



# Performance-Informed Budgeting in the U.S. National Government: An Evolutionary Approach and a Work in Progress



Philip G. Joyce

*The United States, at the national level of government, has been trying to identify stronger links between performance and funding for at least 50 years. The most recent two presidents had fundamentally different approaches to performance-based reforms. The administration of George W. Bush embraced a top-down, comprehensive approach to performance, embodied by the President's Management Agenda and the Program Assessment Rating Tool (PART). The Obama administration has delegated more of the agenda to the agencies and has abandoned the PART in favor of a more in-depth, targeted approach to evaluation. Continuing challenges in the United States include creating incentives for focusing on the long term rather than the short term, making expanded use of performance information for budget decision making, and simultaneously focusing on performance improvement and reducing unsustainable budget deficits.*

For at least 50 years, the United States has been attempting to establish stronger links between indicators of program success or failure and funding. Particularly since 1993, when new legislation set the stage for the development of more performance measures, and throughout the Clinton, Bush and Obama administrations, the United States has been emphasizing the production and use of performance information in the budget process. Program evaluation also has a long history in the country, starting in the 1960s and continuing to the present. George W. Bush's administration (hereafter the Bush administration) emphasized comprehensiveness in performance measurement and program evaluation. The Obama administration, on the other hand, has preferred that agencies develop a smaller number of key performance measures, and that program evaluations be more in-depth and targeted.

As is true for most countries, the budget process in the United States has many stages: the

preparation of the budget by departments and agencies, culminating in the president's budget; approval of the budget by the Congress; budget execution as programs and policies are implemented; and audit and evaluation after implementation. Performance information can be produced and used at any of these stages of the budget process. Thus, *performance-informed budgeting* occurs when performance information is present and used when budget decisions are made and evaluated.

This context is important to understanding progress that has been made in the United States, since most analyses that have been conducted on efforts to link performance information and the budget process have reached a similar conclusion. The practice of performance-informed budgeting, these analyses argue, is much more evident in budget execution—that is, in the management of resources—than in the allocation of resources. The continuing challenge is in increasing the use of performance data to inform governmentwide

budgetary choices. The odds of success in expanding the use of performance data will depend on the ability of reformers to develop appropriate incentives to encourage powerful budget actors to move away from the status quo and to embrace a more results-focused approach for the budget process.

This research note highlights:

- The peculiar political and procedural environment that budget reform needs to navigate in the United States;
- The historical development of performance budgeting in the 20th century, culminating in the passage and implementation of 1993 Government Performance and Results Act (GPRA);
- Experience since 2000, particularly with initiatives (the President's Management Agenda [PMA] and the PART) in the Bush administration and developments in the Obama administration, including the passage of the GPRA Modernization Act in 2010; and
- Observations concerning the challenges that the United States continues to face in its efforts to establish a more performance-focused culture for its budget process.

## **The Political and Procedural Context for Performance-Informed Budgeting in the United States**

The United States has a federal system of government. There is one national government, 50 state governments, and almost 90,000 local governments. The governmental system is one of "shared sovereignty," where the states, under the U.S. Constitution, have independent taxing and spending authority. The local governments are "creatures of the state": their powers to tax and spend are provided by state constitutions (Lee, Johnson, and Joyce forthcoming). There are a wide variety of performance measurement and budgeting practices in states and localities. Some are quite sophisticated, while others are not. State performance-budgeting practices in the United States were quite ably outlined in a previous note in this series (Moynihan 2012). This note addresses only the national level, although there are many sectors (education, health, environment, transport) where decisions made at the national level have significant implications at the state and local level.

The national level of government is characterized by three equal branches of government—the executive branch (headed by the president and made up of agencies reporting directly to the president), the Congress (made up of two bodies—the House of Representatives and the Senate) and the judicial branch, which includes the U.S. Supreme Court and the lesser federal courts. There are 435 members of the House of Representatives, and their positions (seats) are up for election every two years—seats are apportioned to states based on population. There are 100 senators, two from each of the 50 states. Under the U.S. Constitution, Congress makes the laws (with the approval of the president), the president executes the laws, and the judiciary interprets the laws (Lowi and Ginsburg 2006). In this fragmented system, divided government has been the norm. There are only two significant political parties—the Republicans and the Democrats—and in only 12 of the 42 years between 1970 and 2012 has the same political party controlled the presidency and both houses of Congress.

