Appendix A

Using Information on Agencies' Performance in Evaluating Budget Options

The Government Performance and Results Act of 1993 (GPRA) seeks to make government more accountable and to improve the way federal agencies manage their programs and carry out their activities. Primarily, the act requires agencies to plan more effectively and to disclose more information about program performance. In 2000, as the law directed, federal agencies issued their first performance reports.

GPRA states that one intended use of such material is to improve decisionmaking about agencies' funding.[1] With that goal in mind, the Congressional Budget Office (CBO) reviewed GPRA reports for information that could help it analyze the various spending options in this volume and possible new options. But CBO analysts found little in the reports to guide the Congress in making choices about spending. That result is not entirely surprising in light of the enormous difficulty of measuring, monitoring, and evaluating how well federal agencies and programs perform. Nevertheless, the law requires agencies to produce data that focus on results, and agencies are working to improve the way they measure and assess the effects of their activities. Future reports are likely to contain more information that would be useful in budgeting exercises such as CBO's.

1. GPRA also requires the Office of Management and Budget to select five agencies and consider how their performance and budgeting might be more closely linked.

The Government Performance and Results Act

Setting goals and measuring performance can focus an agency's efforts, motivate its employees and managers, offer a basis for holding its employees accountable for how the agency performs, help coordinate activities among its different parts, and signal weaknesses in its operations. To achieve those ends, GPRA requires managers to establish goals and objectives for an agency's programs and prepare strategic plans for achieving them. It also directs managers to develop annual performance plans that describe how they will measure whether the agency has met its chosen goals and follow-up reports that review the agency's successes and failures. Of the goals and measures of performance used, some must tie directly to results—they must link what agencies do with the intended and measurable effects those actions have on people's lives.

GPRA is the most recent in a series of large-scale reforms attempting to improve the management of federal agencies. Most of those previous efforts, such as zero-based budgeting, management by objectives, and the program-planning-budgeting system, are now generally considered failures. In contrast to earlier reforms, however, GPRA is not exclusively an initiative within the executive branch but has extensively involved the Congress. It is unique because it focuses on results and carries the force of law. Given its legal foundation, GPRA may prove unique in its longevity as well, in comparison with past efforts to improve agencies' management.

Using Information from GPRA Reports in Budgeting

In the reports agencies prepared in response to GPRA, CBO found a range of information that could contribute to budgeting. Most of the data reported levels of agencies' activity or how well activities were performed. For example, an agency responsible for public health reported on both the number of outbreaks of certain illnesses that it investigated and the number of times it successfully identified the cause of the outbreak. That kind of information can aid budgeting by indicating levels of effort and by reassuring the Congress that agencies are using resources as it intended.

Many of the agencies' reports also focused on results, as the law requires. Good information on results helps budgeting by showing what works and what does not and allows decisionmakers to direct resources toward the most productive and most effective uses. By shedding light on the effects of federal activities, good information also clarifies the likely consequences of increasing or deceasing spending.

To be most useful for decisions about the budget, including decisions about the options in this volume, information on results must link an agency's actions to those outcomes. But in many cases, results have multiple causes, some of which may be unrelated to the activities of federal programs. (For example, reductions in crime may have as much to do with demographic changes and the strength of the economy as with the efforts of a federal crime-prevention program.) Information on results is difficult to use in weighing budgetary options without some indication of how the agency's efforts contributed to those outcomes.

Thus, even in instances in which GPRA reports included information on results, that information was of limited use to CBO because it did not clearly connect the agency's activities to those outcomes. A law enforcement agency, for example, adopted the goal of reducing the demand for drugs—clearly a results-oriented objective. But the agency offered no evidence of how (or even if) such activities as disseminating information on prevention programs would help it achieve that goal. Another agency, which had set a goal of increasing the number of minority-owned businesses, did not distinguish its contribution from other significant factors, including greater availability of investment capital from nonfederal sources.

Isolating and identifying what a federal program contributes to particular outcomes is no small challenge. For some activities, the task may be impossible; for others, rough inferences about cause and effect may be all that can be done. Without such links, however, information about performance has limited uses. Worse, when agencies claim credit for all improvements, they misinform decisionmakers and undermine the credibility of their reports.

In analyzing budget options, CBO could have used information about which programs and policies failed as well as which succeeded. But agencies apparently, if understandably, were reluctant to report on and analyze efforts for which they could not claim success. In some cases, they appeared to define goals and select measures of performance that guaranteed success or disguised failure. (One agency, for example, defined goals as met if it accomplished the majority or the most important of the tasks associated with each objective.) In fact, an effort that fails or that achieves only some of its goals can produce valuable information about cause and effect and can suggest potentially fruitful modifications to policy. But it can do so only if the agency openly reports its performance on all desired outcomes.

