The Obama Administration and PBB: Building on the Legacy of Federal Performance-Informed Budgeting?

The administration of President Barack Obama, like those of his immediate predecessors, is focused on trying to improve the quality of, and use of, performance data. The federal government has been pursuing performance-informed budget reforms for more than 50 years. Most recently, the Bush administration reforms included the President’s Management Agenda and the Program Assessment Rating Tool (PART). The Obama administration reforms include: measuring the effects of the American Recovery and Reinvestment Act; reducing or eliminating poorly-performing programs; setting a limited number of short-term, high-priority performance goals; and funding detailed program evaluations. The administration is taking a more agency-driven approach than the Bush administration, but continues to find it challenging to move beyond production of performance data to its use. There should be opportunities to show how performance information can be used for decision making, given the change in the political climate and the needs to reduce spending and the deficit. Historically, there has been little appetite in the Congress for evidence-based decision making. The administration, however, can continue to demonstrate how federal agencies can use performance information to more effectively manage programs.

The U.S. federal government, since 2008, has taken on an unparalleled activist role. Unprecedented initiatives have been undertaken in an effort to steer the economy back toward financial equilibrium. The federal government has infused hundreds of billions of dollars into the state and local sectors, providing needed revenues at a time when these subnational governments find it difficult or impossible to raise their own. In addition, the Barack Obama administration is attempting to change the course of the federal government toward its own policy objectives, many of which involve an expanded role for the federal government. The recent health care reform bill is the best, but hardly the only, example of this. In the process of enacting these policy changes, the administration has argued consistently for “transparency and accountability.” These calls have been manifested in myriad ways, including (1) an effort to track and report on the funds provided to federal agencies and subnational governments under the American Recovery and Reinvestment Act (ARRA); (2) attempts to be more transparent about federal earmarks, including the identification of those who procured them; and (3) a nascent performance agenda unveiled in May and June 2009, and given more form in the president’s fiscal year (FY) 2011 budget, encouraging agencies to set “high-priority performance goals,” among other initiatives.

This paper will attempt to put the Obama reform agenda in the context of what we know about efforts to link performance and budgeting in the federal government over the past 50 years. Specifically, the first section of the paper will describe what it means to link performance information to the budget process, briefly discuss historical pre–George W. Bush efforts, and then assess the successes and failures of the Bush administration performance agenda. The second section of this paper will enumerate the components of the Obama administration’s initiatives thus far, provide some early assessment of these reforms (including linkages to past efforts), and present a road map for the reforms. This work concludes by providing a number of observations intended to put the Obama reforms, given what we know about them so far, in historical context and to suggest the key management issues that are likely to dominate federal performance budgeting between now and the 2012 reelection campaign.

The Legacy of Performance-Informed Budgeting in the Federal Government

“Performance budgeting” is a term that means many things to many people. In fact, one of the enduring
challenges of even describing planned linkages between performance data and the budget is terminology. Paul L. Posner and Denise L. Fantone (2008) offer a useful typology that differentiates strategies for performance budgeting along a continuum that moves from simple presentation, on the one end, to “performance-linked funding” (in which some kind of a formula allocates funds based on performance) and “outcome-based budget formulation” (in which the outcomes are purchased, rather than agency or program budgets), on the other. This demonstrates the full range of possible linkages, and also why it may be such a hard reform to pin down.

I have argued elsewhere (2003) that what is often referred to as “performance budgeting” can more usefully be described to as “performance-informed budgeting.” This semantic splitting of hairs is useful. Too many advocates of the integration of performance information and budgeting seem to argue for a formulaic approach, and therefore come across as somehow advocating the replacement of the politics of budgeting with a new paradigm—budgeting by performance. This argument, in turn, is reasonably shot down by people (usually political scientists) who know better.

Such disputes are unnecessary if, instead of appearing to argue for a formulaic approach to budgeting to replace the politics of budgeting, we advocate instead an approach that includes performance information in government budget processes, not as dispositional data, but rather as an input into the political process. Thus, “performance-informed budgeting” involves the production of appropriate performance information, and the presence of that performance information when budgeting decisions are made, but not some automatic “allocation by performance.” To say that performance information should be produced, and that such information might be used in the budget process, begs two questions. First, what kind of data? Second, where should it be used and for what?