The federal fiscal year runs from October 1 to September 30. Federal spending for fiscal year (FY) 2012, which ends September 30, 2012, is approximately \$3.6 trillion (24 percent of GDP). This spending is broadly divided into mandatory spending, which consists mainly of legal entitlements that do not need annual legislative approval (60 percent of the budget) and discretionary (appropriated) spending, which represents the remaining 40 percent (Congressional Budget Office 2012a). The annual budget process starts with the president proposing a budget by the first Monday in February, which includes recommendations on taxing and spending (Schick 2008). This budget results from an executive branch process in which federal agencies request funding to be included in the president's proposed budget. This process of executive branch review normally takes from six to nine months and is managed by the Office of Management and Budget (OMB), which reports directly to the president. Congress is not bound in any way by the president's recommendations. Once the president's budget reaches Congress, Congress has from that point until the end of September to complete its work on the budget. Congressional action is largely divided into three areas:

- Passage of a budget resolution, which provides the broad framework, including levels

of revenue and spending for the coming fiscal year and several future fiscal years. This resolution, because it is establishing rules for congressional action, does not have to be signed by the president.

- Passage of 12 appropriation bills that finance the discretionary portion of the budget.
- Passage of bills affecting revenues and mandatory spending, only if changes to the status quo are anticipated.

The budget process is fragmented and highly partisan. The end result is that budget reforms that are embraced by the executive branch frequently face tepid or hostile reactions from Congress, particularly when the legislature fears that its budgetary prerogatives are being threatened. The United States currently has a large and growing debt. At the end of FY2012, the debt held by the public is projected to exceed \$10 trillion, or almost 68 percent of GDP (Congressional Budget Office 2012b). All budgetary debates for the foreseeable future will be conducted with that federal debt—and questions concerning how to deal with it—in the background. The United States also has a chronic problem in meeting budget deadlines; only three times since 1977 have all appropriation bills become law prior to the start of the fiscal year. The budget resolution has also failed to be enacted for 5 of the last 10 fiscal years, including the past two (FY2012 and FY2013).

## **Budget Reform, 1900–2000**

Budget reform in the United States has a long history. Early efforts, which began in state and local governments in the late 1800s, were largely focused on attempting to reduce corruption by introducing budget controls. Practically speaking, this involved the establishment of line item budgets and the development of laws aimed at limiting spending, as well as a focus on preaudits and postaudits of spending. At the federal level, the highlight of these efforts was the passage of the Budget and Accounting Act of 1921, which introduced the requirement of a presidential budget proposal and established the president's budget office (now the OMB). While these efforts were successful in establishing more budget controls, they did not attempt to have the budget process focus on what was being purchased with the funds allocated to those line items.

In fact, writing almost 50 years ago, Allen Schick (1966) characterized budget reform in the United States as divided into three distinct phases tied to three functions of budgeting—control, management, and planning. After the control-oriented reforms of the early part of the 1900s came the first recorded attempts to bring program performance into the budget process with the creation of so-called “performance budgeting” in the 1950s. This management-focused reform attempted to connect spending to the outputs purchased, but not to the outcomes that resulted. Next, the 1960s brought the advent of the planning-programming-budgeting system (PPBS), the goal of which was to bring a results focus into the budget process. The PPBS, which got its start in the Defense Department, could not be successfully applied to domestic agencies. Following the implementation (and withdrawal) of the PPBS, other reform efforts continued through the 1970s, including management by objectives, which was advocated by the Nixon administration, and zero-base budgeting, which was the preferred reform of the Carter administration (Harkin 1982).

The 1980s saw little in terms of performance reforms, but an important milestone of the 1990s was the passage of the Government Performance and Results Act (GPRA) in 1993. GPRA differed from past reforms in one important respect—it was a law, rather than simply a presidential initiative. It required agencies to:

- Develop strategic plans outlining long-term goals and describing results expected to be achieved;
- Publish performance plans, consistent with strategic plans, that would specify both performance indicators and performance targets, consistent with planned goals; and
- Report on performance annually, specifically by providing data on actual performance relative to the goals and measures established in the strategic and performance plans.

While GPRA's ultimate stated goal was the use of performance data in the budget process, its main legacy, starting during the Clinton administration through to the present, was an increase in the supply of performance information. The Clinton administration also pursued a separate reform agenda embodied by the National Performance Review (later the National Partnership for Rein-

venting Government), which was spearheaded by Vice President Al Gore (Joyce 2003).

