TESTIMONY

Testimony on E-Government and S.803

By

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Mr. Chairman and Members of the Committee, I am Joe Wright, former Deputy Director and Director of the Office of Management and Budget (OMB) for President Ronald Reagan. During that time, I was given the responsibility to oversee the President's management improvement efforts in the 1980's. I also chaired the two interagency groups that coordinated these efforts—the President's Council on Management Improvement and the President's Council on Integrity and Efficiency. I had the pleasure of testifying many times before this Committee on the results of those efforts; and submitted a "Management Report" along with the Presidents budget every year to the Congress.

In total, I've spent over 15 years in the service of the Federal government including OMB and the Departments of Agriculture, Commerce and Defense. Since that time, I have been in the private sector and have recently been involved as Chairman or as a member of the Board of Directors on IT and Internet-related companies. Several of these companies have been developing e-government services for the US Federal government.

Today, I appear before the Senate Committee on Governmental Affairs to discuss e-government and S.803, the e-Government Act of 2001. E-Government is the use of technology to enhance the access to, and delivery of, government services to benefit citizens, businesses, employees, and other agencies.

E-Government applications can be divided as follows: Government to Citizen (G2C) and vice versa; Government to Business (G2B) and vice versa; Government to Employee (G2E); and Government to Government (G2G). Today, I will comment on the state of e-government at the Federal, state and local levels, and requirements for effective e-government implementation. Additionally, I will my share my views of S.803.

E-Government is a National Priority

E-Government is important for a number of reasons. The US economy has rapidly moved toward the use of the Internet, dramatically increasing productivity, information flows, and service levels in the last 10 years. While the US government represents at least 25% of the GDP, it has lagged seriously behind the private sector in the development of information technologies that leverage the Internet. The public sector has not placed the same priority on this technology to date because it hasn't had to. But that is changing.

First, constituents are demanding enhanced, easy-to-use online services from their government. A recent survey conducted by the Momentum Group found that more than 60% of citizens and 80% of business users had used the Internet to access government services or information.[1] More than two-thirds of Americans believe it should be a high or medium priority for government to invest tax dollars in making more information

and services available over the Internet.[2] This level of constituent demand is being driven largely because citizens have come to expect superior levels of customer service from the private sector, and those expectations are now being mirrored on constituent-public sector interactions as well.

Second, governments have spent incredible amounts of money on upgrading information technology. In fact, $77.6 billion was spent last year on information technology projects by the Federal government.[3] Unfortunately, without established technology leadership at the Federal level, this has resulted in agencies implementing e-commerce systems and strategies that are proprietary and perpetuate the traditional "stovepipe" architecture of information systems. Without a coherent e-government strategy, continuing investments in information technology will result in Federal agencies further automating their own incompatibilities.

Finally, e-government will help save taxpayer dollars. President Bush's budget projects $100 billion in savings from e-commerce over 10 years. This kind of savings is within reach. For example, e-government applications such as tax filings, license and permitting applications, and fee and fine collection systems save between $3 and $5.35 *per transaction* vs. traditional paper-based systems.[4]

With this level of priority associated with e-commerce, governments are making tremendous investments in

e-government systems. Government IT spending is projected to increase 4.4% annually between 2000-2005, from $77.6 billion in 2000 to $101.1 billion in 2005. More importantly, the e-government piece of that spending will grow at a 33% rate from $1.5 billion in 2000 to $6.2 billion in 2005. And, Forrester Research estimates that total public sector transaction volumes now exceed $2 trillion, while approximately $450 billion in fines are paid each year. By 2006, Forrester expects that Federal, state, and local governments will collect 15% of fees and taxes online—totaling $602 billion.[5]

The Four Stages of E-Government: Presence, Interaction, Transaction, and Transformation

Prior to discussing the state of e-government initiatives at the Federal, state, and local levels, it is important to describe the process of evolution of e-government. Gartner Dataquest has developed a four-phased model that describes e-government development as follows:[6]

- Phase 1: Presence—The first phase of e-government development is characterized by the rush to simply have a presence on the Internet to provide general information about government agencies to constituents. Since the early 1990s, Federal, state and local governments have implemented more than 10,000 web sites to inform the public about government agencies.

