, how it is being spent, and if it is doing any good. Indeed, in order to make the FY 1999 financial statements balance, the U.S. Treasury recorded a \$24 billion "plug" which it labeled "unreconciled transactions." That's a lot of missing receipts.

But this is just the tip of the iceberg. A recent oversight report by the House Budget Committee documented a staggering amount of waste, fraud, abuse, redundancy, and obsolescence throughout the federal government. For example:

- The government paid out \$19.1 billion in improper payments in 1998;
- The Department of Defense had to make \$1.7 *trillion* of "unsupported adjustments" to prepare last year's financial statements;
- The Department of Housing and Urban Development has been on GAO's "High-Risk" list since 1994;

- Ten of the 14 programs first identified as "high risk" in 1990, were still on GAO's list last year;
- Fifteen programs have been added to the "high risk" list since 1993;
- The Department of Commerce shares missions with 71 other federal departments and agencies; and,
- Washington spends roughly \$100 billion a year on 788 federal education programs.

The question this committee should ask the White House is, "has any Cabinet official been held accountable for these management failures which, were they allowed by any private sector Chief Financial Officer, would result in serious legal consequences?" If not, why not?

Despite these failings, Clinton and Gore continue to trumpet the fact that the "government" – as measured by the number of civilian workers – is now the smallest it has been in over 30 years. But it is misleading to equate the number of government workers with the size, scope, and efficiency of the federal government.

While it is true that the administration has reduced the federal workforce by roughly 330,000 civilian workers since 1993, they did this without eliminating **one** government program. In fact, there are dozens more programs today than before the administration began reinventing.

Let's not forget that since 1993, federal spending has increased by roughly \$390 billion, or 28 percent. So, in some perverse way, I suppose it is possible for Mr. Gore to claim that the government has become more "efficient" since it is now spending more money than ever before, but using fewer people to do it (\$653,549 per-worker in 1993, compared to \$988,220 per-worker today).

Surely this is not what people imagine when they think of "smaller" government. The American people do not want obsolete and redundant programs to waste their tax dollars more efficiently. They want value for their money, and that can only come from making tough choices about what the government should and should not do with their tax dollars.

The only honest way to "reinvent" the federal government is for our political leaders to ask of every government program and agency the same tough questions that private CEOs ask of their businesses on a daily basis:

- What is our core business?
- What activities should we quit doing because they are outmoded, obsolete, inefficient, or broken beyond repair?
- Where have we gotten fat, redundant?

- Do we have to perform this function in-house or can we outsource it?
- Can functions now done by the home office be done better or more efficiently by our field offices or subsidiaries?

Asking these questions of the federal government would force Washington to focus on improving its core mission areas while it overhauls the way it does everything else.

This means Washington must:

- Get out of the business of being "in business" by privatizing functions or selling publicly owned enterprises to the private sector;
- Streamline redundancy or eliminate redundant functions;
- Eliminate obsolete, inefficient, or dysfunctional programs;
- Return functions back to state and local control; and,
- Rationalize remaining functions to their Constitutional or national significance.

At NPR's inaugural in 1993, President Clinton said the federal government needed reinventing because "it's not just broke, it's broken." Today, by any reasonable measure, the federal government remains broken and must be treated in the same fashion as a major corporation facing Chapter 11 bankruptcy.

"Reinvention" can no longer be a substitute for accountability. The only true way to make government work better and cost less, is to first challenge the substance of what the government should and should not do, and then demand the same standard of accountability from federal officials as is demanded from their private sector counterparts. The American taxpayer deserves no less.