## The Bush and Obama Administrations' Approaches to Performance-Informed Budgeting

When the George W. Bush administration took office in early 2001, it argued that GPRA had largely failed to change budget decision making, and it articulated its own set of management priorities embodied in the *President's Management Agenda* (PMA), which was published in September of 2001 (OMB 2001). This agenda included five governmentwide management reforms:

- *Strategic investment in human capital*, which was designed to focus on preparing federal agencies for the necessary task of replacing retiring federal workers;
- *Competitive sourcing*, which was proposed to expand the use of contracting in government;
- *Improved financial performance*, which focused primarily on improving financial management, mainly indicated by improved audit results;
- *E-government*, which attempted to follow international trends in improving service delivery through the use of technological resources; and
- *Budget and performance integration*, designed to continue to improve performance information while also allocating and managing resources to achieve results.

For each of these five management areas, the Bush administration graded 26 agencies using a scorecard administered by OMB. Each quarter,

agencies were evaluated according to a set of established criteria on each of these five dimensions using a “traffic light” system, where “green” meant that agencies complied with all of the criteria, and “yellow” or “red” implied a progressively worse level of performance.

In a post mortem, the Bush administration argued that this system was highly successful judging by changes in traffic light scores from the beginning to the end of the administration, as indicated in table 1 (Joyce 2011). The table indicates that, while in the baseline evaluation in 2001 only one agency received a “green” in any management area (National Science Foundation’s financial performance), the number of greens increased to 72 by 2008. Some agencies apparently made particularly dramatic improvements. The State Department, for example, which was scored as “red” in each of the five categories in 2001, improved to “green” in every one by 2008. In addition, there were three other departments who were all “green” in 2008—the Environmental Protection Agency, the Department of Labor, and the Social Security Administration. There are some reasons to question whether progress was quite this dramatic; agencies may have learned to game the systems somewhat, and scores were subjective, with no replicable methodology for arriving at the score. Some of the standards also evolved a bit from beginning to end; it was arguably easier to “get to green” in some cases at the end than it had been at the beginning because the standards had been relaxed.

The second significant reform initiative of the Bush administration was the creation of the PART, first unveiled for use in the FY2004 budget process. The PART took the “program” as the unit

**Table 1. Comparison of 2001 and 2008 Scores under the President's Management Agenda during the Administration of George W. Bush**

Management area	2001 Distribution			2008 Distribution			Increase in “green” scores
	Green	Yellow	Red	Green	Yellow	Red	
Human capital	0	3	23	14	11	1	+14
Competitive sourcing <sup>a</sup>	0	0	26	12	13	1	+12
Financial performance	1	4	21	16	4	6	+15
E-government	0	9	17	11	9	6	+11
Budget and performance integration <sup>b</sup>	0	3	23	19	7	0	+19
<b>Total scores</b>	<b>1</b>	<b>19</b>	<b>110</b>	<b>72</b>	<b>44</b>	<b>14</b>	<b>+71</b>

Source: This table is reprinted from Joyce 2011.

a. This was called “commercial services management” in 2008.

b. This was called “performance improvement” in 2008.

of analysis, and evaluated these programs (there were approximately 1,000 identified) through the use of a questionnaire that requested information from agencies on characteristics of their programs (Mark and Pfeiffer 2011). The PART score for each program was weighted based on responses to these 25 to 30 questions, which covered:

- *Program purpose and design*—are they clear and defensible? (20 percent)
- *Strategic planning*—does the agency set valid annual and long-term goals? (10 percent)
- *Program management*—does the agency exercise sound financial management and engage in program improvement efforts? (20 percent)
- *Program results*—does the program deliver results based on its goals? (50 percent)

Agencies filled out the questionnaire, with their answers reviewed (approved) by OMB. The program was eventually “scored” as falling within one of five categories: effective (85–100), moderately effective (70–84), adequate (50–69), ineffective (0–49), and results not demonstrated (if a program lacks adequate measures, it falls into this category regardless of its score; Gilmour 2006). Approximately one-fifth of the 1,000 programs were scored each year over the first five years that the PART was in effect. The specific goal of the PART was to evaluate *every* program; thus the Bush administration sacrificed evaluation depth to gain a comprehensive view of all programs.

As with the PMA, the Bush administration had its own evaluation of the PART, which put the reform in a positive light. Specifically, while the percentage of ineffective programs stayed roughly the same (at 3 to 5 percent) over the seven years of the PART, there was a substantial increase in the percentage of programs rated effective or moderately effective between 2002 and 2008. In 2002, 30 percent of programs were rated effective or moderately effective; in 2008, that figure was 51 percent. Perhaps as significantly, the results not demonstrated category decreased by two-thirds, from 50 percent in 2002 to 17 percent in 2008 (Bush Administration 2008).