On the first question, the production of appropriate data is perhaps the key challenge of performance-informed budgeting. If performance information is to be used, it is paramount that the data actually tell us something. Historically, there are several obstacles to making this happen:
- The data do not tell us about results at all, but rather are simply measures of agency or program output or activity. Thus, we know what we are doing, but not what we are buying.
- We know what we are buying, but not how much it costs. This is normally attributable to the limitations of accounting systems that are unable to even measure costs, much less relate those costs to actual performance.
- Systems exhibit a bias toward programs that produce quantitative results over those that produce results that are more difficult to quantify, and toward programs that produce results in the short term over those that produce more long-term results (such as research and development programs).

Beyond the question of data, many discussions of performance-informed budgeting fall short precisely because they embrace an overly narrow view of the budget process. Even those who criticize the use of performance information in the federal budget process because they think it is an attempt to remove politics from the process focus explicitly on only a couple of decision points—the president’s budget and the congressional process (Radin 2008). Such a narrow view of the budget process impedes our ability to successfully study and articulate the many possible situations in which budget and performance information can and should be integrated. How, given this situation, do we enable a clearer articulation of “performance” and “the budget”? In short, it is important to recognize that there is ample opportunity for the production and use of performance data at each of the stages of the budget process:
- Budget preparation, in which agencies develop internal budget allocations and requests that eventually (after some give and mostly take) are integrated into the president’s budget.
- Budget approval, in which Congress and the president ultimately enact the laws that will permit taxing and spending to occur.
- Budget execution, in which agencies carry out the budget within the constraints established by Congress and the administration.
- Audit and evaluation, in which agencies and external auditors and evaluators decide (after the fact) what the effects (financial and performance) of budgetary activities have been.

If we recognize that traditional discussions of “performance-based budgeting” in the federal government involve discussions of a portion of the first stage—decisions by the Office of Management and Budget (OMB) and the president—and the second stage—decisions by Congress—a further articulation of the process permits us, at a minimum, to recognize that there is ample opportunity for integrating the budget and performance at any of these stages (see Hilton and Joyce 2003). If the budget process is to become more informed by performance, such a transformation from traditional budgeting involves simultaneously considering two factors: (1) the availability of appropriate information on strategic direction, results, and costs—in order to make budgeting more results focused, and (2) the actual use of that information to make decisions at each stage of the budgeting cycle.

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A thorough understanding of this typology is crucial to being able to comprehend, comprehensively, the reform efforts that have been attempted in the federal government to date, as well as the challenge that faces the Obama administration in its pursuit of transparency and accountability.

Performance Budgeting Prior to the Bush Administration

Many presidential administrations have sought to put their own stamp on federal performance reforms. In fact, almost half a century
Some lessons emerged from these efforts. First, it was very dif-
ficult for those with a vested interest in the status quo to accept
such reforms as legitimate. Second, typically no broad consensus
on performance information resulted, thus impeding the ability to
use data for decision making. Third, these were almost exclusively
executive branch reforms, and did not attempt to engage Congress in
the performance effort. Fourth, the need for data tended to outstrip
the availability of data. Nonetheless, the search for data increased the
demand for and supply of policy analysis in government (Harkin
1982).

Performance efforts, for the most part, took the decade of the 1980s
off. While the Ronald Reagan administration attempted to reduce
the size of government, it tended to deemphasize the use of data (it
basically knew the answers, in any event), in favor of attempting to
build political consensus for its desired cuts. One example of this
was the Grace Commission, which relied on private sector execu-
tives to recommend the elimination of activities seen as inappropri-
ate for government.

Performance management returned to vogue in the 1990s, and
was embodied primarily in the passage of the Government Perfor-
manCe and Results Act (GPRA). While this act started in the Senate
Governmental Affairs Committee and was redrafted by Congress
and the OMB when President George H. W. Bush was in the White
House, it ultimately was passed and signed into law by President
Bill Clinton in 1993. The act requires strategic plans, performance
plans, and performance reports by federal cabinet departments.
While its ultimate stated goal was the use of performance data in the
budget process, its main legacy has been to increase the supply of
performance data. The Clinton administration also pursued a sepa-
rate reform agenda embodied by the National Performance Review
(later the National Partnership for Reinventing Government), which
was spearheaded by Vice President Al Gore.

There is one other point worth making at this juncture. While it has
become fashionable to view these reforms as “failures,” this seems an
overly harsh postmortem. Evaluations frequently have not been con-
ducted at enough distance (in terms of time or perspective) from the
“reform” to permit a real evaluation of effects (which would include
the effects on the capacity of the federal government to engage in
the necessary activities, such as strategic planning, performance
measurement, and cost accounting). 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 twenti-
eeth century—each reform taught us things, 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 George W.
Bush administration, while reflecting its own specific approach and
values, were built on the foundation what preceded it, particularly
the GPRA.

