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Introduction

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One of the frustrating things about edited books is that they typically attempt, but fail, to instill cohesion into the work of academic experts who have a strong tendency to go their own way. This edited volume on performance management and budgeting in government, compiled by Dall Forsythe, takes a different approach. Forsythe deliberately selected authors who both offer a range of experience with the contemporary performance movement at different levels of government and present different voices on this subject. As a result, what comes through in this compendium is a strong point-counterpoint theme. The yin and yang of the performance movement in government is what the reader should take away.

This is what the Rockefeller Institute sought to achieve when we initiated this project three years ago. In his foreword to this book, Dall Forsythe discusses the tasks he pursued for the project, including the wide dissemination of a white paper issued in February 2000: *Performance Management Comes to Washington: A Status Report on the Government Performance and Results Act*. The report was the first product of the Rockefeller Institute's project on performance management and measurement, supported by The Pew Charitable Trusts.

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Although we instigated the project particularly to take a close look at the budget reforms embodied in the 1993 Government Performance and Results Act, we have also stretched the canvas more broadly to consider state and local budget reforms of the same genre. These reforms emphasize outputs rather than inputs. They are often referred to in governmental shorthand as focused on “results.” The results focus launched by the 1993 GPRA produced “little GPRA’s” among state and local governments, as often occurs with new managerial reforms in American federalism.

Dall Forsythe and I have had more than a dozen conversations about how to view this new period of budget and management reform. It is interesting that, although our ideas are similar, our roles have reversed. I began as highly skeptical, while Forsythe was more of an enthusiast for GPRA and the performance management and budgeting movement generally. However, Forsythe’s ideas metamorphosed into a viewpoint, presented in the final chapter of this book, that highlights problems entailed in fulfilling the goals of GPRA. On the other hand, I became increasingly impressed with the way the idea underlying “results management” and “results budgeting” has permeated the thinking and conversations in and around governments, reflected in subtle ways in the questions policymakers and public managers ask and the kinds of conversations they have. The simple idea is appealing, namely to focus attention on the outcomes of government programs. That is, what happens to people as a result of government programs (i.e., the *outputs* and *outcomes* of governmental action), not the *inputs* of government programs, is what really counts. This idea has become more than a slogan. It has become a way of viewing decisions and issues across the governmental landscape.

It is not possible to measure this subtle internalization effect. Moreover, it may be too much to expect that it could ever be formularized in the ways the elaborate GPRA law stipulates. Still, I can imagine that deep down in the innards of public management, gnarled hands experienced in the game of government knew all along that the real goal of GPRA was to change the way people think. Indeed, it can be argued that this, more than anything, is the purpose of the perennial reform exercises intended to introduce greater rationality and intellectual rigor in the give-and-take of

what is (and always will be) an intrinsically pluralistic and yeasty American political process.

In sum, the 1993 Results Act is not a whole new ballgame. Although it has distinctive features, it must be seen as one in a long line of efforts to introduce greater rationality into government decisionmaking generally, and particularly into the budgetary process.

Past Federal Budget Reforms

Performance Budgeting. In 1949, the Hoover Commission, appointed by President Truman, issued a report calling for “performance budgeting.” The commission recommended “that the whole budgetary concept of the Federal Government should be refashioned by the adoption of a budget based upon functions, activities, and projects.”¹ According to political scientist Frederick C. Mosher: “The central idea of the performance budget... is that the budget process be focused upon program functions — that is, accomplishments to be achieved, work to be done.”² The budget process had traditionally emphasized developing a reliable system of expenditure accounts. Like GPRA, the rhetoric of the reform was to shift the focus from inputs (items of expense, number of federal employees) to outputs (activities, accomplishments, and their related costs). Costs and appropriations were to be related to productivity or services rendered. For example, the U.S. Postal Service, according to this theory, would calculate the personnel required for the coming budget year by identifying the number of letters that could be processed by one employee and by estimating the number of letters to be processed.³ Five years later, the second Hoover Commission, established in 1953, picked up this same theme. Its report observed that federal budgeting inadequately linked programs with costs “and suggested that budget activities and organization patterns be made consistent and accounts established to reflect this pattern; and, that budget classifications, organization, and accounting structures should be synchronized.”⁴

Planning-Programming-Budgeting (PPB). A decade after the report of the second Hoover Commission, Lyndon Johnson announced his much-hyped “Planning-Programming-Budgeting