External evaluations of the PART have been more mixed. Among the more significant conclusions:

- The PART’s highly decentralized approach (with the “program” as the unit of analysis) encouraged a “stove-piped” view of government management, which discouraged

attention to cross-cutting approaches to government performance, where more than one program, or more than one agency, contributes to the achievement of results (GAO 2004, 2005). It was a departure from GPRA, which focused at the agency or department level.

- While arguably there was some evidence of use of PART data for decision making in the executive branch (particularly during development of the president’s budget), it got an apathetic or sometimes hostile response from Congress. Reformers found it difficult to produce data that could be used to improve programs and to inform resource allocation (GAO 2004, 2005).
- The PART did not adequately account for the differences among different types of programs, and in particular, assumed that programs had measureable outputs and outcomes. This puts programs conducive to quantitative measurement in an advantageous position (Gueorguieva et al. 2009).
- The PART created a lot of work for both federal agencies and OMB. In fact, even though some agencies viewed the PART as a creation of OMB, many OMB budget examiners were not really sorry to see it go and questioned whether the benefits were really worth all of the effort (Redburn and Newcomer 2008).

President Obama took office in January of 2009 at one of the most challenging times in U.S. history. The Obama performance agenda has focused on at least four separate initiatives over the first year and a half: (i) evaluating the effects of economic stimulus, (ii) reducing the deficit, (iii) pursuing targeted performance goals, and (iv) conducting targeted program evaluations.

The American Recovery and Reinvestment Act (ARRA, or “stimulus bill”) was passed in early 2009. The most recent estimate of the total cost of ARRA puts the figure at approximately \$831 billion in tax reductions and spending cuts designed to stimulate the economy (CBO 2012a). The main goal of the ARRA is to employ individuals who otherwise might be unemployed because of the recession. The Obama administration is focused, therefore, on counting the number of jobs “saved or created” and has developed a detailed methodology for tracking both spending and jobs.

Second, because the federal budget deficit has exceeded \$1 trillion for each of the last three fiscal

years—2009, 2010, and 2011 (prior to 2009, it had never reached even \$500 billion)—the Obama administration has a stated goal of reducing this budget deficit in the medium term, as part of a longer-term effort to return deficits to their 40-year historical average of 3 percent of GDP. As part of a demonstration of the administration's desire to cut back on spending, it has identified programs in its budgets, including the most recent one for FY2013, that it believes should have funding reduced or eliminated because of inadequate performance. In the context of the overall budget, these proposals are relatively modest, adding up to less than 1 percent of total federal spending.

Third, federal agencies were instructed to establish a small number of “high priority performance goals,” reversing the Bush administration’s “top-down” approach to agency performance to an approach where agencies are driving more of the specific agenda for performance. The original emphasis was on goals that could be accomplished over 12 to 24 months. The approach started with the identification of a small number of performance goals for each agency. In the FY2011 budget, those goals were identified, measures were established, and targets were set. Table 2 shows examples of these goals, measures, and targets for five agencies: the Department of Education, the Department of Homeland Security, the Department of Veterans Affairs, the National Science Foundation, and the Social Security Administration (Joyce 2011). After review, it is clear that the vast majority of these goals are specific and measurable. Some of the goals are more ambiguous (for example, what is a school “system with rigorous processes for determining teacher effectiveness”?) than others (it is presumably easy for the Social Security Administration to track progress toward a goal of achieving “an average speed of answer of 264 seconds by the national 800-number”).

Finally, a significant commitment in time and resources has been devoted to program evaluation, in part to assist with the identification of what works and what does not. The Obama administration argues that as important as performance goals and performance measures can be, performance information “can answer only so many questions. More sophisticated evaluation methods are required to answer fundamental questions about the social, economic, or environmental impact

of programs and practices, isolating the effect of Government action from other possible influencing factors” (OMB 2010, 90–92).

The other potentially significant development during the Obama administration was the passage of the GPRA Modernization Act, which was signed into law by the president in 2010. The update of GPRA was heavily informed by evaluations conducted since 2004 by the Government Accountability Office (GAO), and the update intended to use agencies’ experiences under the act to improve its effectiveness. Specifically, the new law creates a clearer link between strategic plans, programs, and performance information. It requires quarterly performance reporting rather than the annual reporting that had been the norm under the original GPRA. The intent of the law is to increase program managers’ use of performance information during decision making. It validates, legislatively, what had become a performance management infrastructure that includes chief operating officers, program improvement officers, a governmentwide performance improvement council, and a governmentwide performance Web site, [www.performance.gov](http://www.performance.gov). The law will be implemented over a number of years, and Congressional buy-in will still be necessary to remove significant barriers—in legislation and in practice—to program performance (Kamensky 2011).