Discussing the reviews of two programs in more detail illustrates the difficulties CBO had in trying to find information on performance in the GPRA reports that would be useful in budgeting. Material from the reports on the Department of Education's (ED's) new Class-Size Reduction Program and the Department of Transportation's (DOT's) Intelligent Transportation Systems program is similar to the information in many of the reports that CBO considered: it lacked the direct link to results that would have helped analysts and lawmakers to assess budgetary alternatives.

Class-Size Reduction

The Class-Size Reduction Program provides grants to localities to improve students' performance by reducing the size of classes in the lower grades and by enhancing the quality of teaching. States received their first grants in 2000; program funding for that year totaled $1.3 billion.

The initiative has been the focus of a continuing debate, in large part centering on how class size affects learning.[2] Proponents argue that smaller classes improve students' performance. Opponents question that effect and argue that other strategies, such as one-on-one tutoring, not only help students perform better but operate at a fraction of the cost of the Class-Size Reduction Program. Other research points to the importance of such factors as parents' involvement in their children's education in determining how well students do in school.

Because the class-size program is new, the section in ED's report covering its performance in 1999 contained little of the information that CBO was looking for to help it evaluate budget options about reducing class sizes. The report indicated that the agency had already begun to examine how smaller classes affect performance in selected localities. But whether (or how) future reports would link programs to results was unclear.

Future reports would be most helpful if they could:

- Establish clear links between the program and any changes in how well students performed;
- Compare the program's effects with those of alternative programs;
- Distinguish teachers who were hired directly as a result of the program from those who would have been hired anyway with state and local funds; and
- Assess to what extent school districts retained teachers who were added as a result of the program.

2. Option 500-03 in this volume would eliminate the grant program. Chapter 2 discusses class-size reduction in some detail.

Intelligent Transportation Systems

Intelligent transportation systems (ITS) use new communications and information technology to reduce traffic congestion and improve safety. Examples of such systems include electronic toll collection, which enables users of toll roads to pay without stopping, and coordinated traffic-signal systems, which can improve the flow of traffic. Advocates of ITS argue that it offers a cost-effective alternative to constructing more highways. Opponents question the effectiveness of many ITS approaches.

The Clinton Administration's budget for 2001 requested $338 million for the federal ITS program, which provides funding to study and deploy such systems. That amount is more than $100 million higher than the 2000 level; the additional funds are intended to expand use of ITS in rural areas and in commercial trucking. Chapter 3 of this volume discusses added funding for ITS and other transportation programs.

Information on whether the federal ITS program has helped ease congestion and improve safety would have been useful in weighing increased spending for ITS. Instead, the applicable section of DOT's performance report focused on integrating federal ITS efforts with those of state and local governments. Scattered references in the report's appendixes mentioned reductions in accidents attributable to ITS, but the report did not document those results and did not connect federal funding with reduced travel times or increased safety.

Difficulties in Measuring the Performance of Federal Activities

Agencies face substantial challenges in setting goals and measuring their performance. To begin with, agreeing on a program's goals and objectives, as

GPRA requires, may be difficult. In addition, decisionmakers seldom agree about how to rank those goals. The Food Stamp program is one example. For some agency officials and some Members of Congress, the program's primary objective is to provide food and nutrition to the nation's poor. For others, its principal aim is to increase the demand for, and help stabilize the prices of, agricultural products. Policymakers may also disagree about whether programs should be concerned primarily with cost or with the level of service they provide. The inability to agree on a program's priorities makes it difficult to evaluate performance.

A further challenge to goal setting and measurement is that federal programs vary widely, and thus the hurdles agencies face in those tasks also vary in type and difficulty. Grant programs present special problems because the funded activity is only partly under federal control. For example, Medicaid allows the states some flexibility in determining what services to provide and who will be eligible for them. Similarly, the Temporary Assistance for Needy Families program waives federal rules for some states to increase their flexibility in administering their programs.

Yet even with agreement on goals and objectives, obstacles remain in measuring how well (or if) agencies achieve them.[3] As previously described, devising the measures that would be most helpful in budgeting—those that capture results—is particularly challenging. Agencies must also find the resources to evaluate their activities, a fundamental part of preparing good performance reports. Producing information that can be widely applied in budgeting for and managing agencies' activities may take more time.

Finally, agencies face incentives that discourage them from fully and openly disclosing how well or how poorly they perform. Federal employees and managers may prefer to report only favorable results if they fear that doing otherwise would bring budget cuts or other undesired consequences. Further, agencies may report in a way that accommodates the interests of some decisionmakers who prefer to receive only information that supports a particular position on policy.

GPRA is the law, however, and some agencies have already made substantial progress in overcoming the difficulties inherent in setting goals and objectives and developing measures of their performance. Many of the limitations CBO found in current GPRA reports may simply arise from a lack of time and experience in meeting the challenges that the law presents. Planning under way at several agencies suggests that reporting can be expected to improve over the long term.

3. For a further discussion of hindrances to using and developing performance measures, see Congressional Budget Office, *Using Performance Measures in the Federal Budget Process,* CBO Paper (July 1993).