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System" (PPB), which was grounded in systems analysis — the process of defining objectives and designing alternative systems to achieve them. PPB was developed under Secretary of Defense Robert McNamara, who had previously been president of Ford Motor Co. President Johnson was so impressed with McNamara's application of this approach to the U.S. Department of Defense that in 1965 he ordered PPB to be used right away across-the-board in every federal agency. According to the *Bulletin* issued by the Budget Bureau,⁵ the objective of PPB was "to improve the basis for major program decisions in the operating agencies and in the Executive Office of the President. This requires clear statements of alternatives and of the reasons for decisions. Program objectives are to be identified and the alternative methods of meeting them are to be subjected to systematic comparison." The system had three basic elements. First, *program memoranda* (PMs) compared the cost and effectiveness of major alternative programs and provided documentation for strategic decisions recommended for the budget year. Second, *special analytic studies* (SASs) provided analytical groundwork for the decisions reflected in the PMs. And third, *program and financial plans* (PFPs) provided multi-year summaries of the outputs, costs, and financing needs of agency programs over a five-year period.⁶

Management by Objectives (MBO). Management by Objectives was Richard Nixon's brand of budget reform, based on the idea of setting objectives for agencies in terms of the work they were expected to accomplish. More flexible than PPB, it allowed agency managers to choose how to achieve their goals. But MBO also required periodic reports on progress toward planned objectives. In an April 18, 1973, memorandum to federal agencies, President Nixon said: "I am now asking each department and agency head to seek a sharper focus on the *results* which the various activities under his or her direction are aimed at achieving.... This conscious emphasis on setting goals and then achieving results will substantially enhance federal program performance." The director of the Office of Management and Budget, in a follow-up memo to department heads, explained the purposes of the new initiative as being better communication, faster identification of problems, and greater accountability of managers to supervisors. Included in the president's memorandum was a request to each agency for its proposal of 10 to 15 most important "presidential objectives" to be accomplished in

the coming year, with the goal being the identification of 100 presidential objectives governmentwide. MBO did not make an explicit connection to the budget process during its first year. And then in the second year, efforts to tie the initiative to the priority-setting processes of the federal budget were overwhelmed by Water-gate-related events that led to Nixon's resignation.

Zero-Base Budgeting (ZBB). Jimmy Carter had the most radical concept for budget reform. His approach, called Zero-Base Budgeting, constituted a rejection of incremental decision making.⁷ ZBB required each agency to justify its entire budget submission each year (i.e., "from ground zero"). In a memorandum dated February 14, 1977, President Carter directed all agency heads to apply ZBB in preparing the fiscal year 1979 budget. "A zero-base budgeting system permits a detailed analysis and justification of budget requests by an evaluation of the importance of each operation performed.... By working together under a zero-base budgeting system, we can reduce costs and make the Federal Government more efficient and effective." ZBB included three basic elements. First was identification of "decision units" — the programs or organizational units for which budgets are prepared. Second was preparation of "decision packages" — brief justification documents that included the information necessary for managers to make judgements on program or activity levels and resource requirements. And third was ranking of decision packages in decreasing order of priority by program managers and agency officials. Like its predecessors, ZBB was oversold and largely disappeared.

However, all four budget reforms invariably left a mark. In particular, the introduction of PPB in 1965 resulted in the creation of policy-analysis staffs in almost all federal agencies and in many counterpart state and local government agencies. In so doing, it has had the most lasting and important institutional effect on governmental decisionmaking at all levels — national, state, and local.

Leaders of the GPRA Movement

Unlike its predecessor reforms, the Government Performance and Results Act of 1993 — "the newest sliced bread" of budget reform

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focused on results — was a congressional rather than a presidential initiative. Also distinctively, it allowed for a much longer gestation period than its predecessors. Like earlier reforms, GPRA affected state and local as well as national practices.

Four chapters in this book were written by people who are among the strongest advocates of GPRA. These authors include Virginia Thomas, who had a major hand as a congressional staffer in writing the 1993 GPRA law; Harry Hatry, who is one of the most well-known advocates of performance management and budgeting; Patricia Ingraham and Donald Moynihan, who focus on performance management and budgeting by state governments; and Katherine G. Willoughby and Julia E. Melkers, who consider performance budgeting at both the state and local levels.