## Key Issues and Challenges

What to make of all of this activity? It is unquestionably true that the past 20 years have seen the most sustained attention to performance than any period in U.S. history. This is manifested in the enactment of two separate laws and three successive presidential administrations that have made performance measurement efforts central to their management agendas. The U.S. political system, because of its fragmented nature, is resistant to systematic, sustained approaches to performance. Instead, the tendency is for each new presidential administration to put its own stamp on the performance agenda. Thus, the performance approach of the United States is more appropriately described, as is policy making in general, as “evolutionary” rather than “revolutionary.” That is, there is no single watershed event that created a new “performance era,” but rather progress occurs as a series of small steps, many of which have different names and requirements.

**Table 2. Examples of High-Priority Performance Goals in President Obama's FY11 Proposed Budget**

Department or agency	Performance goal	Performance target
Department of Education	<ul style="list-style-type: none"> <li>Evidence-based policy: Implementation of a comprehensive approach to using evidence to inform the Department's policies and major initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Increase by 2/3 the number of Department discretionary programs that use evaluation, performance measures and other program data for continuous improvement</li> </ul>
	<ul style="list-style-type: none"> <li>Improve the quality of teaching and learning</li> </ul>	<ul style="list-style-type: none"> <li>Increasing by 200,000 the number of teachers for low income and minority students who are being recruited or retained to teach in hard-to-staff subjects and schools in systems with rigorous processes for determining teacher effectiveness.</li> </ul>
Department of Homeland Security	<ul style="list-style-type: none"> <li>Countering terrorism and enhancing security</li> </ul>	<ul style="list-style-type: none"> <li>Wait times for aviation passengers (Target: Less than 20 minutes by 2012).</li> </ul>
	<ul style="list-style-type: none"> <li>Improve the efficiency of the process to detain and remove illegal immigrants from the United States</li> </ul>	<ul style="list-style-type: none"> <li>Decrease the number of days spent in custody by criminal aliens before they are removed from the United States from 43 to 41 days in 2010.</li> </ul>
Department of Veterans Affairs	<ul style="list-style-type: none"> <li>Eliminate veterans homelessness</li> </ul>	<ul style="list-style-type: none"> <li>In conjunction with HUD, reduce the homeless veteran population to 59,000 by June 2012 on the way to eliminating veteran homelessness</li> </ul>
	<ul style="list-style-type: none"> <li>Improve the quality, access, and value of mental health care provided to veterans by December 2011</li> </ul>	<ul style="list-style-type: none"> <li>By the end of 2011, 97 percent of eligible patients will be screened at required intervals for post-traumatic stress disorder.</li> </ul>
National Science Foundation [NSF]	<p>Improve the education and training of a Science, Technology, Engineering, and Mathematics (STEM) workforce through evidence-based approaches that includes collection and analysis of performance data, program evaluation and other research.</p>	<ul style="list-style-type: none"> <li>By the end of 2011, at least six major NSF STEM workforce development programs at the graduate/postdoctoral level have evaluation and assessment systems providing findings leading to program re-design or consolidation for more strategic impact in developing STEM workforce problem solvers, entrepreneurs, or innovators.</li> </ul>
Social Security Administration [SSA]	<ul style="list-style-type: none"> <li>Increase the number of online applications</li> </ul>	<ul style="list-style-type: none"> <li>By 2012, achieve an online filing rate of 50 percent for retirement applications. Achieve 44 percentage of total retirement claims filed online in 2011.</li> </ul>
	<ul style="list-style-type: none"> <li>Improve SSA's customers' service experience on the telephone, in field offices, and online</li> </ul>	<ul style="list-style-type: none"> <li>Achieve an average speed of answer of 264 seconds by the national 800-number.</li> </ul>

Source: OMB (2010), reprinted from Joyce (2011).