Bush-Era Performance Reforms
The Bush administration took office in early 2001 with its own set
of management priorities, articulated in the President’s Management
Agenda (PMA), which was published in September 2001 (OMB
2001a). This agenda included five government-wide management
reforms, which the administration identified as the areas of greatest
management concern in the federal government:

• **Strategic investment in human capital**, which was designed
to focus on the coming “brain drain” in federal agencies, as more
than 40 percent of the federal workforce was expected to retire by
2010 (OMB 2001a, 12).

• **Competitive sourcing**, which was proposed to expand the use
of contract labor to perform federal jobs not considered “inher-
ently governmental”—the PMA established a goal of 50 percent
of these commercial activities being competed with private sector
firms.

• **Improved financial performance**, which focused primarily
on the problems that federal agencies have had in managing their
finances and (in particular) problems in generating unqualified
audit opinions and issues associated with fraudulent or erroneous
payments in some agencies.

• **E-government**, which attempted to follow international trends
in improving service delivery through the use of technological
resources.

• **Budget and performance integration**, designed to continue
to improve performance information, while also allocating and
managing resources in the context of achieving results. The Bush
administration argued that the GPRA involved little more than
the production of data, with little evidence that this information
has been used to guide decisions.

For each of these five management areas, the Bush administration
graded 26 agencies—the cabinet departments, plus other significant
operating units, such as NASA, the Army Corps of Engineers, and
the Smithsonian Institution—using a scorecard administered by the
OMB. Each quarter, agencies were evaluated according to a set of
established criteria on each of these five dimensions, using a “traffi-
c light” system in which “green” meant that agencies complied with
all of the criteria, compared to “yellow” or “red,” which implied a
progressively worse level of performance.

The second significant reform initiative of the Bush administra-
tion was the creation of the Program Assessment Rating Tool
(PART), first unveiled for use in the FY 2004 budget process. The
PART took the “program” as the unit of analysis and attempted to
determine whether programs were successful in meeting their stated
objectives.

Notably, one of the characteristics of “programs” was that they
needed to have funding associated with them, at a level where
Budget decisions are actually made (Espinosa 2003). When the PART began, there was no established definition of “program” in the federal budget. Ultimately, the OMB defined approximately 1,000 programs throughout the federal government, using a process of discussion and negotiation with federal agencies. This yielded rather odd results in some cases. For example, the Department of Education had more programs than the Department of Defense, which has a budget that is more than 10 times the size of that of Education Department. For the Department of Veterans Affairs, all of veterans’ health was considered one program.

PART functioned through the use of a questionnaire that requested information from agencies on characteristics of their programs. The PART score for each program was based on the weighted responses to these (25 to 30 questions), which covered the following:

- **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 (eventually online), and then the answers were approved by the OMB (in other words, if the OMB did not agree with an answer, it could overrule the agency). The program eventually was “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 lacked adequate measures, it fell into this category regardless of its score) (see Gilmour 2006).

**Evaluations of the Bush-Era Reforms**
Both the PMA and the PART have subsequently been the subject of reviews, both from within the Bush administration and from without. The results of these reviews were somewhat mixed. They also ran the gamut from simply numerical descriptions to defense and criticisms of the entire approach.

**The President’s Management Agenda.** The simplest way (but one that is misleading, for reasons discussed later) to evaluate the effectiveness of the PMA is to compare the baseline scores issued in 2001 to the scores at the conclusion of the Bush administration at the end of 2008.

<table>
<thead>
<tr>
<th>Management Area</th>
<th>2001 Distribution</th>
<th>2008 Distribution</th>
<th>Increase in Green Scores</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Green</td>
<td>Yellow</td>
<td>Red</td>
</tr>
<tr>
<td>Human capital</td>
<td>0</td>
<td>3</td>
<td>23</td>
</tr>
<tr>
<td>Competitive sourcing*</td>
<td>0</td>
<td>0</td>
<td>26</td>
</tr>
<tr>
<td>Financial performance</td>
<td>1</td>
<td>4</td>
<td>21</td>
</tr>
<tr>
<td>E-government</td>
<td>0</td>
<td>9</td>
<td>17</td>
</tr>
<tr>
<td>Budget and performance integration**</td>
<td>0</td>
<td>3</td>
<td>23</td>
</tr>
<tr>
<td><strong>Total scores</strong></td>
<td>1</td>
<td>19</td>
<td>110</td>
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* This was called “Commercial Services Management” in 2008.
** This was called “Performance Improvement” in 2008.