- Phase 2: Interaction—Web sites in the second phase of

e-government development provide search capabilities and downloadable electronic forms and documents that enable constituents to access critical information, but still require a visit to a government office to complete a transaction.

- Phase 3: Transaction—This third stage of e-government is characterized by the empowerment of citizens to conduct and complete entire tasks online by using self-service applications such as tax filing, driver's license renewal, procurement, and permitting and licensing. This is the focus of most current e-government initiatives.

- Phase 4: Transformation—This fourth stage of e-government development is characterized by a redefinition of service delivery from programmatic or agency-based to constituent-centric. This phase will rely upon technologies that have proven successful in the e-business arena, including personalized Web portals, robust customer relationship management (CRM) architectures, e-mail management and routing systems, and advanced content delivery technologies (such as push and wireless). The organization of web sites will become "intentions-based"—government services and applications will be organized by constituent intention (e.g., all services related to education) rather than rigidly organized by the agency

actually delivering the service (e.g., Department of Education, Veterans Benefit Administration or the Bureau of Indian Affairs). This will result in the development of "virtual agencies" that exist only in cyberspace, as related services across agencies are united at web sites whose focus is topical (e.g., raising your child) rather than agency-centric. Development of this ultimate e-government is currently in the seed stage and will accelerate over the next five years.

The State of the States: Solidly in the Transaction Phase

In many ways, state and local governments are leading the e-government charge. The reason for this is two-fold. First, state and local governments have more direct citizen contact than the Federal government. Most government services and regulatory requirements involve the filing of an application or report by business and constituents. By 2006, governments at all levels will receive 333 million online submissions. State governments will receive the most, 137 million in 2006, fueled primarily by online business reporting. Of the nearly 14,000 online services applications expected to be available by 2006, the vast majority will come from the nation's 35,000 cities and towns.[7]

The second major advantage enjoyed by state and local governments is the presence of a singular executive, such as a

state governor or city major, who can immediately galvanize diverse stakeholder groups, cut through procurement rules, and force agencies to act. State and local governments are more able to take an enterprise approach to online activities, unlike Federal information technology investments, which typically perpetuate existing stovepipe separation of information systems.

Most states are still in the transaction phase of e-government, focused on the development of online G2B and G2C applications involving electronic filing and electronic payments. However, a few states, most recently Massachusetts, are beginning to enter the transformation phase of development and have made public a strategic vision of web-based information systems and applications that will transform citizen and business interactions with their government. Indeed, Massachusetts has embarked upon an ambitious e-government strategy whose foundation is an intentions-based, citizen-centric portal that provides personalized information about government services. The system is designed to break through traditional stovepipes, and provide relevant information crossing traditional agency boundaries, giving rise to virtual agencies of topically related content united under through Mass.gov portal.

Other Foreign Governments Have Already Made E-Government a National Priority

The British Government recently announced a major initiative to develop "the Government Gateway" which is a new portal that acts as a centralized registration service for all e-government services in the UK. Andrew Pinder has been named the new "e-envoy" for the UK government and described the effort as one of "leveraging the resources of the digital economy to empower the millions of citizens and businesses in the country." He said that the government portal is part of Prime Minister Blair's new e-government initiative of having 100% of government transactions online by 2005 is designed to connect the 200 central and 482 local government institutions with the UK's 60M citizens and 3M businesses.

Meanwhile, Accenture (formerly Anderson Consulting) stated that the US ranks third in e-government development behind Canada and Singapore. They said that a few good portal sites exist but most have a long way to go to be truly customer-orientated. They further stated that these three countries have completed less than half the work required to develop and provide full-service for e-government. Canada apparently has the most advanced offering for its citizens and its businesses to conduct electronic transactions with the government.