This evolutionary approach has led some to view each reform as a failure when it is invariably replaced by a new reform—with a new name—by a subsequent administration. This seems an overly harsh conclusion. Analyses have frequently not been conducted at enough distance (in terms of time or perspective) from the “reform” to permit a real evaluation of effects. Viewed through the lens of history, these reforms can be seen as part

of a general upward trend in attention to performance concerns throughout the entire 20<sup>th</sup> century—each reform developed capacity and made it more likely that future reforms would be implemented. It is fair to say, for example, that the reform efforts of the Bush administration, while reflecting its own specific approach and values, were built on the foundation that preceded it, particularly GPRA. By the same token, even

though the Obama administration jettisoned the Bush performance initiatives, the Obama reform built on experience with those reforms. There are sometimes significant ideologically differences between administrations, however. Most recently, this was reflected in the Bush administration's embracing of private sector practices, an approach that was deemphasized by both the Clinton and Obama administrations.

While many specific observations can be made about the experience of the U.S. federal government with performance management, in the interest of space, this note focuses on eight conclusions:

- (i) *The fragmented nature of the U.S. political system has encouraged a fragmented approach to performance.* The most important budgetary decisions, on an annual basis, are those made in the appropriations process. This process, however, involves the consideration of many different pieces of legislation, with no requirements for any systematic consideration of performance. The various executive branch performance reforms do not require any specific response by Congress. The two versions of the GPRA were championed by congressional committees with no significant role in the budget process. While each of these laws amended the Budget and Accounting Act of 1921 (relating to the president's budget proposal), neither had any significant effect on congressional budgeting. In fact, the Congressional Budget and Impoundment Control Act of 1974, which creates the framework for congressional budgeting, is largely silent on matters of performance. There have also been very limited efforts to bring accrual concepts, as opposed to financial reporting, into budgeting.
- (ii) *Twenty years of sustained attention to performance has not encouraged Congress to systematically use performance data.* The separation of powers between the legislative and executive branches in the United States—and the fragmented political structure—is also reflected in its approach to performance-informed budgeting. Congress has paid very little attention to performance when making budget decisions, instead expressing open hostility

at times (this was particularly true for the PART). This has occurred despite the legislative underpinning of GPRA; there is, in fact, very little knowledge of the law or the successor Modernization Act in Congress. It is very difficult for decision makers in Congress, who have a vested interest in the status quo, to accept such reforms as legitimate. Further, no broad consensus exists on how to measure performance and use that information for budgeting. Part of this is certainly influenced by the fact that performance data have not been reported by the executive branch to Congress in a way that members of Congress or congressional staff find useful. Long, detailed performance reports are much more likely to collect dust on congressional shelves than to be used to inform decision making.

- (iii) *Despite the lack of congressional attention, substantial progress has been made at the agency level, particularly in the production of performance data, but also in the use of these data for management.* The most systematic evidence of performance information use is by executive branch agencies to manage resources once they have been received from Congress (Joyce 2003). Even a cursory review of agency reports accessible from [www.performance.gov](http://www.performance.gov) (the Web site created by the Obama administration for performance reporting) uncovers a great many high-quality measures and suggests substantial improvement in the identification of appropriate performance measures from what was present when GPRA was first enacted in 1993. Further, studies by GAO and others have found a great deal of evidence that agencies are using performance data to make internal resource management decisions, including, but not limited to, decisions concerning the allocation of government grants.
- (iv) *Even within the executive branch, the United States has yet to resolve whether it is more useful to take a top-down or bottom-up approach to performance budget reform.* The Bush administration's PMA and the PART were decidedly more top down than the approach of the Obama administration, which has embraced a more agency-centered approach to goal setting in performance



measurement. This is a bit more reminiscent of the Clinton administration's National Performance Review (Redburn and Newcomer 2008). It is an open question, however, whether the administration will be able to sustain its process, and whether it will be clearly superior to a more top-down approach. There are a couple of potential pitfalls. First, while the workload associated with the PART caused the rank and file at OMB to shed no tears over its demise, there is some question as to how much OMB will *actually* let the agencies drive the agenda. It is a simple fact that OMB is the only entity within the executive branch with the capacity to manage a governmentwide process. Further, for all of its advantages in terms of getting potential buy-in from agencies, the Obama approach may actually put less pressure on the agencies to perform unless OMB imposes its will (at which point, of course, it starts to look like a top-down process).