Looking at the aggregate scores in table 1, and taking them at face value, there was dramatic improvement over the seven years.¹

The table indicates that, whereas in the baseline evaluation in 2001, only one agency received a green score in one management area (National Science Foundation, financial performance), this increased to 72 by 2008. This means that, while fewer than 1 percent of the scores were green in 2001, this increased to 55 percent by 2008. Conversely, while 85 percent of the scores were red in 2001, this decreased to only 11 percent by 2008.

Some agencies made particularly dramatic improvements. The State Department, which was scored red in each of the five categories in 2001, improved to green in every one by 2008. Other agencies that made substantial improvements were the OMB, the Environmental Protection Agency, the Departments of Labor, Interior, and Transportation, and the U.S. Agency for International Development. In addition, along with State, there were three other departments that were all green in 2008—the Environmental Protection Agency, Department of Labor, and Social Security Administration.

The Bush administration touted this success, on its way out of office, as evidence of management improvements during its watch. While this certainly represents some evidence of management progress over the Bush years, there are a few reasons to question whether the progress was quite this dramatic:

- The scores themselves were subject to some manipulation, either at the outset (when some could have been set arbitrarily low) or at the conclusion (when some could have been set arbitrarily high). There was no replicable methodology for arriving at the score.
- Agencies, over time, understandably could have learned to better make their case to the OMB for a higher score (i.e., they may have been able to “game” the system);
- Perhaps most importantly, the standards “evolved” over time for some of these management areas. The competitive sourcing to commercial services evolution was particularly dramatic. Initially, a green score required agencies to competitively source 90 percent of all their FAIR (Federal Activities Inventory Reform) Act activities. Partially in response to public employee union opposition, these standards were relaxed substantially by 2008. The performance improvement management subpart also had an evolution, but not quite so dramatic.

**The PART.** While external evaluations of the PMA are virtually nonexistent, the PART has attracted more attention both within
and outside the government. This is partially because the OMB took the unprecedented step of posting completed PART reviews on its website. This opened the PART, and the PART scores, to scrutiny from outside the administration. The Government Accountability Office conducted a number of reviews of the PART and its implementation. Externally, the PART has been the subject of a number of academic articles that have attempted to evaluate its success, frequently armed with both regression models and skepticism of the Bush administration’s motives. These articles also have attempted to evaluate whether it would (with or without changes) serve as an appropriate model for future reforms.

First, as with the PMA, the Bush administration had its own evaluation of the PART, which put the reform in a positive light. In particular,

Over the past six years, agencies and OMB have assessed 1,017 Federal programs, including 234 reassessments. In 2002, the Federal government could not show what results programs and spending achieved. After six years of program assessments, the Federal government now has 6,516 performance measures, including 1,367 efficiency measures. This is the first time in history that we have assembled government performance measures in one database and reported them transparently on www.ExpectMore.gov.

In particular, as with the PMA, the Bush administration pointed to the improvement in PART’s scores as evidence of the success of the reform. Specifically, while the percentage of ineffective programs stayed roughly the same (3 percent 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, the figure was 51 percent. Perhaps as significant, the results not demonstrated category decreased by two-thirds, from 50 percent in 2002 to 17 percent in 2008.²

External to the Bush administration, there have been a number of evaluations of PART, which fall in to three broad categories. The first type of evaluation is from analysts who were sympathetic to the goals of PART, but saw flaws in the design or execution of the reform that compromised its effectiveness. The second is from those who were neutral, but wished to use the PART data to ask empirical questions. A third type of analysis is from those who fundamentally questioned whether any reform such as PART, which focused on technical information rather than politics, had any chance of succeeding.