Virginia Thomas describes the mission and the potential that proponents envisioned for the 1993 law:

The act's power lies in its focus on measuring the effectiveness of all existing federal programs and providing Congress with that information in order to determine whether the agencies are achieving the intended results.

Americans will benefit from such a bottom-up review of existing programs. Although the federal government should use every dollar it truly needs, the current approach is to pile new laws, regulations, and federal spending priorities on old ones without regard to effectiveness or mission overlap. As a result, the size, cost, inefficiency, and scope of the federal government continue to grow relentlessly.

Patricia Ingraham heads the Alan K. Campbell Public Affairs Institute at the Maxwell School of Syracuse University, which works to stimulate and assist states, federal agencies, and local governments in “managing for results” (MFR). Ingraham and Moynihan in their chapter in this volume are upbeat about the effects the results movement can have on the states:

State governments are using these tools, and gaining proficiency in their use. While legislative intent and rhetoric may be more

ambitious than practice, elements of MFR are common enough in government to shed the “novelty” tag. Members of the public service have moved beyond the basic questions: “What is strategic planning?” and “What is benchmarking?” to the questions so important to success: “How do these tools fit with each other?” and “How can I make them work?” Committing to the strategic significance of MFR – and integrating it into the everyday processes of governance – provides one way to answer such questions and to ensure improved performance for the future.

Katherine G. Willoughby and Julia E. Melkers report on mixed results from a survey of staff members of state budget agencies and legislative committees. A majority (61 percent) of the respondents said they believed budget reforms related to results had not directly affected appropriations, and an even larger portion of respondents (81 percent) noted that lack of legislative interest is a problem. However, 85 percent said they viewed such reform as “better than doing nothing” and a worthy purpose to pursue over time.

Taken together, these authors provide a useful and nuanced portrait of the aspirations of the performance management movement. If readers combine these ideas with the case studies by other authors in this volume, they can obtain a balanced picture of the pluses and minuses of the performance management movement.

Experience with GPRA

Two chapters in this book deal with experience under the Government Performance and Results Act from the perspective of the national government. The first, by Chris Mihm, who heads the General Accounting Office group responsible for overseeing execution of the law, presents a status report on its implementation. Under GPRA, all federal agencies were required to report on their actual performance by March 31, 2000. These reports, and the transition to the Bush presidency, mark critical junctures for the initiative. Mihm’s chapter reflects the book’s duality theme. He cites GAO reports that say fiscal year 2001 performance plans show “continuous improvement,” and singles out several federal agencies for

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commendation, but he also notes that “much additional work is needed.”

Although the fiscal year 2000 performance plans indicate that the federal government continues to make progress in showing that crosscutting efforts are being coordinated to ensure effective and efficient program delivery, agencies still need to complete the more challenging task of establishing complementary performance goals, mutually reinforcing strategies, and common performance measures, as appropriate.

He points to the challenge of GPRA for intergovernmental programs that depend on states and localities to provide “timely and reliable results-oriented performance information.” Citing the Department of Health and Human Services’ need for state and local data, Mihm says that “time lags in obtaining these data from the states make it difficult to provide a comprehensive summary of agency performance.”

The account of performance management in the Social Security Administration presented by Walter Broadnax (who had a major hand in it) and Kevin Conway is a story of process budgeting, as opposed to budgeting for outcomes (the effects of governmental activities on people). These authors bring out a key theme of this volume: the public agency that calls the tune has to be the one that pays the piper. The Social Security Administration calls its tune for its operations: the agency (not another governmental level or outside organization) is directly responsible for paying Social Security benefits accurately, on time, and in a user-friendly way.

But even for Social Security, the GPRA system of measuring agency performance has its limitations in that it is process rather than outcome oriented. In my view, this is as it should be – at least for this program. Systematically measuring the effects of the Social Security Administration on the lives of recipients (the aged, disabled, and poor) is a much tougher and more elusive task. The authors claim success for the Social Security Administration’s implementation of GPRA, though ironically, it does not fully illustrate the use of outcomes to assess governmental effectiveness.

Some Views of Skeptics

Allen Schick says he has heard it all before: “Efforts to budget on the basis of performance almost always fail.” Referring to claims of success stories for the Government Performance and Results Act, Schick adds, “After four decades of being fed such stories, the writer is convinced that most are exaggerations and the few genuine successes are outliers.” Somewhat ironically, Schick then turns around and advances his own brand of budget reform — one focused on measuring the cost of activities as opposed to outputs.