- (v) *In U.S. performance-informed budgeting, there continues to be a focus on short-term and quantitative measurement.* The Obama administration sent a couple of clear signals suggesting that delivering results sooner is superior to policies that take longer to deliver. This was clearly the imperative in the evaluation of stimulus funds, where short-term job creation was the priority—an understandable focus, as this is part and parcel of economic stimulus. The high-priority performance goals are also focused fairly explicitly on the short term. This potentially creates a problem for research and development agencies, or others who are pursuing results (such as health outcomes) where the payoff may come later. It is worth asking whether the administration has simply been encouraging agencies to pursue policies that can demonstrate results in time to catalogue them to support the president's reelection. Further, strong preference continues to be expressed for priorities with results that can be measured quantitatively. There are a great many programs where the quest for quantitative measurement may miss the main point of the program. In particular, such an emphasis may create a tendency to-

ward performance monitoring rather than evaluation, which normally has a longer-term focus. Further, programs without quantitative measures may find themselves at a disadvantage in the budget process.

- (vi) *The Obama administration has made transparency a major emphasis, but it remains to be seen how many advances will in fact be made.* The transparency of PART, where all results could be viewed on the OMB Web site, was a surprising development to long-time observers of OMB. There was substantial analysis of PART results by academics and other outsiders, largely because they were easily accessible. The PMA was less criticized, not because it was inherently better, but because no one outside of the Bush administration had any idea how a given agency got to be green, yellow, or red. The transparency of the Obama effort has to be called into question, since readers of the FY2012 and FY2013 budgets cannot find any actual performance information to date related to the high-priority performance goals. If progress on a set of 12-to-24 month performance goals cannot be disclosed to anyone outside the administration one to two years after they were first unveiled, this is not a positive development for transparency and accountability. While it is true that a lot of information is potentially accessible through [www.performance.gov](http://www.performance.gov), this is more of a "data dump" than a transparency initiative; it is hard to imagine a citizen being able to find useful data if he or she did not already know where (that is, in which agency publication) to find it.

- (vii) *Thus far, the U.S. approach is probably best characterized as "supply focused" rather than "demand driven."* Both the two versions of GPRA and the various presidential initiatives, while extolling the benefits of the *use* of performance information, have been mostly focused on technocratic concerns—the production of that information. Implicitly, the argument has been that supply will promote demand. There has been very little attention paid to creating the incentives that would promote the use of information for budgeting. Arguably, both the PART and the PMA in the Bush

administration did create some incentives because agency or program “scores” were influenced by evidence of use. This was largely focused on budget execution; no systematic incentives were created for budget preparation and approval.

- (viii) *The performance agenda must coexist with the pressures to reduce spending and the deficit.* Increasingly, performance measures and evaluation will be used to identify possible areas of reduction. This could bring about the second coming of the debate that defined early Clinton administration discussions concerning the recommendations of the National Performance Review—were they intended to identify places to cut the budget or to create more effective management of programs? The quandary is as follows—if agencies believe that the purpose of the performance agenda is to help them manage more effectively, they will be more likely to be supportive of the program than if they believe it is just a tool to be used to justify cutting budgets. A shift from a management to budget-cutting emphasis can already be seen between the FY2011 and later (FY2012 and FY2013) budgets. In the latter, the administration acknowledges that it proposed reducing or eliminating some programs that it supports in the interest of deficit reduction. If this emphasis continues, it will create the real possibility of a defensive response on the part of federal agencies.

## Conclusion

For all of the attention paid to performance and the resources devoted to its measurement and reporting, the age-old question—will performance information be used for budgeting, and by whom?—has not yet been resolved in the United States. Consistently, Congress, or at least the committees responsible for funding decisions, has tended to be fairly hostile to attempts to change the dialogue around the federal budget. Here, divided government, and the general antipathy of conservative Republicans (who are likely to continue to control at least the House of Representatives after the 2012 election) to public programs and government spending, may provide some impetus for data-driven budget

reduction. This will be particularly true if—as seems inevitable—some effort is made to rein in spending as part of a broader effort to reduce the federal budget deficit.

In this context, performance is likely to be used not as part of an effort to improve programs, but rather as justification for eliminating them. Here, history tells us that the fact that a given administration is committed to evidence-based decision making does not necessarily mean that more decisions, at least at the macrolevel, will be based on evidence. There may instead be a temptation to engage in across-the-board (“cheese slicer”) budgeting. Even here, in a context in which reducing spending is a priority, weak claims may have a marginally more difficult time being sustained.