Studies in the first and second categories yielded the following conclusions and suggestions for the future:

• A more crosscutting approach to government performance should be adopted, as opposed to the decentralized “program” approach of the PART.³
• Much more attention needs to be paid to reporting performance data from the executive branch to Congress in a way that members of Congress and congressional staff find useful.⁴
• The next administration should work to build the credibility of performance measurement efforts within agencies, who reported to the Government Accountability Office that they did not believe the PART assessments were an accurate reflection of the performance of their programs, largely because OMB examiners were spread too thin.⁵
• Future efforts should, accordingly, reduce the burden on both OMB examiners and agency staff. OMB examiners, in interviews with F. Stevens Redburn and Kathryn Newcomer (2008), expressed concerns both that they did not have time to do adequate PART assessments, and also that it was not clearly communicated to them how to divide their time between PART and more traditional budget examiner work. Agency staff expressed skepticism that there was adequate payoff from the PART to make it worth the effort.
• PART was simultaneously touted as an effort that would produce data that could be used to improve programs and to inform resource allocation, but it is hard to design measures or assessment systems to achieve both objectives. In particular, it is hard for agency managers to commit to a system that is encouraged by the executive but met with apathy or hostility by Congress (Redburn and Newcomer 2008).
• While PART should be credited with encouraging the development of performance measures by federal agencies, there is still work to be done in developing more appropriate measures, and to understand how federal managers can be held accountable for the performance implied by these measures (Gilmour 2006).
• A content analysis of the use of PART by Congress confirms the impression that Congress was exposed to PART evaluations primarily through agency budget justifications, and that members of Congress were not likely to use PART, deferring to their own knowledge of agency programs (Frisco and Stalebrink 2008). Further, even though career staff at the OMB insisted that PART was not carried out in a partisan way, Congress was not convinced of this, and resisted PART because of the belief that the administration had stacked the decks against programs it did not support for ideological reasons (Moynihan 2008, 134–35).
• 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 put programs in which results could be more easily measured in an advantaged position (Gueorguieva et al. 2009, 225).
• PART was hard to reconcile with the GPRA, even though agencies were (during the Bush administration) asked to comply with both simultaneously. In particular, sometimes the measures used for the GPRA were disconnected from those used for the PART, and sometimes the two presented conflicting evidence of program success. Moreover, the PART focused on the program, and the GPRA on higher-level agencies or departments (Gueorguieva et al. 2009).

Beryl Radin (2008) has been particularly critical of PART (and indeed, the whole “performance movement”), mostly because she believes that it took a managerial, technical approach to public management issues, ignoring the democratic, political dimension. According to Radin, the main problem with the technical approach is that it assumes that good data and good arguments will carry the day. Instead, she argues, the imperative is not to get the best policies; rather, it is to get policies that can obtain a political majority. She argues that “many of the performance measurement advocates would eliminate politics from the public sector and create a decision making system that rests on technical grounds” (2008, 116).
The Obama Approach to Performance-Informed Budgeting

During the presidential campaign, then-senator Obama talked about the necessity to reform the budget process in order to focus on policies that work, while moving away from those that do not. In particular, he complimented the goals of the PART but said that his administration would reform it (he was not clear on the “how”). The first “performance” action by the administration was the announcement, early in the transition, of the creation of a chief performance officer for the federal government. The president’s first nominee, Nancy Killefer, almost immediately had to withdraw from consideration when she ran afoul of a rather minor personal tax issue. The president subsequently appointed Jeffrey Zients, a management consultant, to the position of chief performance officer and deputy director for management at the OMB (Newell 2009b). In addition to the chief performance officer, who is responsible for government-wide performance, the administration has created 20 “czars,” each of whom has the responsibility to collaborate across agencies when program outcomes cross agency lines (Tobias 2009). The administration also brought in highly regarded public management scholar Shelley Metzenbaum to assist Zients in developing the performance agenda.

The Obama performance agenda has focused on at least four separate initiatives over the first two years:

- The establishment of an infrastructure to assess the impact of the American Recovery and Reinvestment Act (the stimulus bill) on jobs.
- As part of a demonstration of the administration’s desire to cut back on spending, the identification of a list of programs, as part of the 2010 and 2011 budgets, that it believed should have funding reduced or eliminated because of inadequate performance.
- The establishment by agencies, with approval of the OMB, of “high-priority performance goals,” reversing the Bush administration’s “top-down” approach to agency performance to one in which agencies are driving more of the specifics.
- A significant commitment, in time and resources, to program evaluation, in part to assist with the identification of what works and what does not.

The Recovery Act and Performance

While much of the Obama agenda is a work in progress, the administration’s first legislative initiative, the American Recovery and Reinvestment Act (ARRA), is in full implementation. Performance measurement is alive and well for use in evaluating the effects of the ARRA. Some of this is very input focused—how many dollars have been allocated and how quickly? But the major long-term focus is on job creation or the prevention of job losses.