Activity-centered measurement is at the leading edge of management reform. Activity-based costing (ABC), developed by Robert Kaplan, who produced the balanced scorecard, is a widely applied cost allocation and analysis system which has infiltrated public sector financial management. The basic idea of ABC is that activities drive costs; hence to control costs they must be charged to the activities generating them. This approach enables managers to measure the costs that would be incurred or avoided if a firm undertook or terminated a particular activity. Cost measurement is a critical, oft-neglected prerequisite for using performance measures.

In a case study of the Job Training Partnership Act (JTPA), Gerald Marschke takes an economist’s point of view. He says evidence “shows that performance measures backed by financial incentives are no cure-all for inefficiency and mismanagement in the public sector.” Relying on the principal-agent model in economics, Marschke concludes that this approach works better in the private sector because the incentives can be much stronger.

While we cannot rule out that performance incentives in the Job Training Partnership Act have increased that program’s efficiency, it is apparent from the effects of recent reforms that the U.S. Department of Labor has had difficulty designing incentives. The evidence suggests that the measures used so far are misaligned and distortionary, making the JTPA incentive system subject to “the folly of rewarding A while hoping for B.”

Federal Grants-in-Aid

My colleagues at the Rockefeller Institute of Government, James Fossett, Thomas Gais, and Frank Thompson, contribute a well-told story of performance management for the nation's largest federal grant-in-aid program, Medicaid. The U.S. government fulfills most of its domestic purposes by providing grants-in-aid to state and local governments, and sometimes to private (mostly nonprofit) organizations. The success of these intergovernmental and interorganizational relationships is an essential subject for assessments of public management reforms. In the Medicaid case, the difficulty of providing incentives for performance, and the diversity of policy goals in federal law, are greatly compounded by the layered lines of responsibility under American federalism. The authors of this chapter offer the following generalization:

Proclaiming the virtues of mission-driven federalism is, of course, one thing and success in implementing it quite another. Intergovernmental arrangements complicate virtually all aspects of performance management – agreement on key goals, the development of indicators, the timely collection of pertinent and valid performance data, the interpretation of these data, the implementation of an incentive system (e.g., rewards for strong performers), and more.

In my opinion, the intergovernmental arena is where GPRA is weakest – i.e., in implementing such grant-in-aid programs. Several chapters in this volume address this challenge in managing for results. Kate Boyer and Catherine Lawrence of the Rockefeller Institute, with Miriam Wilson, describe performance management as applied to the welfare reform act President Clinton signed in 1996. Although the 1996 law contains numerous requirements to assess its results, echoing GPRA – that is, focusing on outcomes – the authors show that this is extraordinarily hard to do because the 1996 act devolved so many responsibilities to states and localities, both for making policy and for administering human services. Still, although federal oversight has been restrained, Boyer, Lawrence, and Wilson believe that state governments are in a good position to

highlight performance goals in their management of work-focused cash assistance and related human services for poor families.

David Wright tackles an even more complex intergovernmental case study in his chapter: the start-up period for the federal program establishing empowerment zones and enterprise communities, which foster neighborhood social and economic development. The effort to monitor “benchmarks” from Washington came up against the great complexity of urban programs, generally leading more to disappointment than to managerial innovation. Wright credits the U.S. Department of Housing and Urban Development for its flexible approach – having aid recipients set and monitor performance against their own benchmarks. However, he found the oversight necessary to ensure the success of these local-area benchmarks lacking.

Beryl Radin, who also deals with intergovernmental programs, focuses on what she calls “pathways that can be taken to join the federal government’s concern about performance with sensitivity to the needs of third parties.” Radin reviews six important areas of managerial activity. These include federal experience with performance partnerships in the environmental field, performance bonuses under the 1996 national welfare reform law, negotiated performance measures for maternal and children’s services, the use of performance standards in employment and training programs, the application of program standards in educational testing, and waivers that allow state and local governments to disregard certain federal requirements if they evaluate such special efforts and the efforts are “cost neutral.” Radin’s conclusion is one I agree with wholeheartedly: she urges a *disaggregation approach* to performance management. “The process of defining performance measures seems to work when it is devised in the context of specific programs, sensitive to the unique qualities surrounding those initiatives.”