The State of Federal e-Government Initiatives

While state and local governments are pushing into the transformation phase of e-government development, Federal e-government initiatives are focused on the development of

transactional applications. Some Federal projects are still in the interaction, or even presence stages. The Federal Chief Information Officers (CIO) Council recently counted 1,300 Federal electronic pilots or programs of which only 463 involved transactions with the government—the rest simply provide information.

This lack of focus on transactional applications is a direct result of the lack of centralized strategy, planning and leadership at the Federal level for e-government development. Projects to date, even when they have been transactional, have been agency-centric, rather than citizen-centric and represent a very small percentage of the business that agencies conduct. Gartner Group estimates that less than 1% of the transactions between governments and constituents are handled online today, despite the development of over 10,000 separate government web sites.

The Federal government must take steps to ensure that the taxpayer's dollar is not wasted. A coordinated approach to developing e-government applications will allow systems to be compatible with one another. This will also ensue that limited resources would not be used to build systems that perform the same basic functions.

The Federal CIOs who are overseeing the coordination of the e-government initiatives have stated that turf wars and government structure are the true hindrances to successful e-government initiatives. Former Commerce CIO Roger Baker

stated that: “Money isn’t really a problem… there is no plan because there is no central authority to put the plan together and then manage its implementation… so, we all go off and spend our money where we each think it should go, with extremely little coordination.” This concern has been expressed by many inside and outside of the government.

The National Electronic Commerce Coordinating Committee also points out that policy issues, not technology, are the main problems governments face as they adopt e-government. At the same time, it is important that standards for technology and information-exchange be established, so that future interagency applications and systems can be developed.

The Council for Excellence in Government also stated that the barriers to implementing e-government are government-wide leadership, funding cross-government programs, integrating program files, overcoming ingrained cultural barriers and enhancing security and privacy.

These problems are compounded by the fact that Federal agencies face a deadline of October 2003, when they must implement the Government Paperwork Elimination Act (GPEA) which requires them, where practical, to offer individuals or businesses the option of submitting information or making transactions electronically. The Act also validates the legality of electronic documents and digital signatures. In addition, there have been recent reports that Federal agencies

are not complying with the Government Performance Results Act (GPRA) and it appears that they will have increasing difficulty in compliance unless a well planned and coordinated e-government program is put in place.

FirstGov.gov: A Sign of Things to Come

FirstGov.gov is one of the most important Federal e-government initiatives. Launched in September of 2000, FirstGov.gov unites access to Federal, and now state and local web sites, providing citizens with a single, integrated point of access to information about government services. The web site consolidates data from thousands of government web sites and provides robust search tools that can handle 100 million searches a day by more than 200,000 simultaneous users. GSA is the contract agency that is overseeing development of the web site.

However, the first phase in the development of the FirstGov.gov web site only allowed for the user to access information—it did not allow for transactions. New agency-centric transactional applications are being developed, and access to these applications is being provided through FirstGov.gov. There are currently no major *interagency* applications—applications that use data across agencies to provide constituents with integrated, useful information and services.

FirstGov.gov lays the foundation for the Federal government's

entry into the transformation state of e-government, but a tremendous amount of work and strong leadership are necessary to accomplish this. If the President truly intends to have a citizen-centric government where "agencies conduct transactions with the public along secure web-enabled systems that use portals," then the FirstGov.gov web site needs to be enhanced substantially with a specific plan to bring on agency programs and services in a centrally directed effort that is well-coordinated throughout the government.

Reactions to S.803 and Recommendations

Mr. Chairman, S.803 is very important for a number of reasons at this time. First, the government and its citizens will directly benefit from e-government, just like industry has benefited from the implementation of information technology. Citizens have come to expect the same levels of service and convenience from the government that they are receiving from businesses as a result of private sector implementations of Internet technologies. Second, if the development of e-government is to occur in a reasonable timeframe, legislation is needed to give the Executive Branch the authority to provide central leadership and coordinate the initiatives for all Federal agencies. Third, this law will send a message to citizens that the government will organize around the needs of the citizens rather than tradition or bureaucracy. The President has already stated in his first "blueprint" to the Congress that he wanted a citizen-centric government. But, as we all know, he needs the

support of the Congress to get an initiative as far-reaching as this accomplished.