In June 2009, the administration estimated that target. When the books are closed on ARRA, we will be able to say that it cost $862 billion (the current estimate) and that the employment effect (if the administration is correct) was 6.8 million. Regardless of the challenges of measurement, it is clear that the administration is focused on this one measure—jobs—as a consistent barometer of success of the ARRA. Recipient governments and organizations are required to report quarterly using the prescribed methodology. In the end, the administration has set a target—6.8 million jobs—and the public will be able to track progress toward that target. When the books are closed on ARRA, we will be able to say that it cost $862 billion (the current estimate) and that the employment effect (if the administration is correct) was 6.8 million.

Performance and Short-Term Fiscal Responsibility

President Obama’s FY 2010 budget, as frequently occurs with a new administration, was released in waves. The initial February 2009 summary was largely silent on performance (as well as a great many other things). The details of the budget were not released until May, when the budget outlined 121 program terminations, totaling $17 billion. According to then-OMB director Peter Orszag, about 20 percent of the total savings came from programs that had been recommended for elimination by the Bush administration (Newell 2009a). This is not surprising, considering that the same OMB examiners likely developed both lists. Of the total of $17 billion in proposed terminations, Congress approved $6.8 billion (40 percent) of these, which, according to the administration, represented “a success rate that far exceeded that of recent administrations” (OMB 2010b, 75). The remainder of the Obama terminations were greeted by the same lack of congressional enthusiasm that had greeted the earlier Bush proposals.

In the FY 2011 and fiscal year 2012 budget processes, the Obama administration addressed the explosion of the federal budget deficit more explicitly. In particular, it established a three-year nominal freeze on nonsecurity spending. For FY11, budget director Orszag instructed federal agencies to identify, in addition to a budget request and a current services level, how they would meet two additional targeted funding levels. First, they were asked to identify how they would budget for a freeze at the FY 2010 nominal level. Second, they were asked to identify how they would live with a 5 percent reduction from that level. The submission was to include “significant terminations, reductions, or administrative savings initiatives” (a minimum of five per agency). The budget submission was also to include performance information tied to each of these levels of funding—for the request,
In defining these goals, Orszag noted that it was important that agencies identify the means and strategies for accomplishing them, and that they focus on goals for which it was possible to evaluate progress in a timely manner, using quantitative measures. The emphasis was to be on goals that could be accomplished over 12 to 24 months (a cynic might say, in time for results to be touted in the 2012 reelection campaign).

The FY 2011 budget section on “Performance and Management” included, then, the following rhetoric concerning the Obama management approach (OMB, 2010c, p. 73):

To improve the performance of the Federal Government in the coming fiscal year and in years to come (the administration) will pursue three mutually reinforcing performance management strategies:

1. **Use Performance Information to Lead, Learn and Improve Outcomes.** Agency leaders set a few high-priority goals and use constructive data-based reviews to keep their organizations on track to deliver on these objectives.

2. **Communicate Performance Coherently and Concisely for Better Results and Transparency.** The Federal Government will candidly communicate to the public the priorities, problems, and progress of Government programs, explaining the reasons behind past trends, the impact of past actions, and future plans. In addition, agencies will strengthen their capacity to learn from experience and experiments.

3. **Strengthen Problem-Solving Networks.** The Federal Government will tap into and encourage practitioner communities, inside and outside Government, to work together to improve outcomes and performance management practices.

In citing its justification for this approach, the administration noted that “the ultimate test of an effective performance management system is whether it is used, not the number of goals and measures produced” (OMB, 2010b, p. 73). It noted that neither the GPRA nor the PART had resulted in the widespread use of performance data, while both increased the supply of those data. It also pointed out that few agencies went beyond the GPRA and PART reporting requirements to develop internal systems of performance monitoring. The Obama administration wants to jettison the performance measures and documents that are not useful and emphasize that what remains should be used and monitored (OMB, 2010c, p. 74):

Goals contained in plans and budgets will communicate concisely and coherently what government is trying to accomplish. Agency, cross-agency, and program measures, including those developed under GPRA and PART that proved useful to agencies, the public, and OMB, will candidly convey how well the Government is accomplishing the goals. Combined performance plans and reports will explain why goals were chosen, the size and characteristics of problems Government is tackling, factors affecting outcomes that Government hopes to influence, lessons learned from experience, and future actions planned.

The approach starts with the identification of a small number of performance goals in each agency. In the FY 2011 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, Department of Homeland Security, Department of Veterans Affairs, National Science Foundation, and Social Security Administration.