## About the Author

*Philip Joyce is Professor of Management, Finance, and Leadership at the Maryland School of Public Policy. He is Editor of Public Budgeting and Finance, and a Fellow of the National Academy of Public Administration. Joyce’s research mainly focuses on two issues—links between performance information and the budget, and the U.S. congressional budget process. His most recent book is The Congressional Budget Office: Honest Numbers, Power and Policy-making (2011). He has consulted extensively for various organizations, including the International Monetary Fund and the World Bank.*

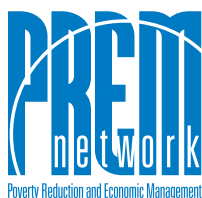
## Acknowledgments

The author thanks colleagues Gladys Lopez-Acevedo (Senior Economist, PRMPPR), Jim Brumby (Sector Manager, PRMPS), Keith Mackay (Consultant, PRMPPR), and Philipp Krause (Budget Unit, ODI) for their comments and support.

## References

- Bush Administration. 2008. “White House, Performance Improvement: What We’ve Achieved Over the Past Six Years.” Originally published on Bush White House Web site, but no longer available.
- CBO (U.S. Congressional Budget Office). 2012a. *The Budget and Economic Outlook: Fiscal Years 2013–2022*. Washington, DC: U.S. Government Printing Office.
- . 2012b. *Updated Budget Projections: Fiscal Years 2012 to 2022*. Washington, DC: U.S. Government Printing Office.
- GAO (U.S. Government Accountability Office). 2004. *Performance Budgeting: Observations on the Use*

- of OMB's Program Assessment Rating Tool for the FY2004 Budget. GAO-04-174, Washington, DC.
- . 2005. *Performance Budgeting: PART Focuses Attention on Program Performance, But More Can Be Done to Engage Congress*. GAO-06-28, Washington, DC.
- Gilmour, John. 2006. *Implementing OMB's Program Assessment Rating Tool*. Washington, DC: IBM Center for the Business of Government.
- Gueorguieva, Vassia, Jean Accius, Carmen Apaza, et al. 2009. "The Program Assessment Rating Tool and the Government Performance and Results Act: Evaluating Conflicts and Disconnections." *American Review of Public Administration* 39: 225.
- Harkin, J. M. 1982. "Effectiveness Budgeting: The Limits of Budget Reform." *Policy Studies Review* 2 (3): 112–26.
- Joyce, Philip. 2003. *Linking Performance and Budgeting: Opportunities in the Federal Budget Process*. Washington, DC: IBM Center for the Business of Government.
- . 2011. "Transparency and Accountability in the Federal Budget: How Is the Obama Administration Building on the Legacy of Federal Performance-Informed Budgeting?" *Public Administration Review* 71 (3; May/June): 356–67.
- Kamensky, John. 2011. "GPRA Modernization Act Explained, Part 1." IBM Center for the Business of Government, January 6, <http://www.businessofgovernment.org/blog/business-government/gpra-modernization-act-2010-explained-part-1>.
- Lee, Robert, Ronald Johnson, and Philip Joyce. Forthcoming. *Public Budgeting Systems*, 9th Edition.
- Lowi, Theodore, and Benjamin Ginsburg. 2006. *American Government*, 9th Edition. W. W. Norton and Company.
- Mark, Katherine, and John R. Pfeiffer. 2011. "Monitoring and Evaluation in the United States Government: An Overview." Evaluation Capacity Development Working Paper Number 26, Independent Evaluation Group, World Bank, Washington, DC.
- Moynihan, Donald. 2012. "Performance Management in U.S. State Governments." PREMnote, Special Series on Nuts and Bolts of M&E Systems, World Bank, February.
- OMB (U.S. Office of Management and Budget). 2001. *The President's Management Agenda*. Washington, DC.
- . 2010. "Program Evaluation." In *The Budget of the United States Government, Fiscal Year 2011: Analytical Perspectives*, 90–92. Washington, DC: U.S. Government Printing Office.
- Redburn, F. Stevens, and Kathryn Newcomer. 2008. *Achieving Real Improvement in Program Performance and Policy Outcomes: The Next Frontier*. National Academy of Public Administration, October.
- Schick, Allen. 1966. "The Road to PPB: The Stages of Budget Reform." *Public Administration Review* 26 (4): 243–58.
- . 2008. *The Federal Budget*, 3rd Edition. Washington, DC: Brookings.



This notes series is intended to summarize good practices and key policy findings on PREM-related topics. The views expressed in the notes are those of the authors and do not necessarily reflect those of the World Bank. PREMnotes are widely distributed to Bank staff and are also available on the PREM Web site (<http://www.worldbank.org/prem>). If you are interested in writing a PREMnote, email your idea to Madjiguene Seck at [mseck@worldbank.org](mailto:mseck@worldbank.org). For additional copies of this PREMnote please contact the PREM Advisory Service at x87736.

This series is for both external and internal dissemination