Mr. Chairman, S.803 calls for the appointment of a Federal CIO. This is a good idea. While I'm not sure that the organization structure described in the legislation is the only organizational solution to accomplish central leadership, I do agree that a successful e-government initiative requires decisive, focused top-level leadership. I also agree that that authority should be closely associated with the budget process and have the full authority of the budget and should be located within the OMB since OMB has an existing organizational structure and is already tasked with balancing program budgets in the Federal arena. Mitch Daniels, the Director of OMB, recently appointed Mark Forman as the Director of E-Government initiatives for the Federal government who could also be given the additional responsibility of CIO. The reporting relationship within OMB is not as important as the responsibility and authority given to OMB and the CIO. Mr. Chairman, it is clear that having a central point of authority for e-government initiatives is a good idea. And, the decision to place this within OMB is significant, because this office would then have the authority of the budget behind it. It is important that this office have actual authority without creating additional management clutter. I would suggest that this Committee reach an agreement with Mitch Daniels, the Director of OMB, on the right organizational structure and then hold the Director responsible for

implementation.

Mr. Chairman, I repeat that legislation regarding e-government is very timely and is needed to stop the "automation of incompatibility" among government information systems and develop a government geared toward the citizen. The design of engineering systems has taught us that the longer one waits (during the design process) the more costly it is to effect change. I am not only talking about the monetary costs, but also the cultural change necessary to convert from programmatic thinking to constituent-centric thinking.

The proposed legislation has many good parts and excellent recommendations, most notably investments in FirstGov.gov, the Interagency Fund, and the establishment of public key standards. However, I believe that the legislation goes into too much detail regarding organizational specifics and implementation recommendations. In order for e-government to be successful, there is no question that a single authority needs to be made responsible for the implementation of this new technology across Federal agencies. And this authority has to be able to make decisions about organization, technology, applications, and investments. The execution of the proposed duties in the legislation should be left to the Executive Branch for implementation. OMB should define and develop the organization, and make recommendations regarding technology, actual applications and systems, and standards. These efforts should be tightly coordinated between all Federal

agencies.

To ensure that OMB's efforts—and our investments in this area—are successful in effecting change and leading us to the transformation phase of e-government, the legislation should provide quantifiable goals that can be measured regarding the e-government systems. These goals should ensure that e-government initiatives are focused on achieving two fundamental goals: 1) maximizing constituent benefit through the delivery of high-impact, high-demand applications; and 2) maximizing cost savings by improving the efficiency of government service delivery. Quantitative standards for timing, budget, impact, utilization, and cost savings must be established, measured, and reported.

Mr. Chairman, we stand at a important time and are considering technology that has the possibility to change the very nature of government service delivery. With the right e-government strategy and legislation, this administration and Congress can leave a legacy that will long be remembered. More importantly, the Federal government should be brought into the 21st century to serve its citizens. I think they are beginning to expect it. Thank you once again, Mr. Chairman, for giving me for the opportunity to address the Committee on Governmental Affairs on e-government and S.803.

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[1] Momentum Research Group, "Benchmarking the eGovernment Revolution: Year 2000 Report on Citizen and

Business Demand" (Research Brief, 26 July 2000), 3.

[2] Hart Teeter, "E-Government: The Next American Revolution" (Research Brief prepared for the Council for Excellence in Government, September 2000), 2.

[3] BB&T Capital Markets Equity Research: "Business-to-Government/Government-to-Consumer Internet" (Research Brief, 22 August 2000), 9.

[4] Gartner Group, "E-Government Metrics: Cost Savings" (Research Brief, 16 October 2000), 3.

[5] Forrester Research: "By 2006, US Government Will Collect $602 Billion Over The Net, According To Forrester Research" (Press Release, Cambridge, MA, 20 August 2000) http://www.forrester.com/ER/Press/Release/0,1769,390,FF.html

[6] Gartner Group, "The Four Phases of E-Government in the Public Sector Market" (Research Brief, 28 August 2000), 2-3.

[7] Forrester Research