Reviewing the table, it is clear that the vast majority of goals are specific and carry with them measurable targets that will be used to gauge progress. In some cases, there would appear to be more potential ambiguity in defining the parameters (e.g., what is a school "system with rigorous processes for determining teacher effectiveness?") than in 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").

There are two other things to note about these goals. First, it is clear that there remains the challenge of establishing how appropriate outcomes measures can be established to track success on these goals. Most of these measures are, at best, intermediate outcomes. The reason that we have the Social Security Administration, for example, is not to answer calls quickly. Rather, we might want to know whether the answers provided are correct, or whether SSA's programs achieve broader societal objectives.

Second, it is worth reiterating that the approach of the administration here is a substantial departure from the Bush administration's more top-down approach, embodied in the PMA and the PART. The approach relies more on input from the agencies themselves, and thus has the potential advantage of encouraging buy-in from agencies, as the goals and measures have been identified by them. It should be noted that it does not go so far as demanding that the goals be identified by program managers; in many cases, the process of establishing goals is probably centralized within the agencies (in other words, the process may not be top-down in the sense that the OMB is driving the specifics, but may be top-down within most agencies). On the other hand, it may not consistently push agencies to pursue "stretch" performance goals, as they (and the administration) may not have incentives to choose targets that are difficult to achieve.

The fiscal year 2012 budget emphasizes the continuation of these initiatives, and also discusses efforts ongoing by these 24 federal agencies to track progress toward achieving these goals. In particular, the budget calls for agencies to work toward effective implementation of the Government Performance and Results Act Modernization Act of 2010 (GPRA Modernization Act, 2010). The budget also describes a new online tool, called Performance.gov, which is being used by agencies to monitor progress and respond to deviations from planned achievement of objectives. Performance.gov, however, is exclusively an internal management tool at this point. The budget notes that "Performance.gov was designed as a Federal Government management tool, but the Administration will open portions of the site to the public, and others to show government priorities, candidly convey how goals are being accomplished, and explain what agencies are doing when a problem is encountered" (OMB, 2011b, p. 80). In the FY12 budget, there is a notable absence of any data concerning how agencies are doing relative to the short-term goals that were set a year earlier. This is not a hopeful sign for an administration that advertises itself as committed to transparency and accountability. The budget also reaffirms the Obama administration's belief in program evaluation and benefit-cost analysis for both regulatory and budgetary programs. It also includes a new chapter on social indicators, which includes useful trend data on various indicators related to health, the environment, education, and the economy.

### Table 2: High-Priority Performance Goals in the Fiscal Year 2011 Budget

<table>
<thead>
<tr>
<th>Department of Agency</th>
<th>Performance Goal</th>
<th>Performance Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Education</td>
<td>Evidence-based policy: Implementation of a comprehensive approach to using evidence to inform the department's policies and major initiatives</td>
<td>Increase by two-thirds the number of the department's discretionary programs that use evaluation, performance measures, and other program data for continuous improvement</td>
</tr>
<tr>
<td></td>
<td>Improve the quality of teaching and learning</td>
<td>Increase 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</td>
</tr>
<tr>
<td>Department of Homeland Security</td>
<td>Counter terrorism and enhance security</td>
<td>Reduce wait times for aviation passengers (target: less than 20 minutes by 2012)</td>
</tr>
<tr>
<td></td>
<td>Improve the efficiency of the process to detain and remove illegal immigrants from the United States</td>
<td>Decrease the number of days spent in custody by criminal aliens before they are removed from the United States from 43 days to 41 days in 2010.</td>
</tr>
<tr>
<td>Department of Veterans Affairs</td>
<td>Eliminate veterans' homelessness</td>
<td>In conjunction with the Department of Housing and Urban Development, reduce the homeless veteran population to 59,000 by June 2012 on the way to eliminating veteran homelessness</td>
</tr>
<tr>
<td></td>
<td>Improve the quality, access, and value of mental health care provided to veterans by December 2011</td>
<td>By the end of 2011, 97 percent of eligible patients will be screened at required intervals for post-traumatic stress disorder.</td>
</tr>
<tr>
<td>National Science Foundation</td>
<td>Improve the education and training of a technology, engineering, and mathematics (STEM) workforce through evidence-based approaches, including the collection and analysis of performance data, program evaluation, and other research</td>
<td>By the end of 2011, at least six major STEM workforce development programs at the graduate and postdoctoral level will have evaluation and assessment systems providing findings leading to program redesign or consolidation for more strategic impact in developing STEM workforce problem solvers, entrepreneurs, or innovators</td>
</tr>
<tr>
<td>Social Security Administration</td>
<td>Increase the number of online applications</td>
<td>By 2012, achieve an online filing rate of 50 percent for retirement applications. Achieve 44 percentage of total retirement claims filed online in 2011.</td>
</tr>
<tr>
<td></td>
<td>Improve customers’ service experience on the telephone, in field offices, and online</td>
<td>Achieve an average speed of answer of 264 seconds by the national 800-number.</td>
</tr>
</tbody>
</table>