I would like to add to Radin’s observations that within state governments, performance measures often work better at the functional-area and agency levels than they do at the level of the governor’s office or the central budget process. Agency-level performance measures often can be more discrete and can be more widely

and effectively used at that level than centrally in the management of states and large local governments.

State and Local Practices

Two cases in this volume highlight personal experience with efforts by state and local governments to manage for results. Robert Bradley recounts his personal experiences as budget director in Florida in establishing and administering a performance management and budgeting system. This case again reflects the book's point-counterpoint theme:

In the final analysis, the extended implementation has diffused the intellectual coherence of the initiative. ... The continuing debate over agency flexibility and control was not worked to resolution. The process of rewarding agencies was not formalized. Incentives and disincentives have not been deployed to good effect. Legislative aspirations to make performance central to allocation decisions have been largely deflected in the face of persistent technical problems.

Implementation of Performance-Based Program Budgeting (PB²) continues. Its full potential has yet to be realized.

Dennis C. Smith and William J. Bratton describe the widely cited effort in New York City to apply performance management to the police department. Here, too, the key point is that the agency that is predominantly responsible for results should be held responsible for achieving them. The record of New York City for performance management under Mayor Rudolph Giuliani in these terms is an admirable one. Giuliani applied performance management techniques in many fields, including health and welfare as well as policing.

Joseph Burke, director of the Rockefeller Institute's Higher Education Program, describes efforts by states to set measurable goals for public institutions of higher education and to reward individual institutions for fulfilling them. Burke has been a strong advocate and leading innovator in developing such approaches. Although a number of states have adopted these reforms, they tend to be small,

involving no more than 5-6 percent of state aid to campuses as a bonus for achieving performance goals.

A Possible Synthesis

Ann Blalock and Burt Barnow suggest a synthesis of approaches to performance assessment and budgeting. They call for integrating evaluation studies by academic experts — which seek to assess hard-to-measure policy outcomes — with performance management and budgetary systems:

Our recommendation is that competent evaluation research, or applied social science research, must be coordinated with or integrated within performance management systems if precise, valid, reliable information about social programs is to be made available to decisionmakers.

Blalock and Barnow point out that the evaluation movement was developed in the “crucible of academia” while the performance management movement has its roots in administrative bureaucracies. They believe, and I agree, that greater coordination between these two movements would yield important benefits:

We recommend that the major direction for the future is to coordinate evaluation research with performance management systems more fully, moving toward full integration of evaluations within performance management. Such integration will require that performance management systems treat evaluators not as aliens from outer space, who land only periodically to study and give advice, but as part of an interdisciplinary team. It will require that evaluators become more sensitized to managers’ needs, to have ongoing information for tracking outcomes, and to express the benefits of their professional roots with greater humility.



All things considered, the obstacles entailed in improving management in government can never be fully surmounted.

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However, the strong signaling of management and budget reforms like GPRA sets a tone stressing the importance of productivity and program effectiveness in government. This is a good thing. Dall Forsythe and I hope that the ideas advanced, and the experiences described in this book bring needed realism to the hard job of pursuing management reform in the dynamic, complex, and always and inherently political environment of American government.

Endnotes

- 1 U.S. Commission on Organization of the Executive Branch of the Government, *Budgeting and Accounting* (Washington, DC, 1949), 8.
- 2 Frederick C. Mosher, *Program Budgeting: Theory and Practice, with particular reference to the U.S. Department of the Army* (Chicago, Public Administration Service, 1954), 79.
- 3 Allen Schick, "The Roads to PPB: The Stages of Budget Reform," *Public Administration Review* 26 (December 1966): 252-253.
- 4 U.S. General Accounting Office, *Performance Budgeting: Past Initiatives Offer Insights for GPRA Implementation*, GAO/AIMD-97-46 (Washington, DC, March 1997), 33.
- 5 The Budget Bureau was established by the Budget Accounting Act of 1921 as a formal budgeting mechanism to be controlled by the executive branch.
- 6 U.S. Bureau of Budget Bulletin No. 68-9, April 12, 1968, in *Government Budgeting: Theory, Process, Politics*, Albert C. Hyde and Jay M. Shafritz, eds. (Oak Park, Moore, 1978), 129-130.
- 7 Aaron Wildavsky, *Budgeting: A Comparative Theory of the Budgetary Processes* (Boston, Little Brown, 1975).