Program Evaluation
The Obama administration, in the FY 2011 budget, was more explicit about the importance and role of program evaluation than any administration in recent memory. It argues that as important as performance goals and 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 2010c).

In October 2009, Orszag sent a memorandum to agencies signaling the Obama administration’s interest in renewing the federal government’s emphasis on rigorous evaluation as a means to determine the effectiveness of programs or policies. It called for a three-pronged effort to increase the level of and communication about program evaluation in the federal government:

- Encouraging federal agencies to publicize existing evaluations of their programs.
- Establishing an interagency working group charged with improving the capacity of the federal government to do program evaluation.
- Announcing the set-aside of $100 million in the president’s FY 2011 budget for the funding of program evaluations in federal agencies (OMB 2010c).

In response to this initiative, the FY 2011 budget process included a competitive process in which agencies proposed specific evaluation ideas, and OMB program examiners, along with staff from the Council on Economic Advisers and outside experts, reviewed and recommended funding for a portion of those proposals. According to the budget, these proposals were judged by to the extent to which they included “strong study designs that address important, actionable questions or to strengthen agency capacity to support such strong evaluations. Agencies that submitted proposals also needed to demonstrate that their FY 2011 funding priorities are based upon credible empirical evidence—or a plan to collect that evidence—and to identify impediments to rigorous program evaluation in their statutes or regulations so that these might be addressed going forward” (OMB 2010c, 92).

As a result of this process, 17 agencies were approved and funded to do program evaluations of 36 programs (in some cases, this was to improve general evaluation capacity, rather than being associated with individual programs) in the 2011 budget. Table 3 presents a listing of those program evaluations that were funded in the FY 2011 budget. The fiscal year 2012 budget included funding for an additional 19 evaluations. All but four of these were in four agencies—the Departments of Education, Health and Human Services, and Labor, and the Agency for International Development (OMB, 2011c).

Table 3 Funded Program Evaluation Initiative Proposals from the Fiscal Year 2011 Budget

<table>
<thead>
<tr>
<th>Agency Description</th>
<th>Effects of locus of control on ChalleNGe program outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Defense</td>
<td>Effects of school improvement grants</td>
</tr>
<tr>
<td>Department of Education</td>
<td>Effects of Investing in Innovation Fund (3)</td>
</tr>
<tr>
<td>Department of Education/National Science Foundation</td>
<td>Effects of mathematical professional development for teachers</td>
</tr>
<tr>
<td>Department of Energy</td>
<td>Capacity building</td>
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<tr>
<td>Department of Health and Human Services</td>
<td>Effects of early childhood programs</td>
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<tr>
<td>Department of Health and Human Services</td>
<td>Effects of teen pregnancy programs</td>
</tr>
<tr>
<td>Department of Housing and Urban Development</td>
<td>Effects of rent reform options</td>
</tr>
<tr>
<td>Department of Housing and Urban Development</td>
<td>Effects of Family Self-Sufficiency (FSS) options</td>
</tr>
<tr>
<td>Department of Interior</td>
<td>Effects of Choice Neighborhoods</td>
</tr>
<tr>
<td>Department of Justice</td>
<td>Capacity building</td>
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<tr>
<td>Department of Justice</td>
<td>Effects of inmate re-entry programs</td>
</tr>
<tr>
<td>Department of Justice</td>
<td>Capacity building</td>
</tr>
<tr>
<td>Department of Labor</td>
<td>Effects of new WIA performance measures</td>
</tr>
<tr>
<td>Department of Labor</td>
<td>Effects of employment services</td>
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<tr>
<td>Department of Labor</td>
<td>Evaluation of workforce programs using administrative data</td>
</tr>
<tr>
<td>Department of Labor</td>
<td>Effects of training/wage incentives on dislocated workers</td>
</tr>
<tr>
<td>Department of Labor</td>
<td>Recidivism and deterrent effects of OSHA inspections</td>
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<tr>
<td>Department of Labor</td>
<td>Capacity building</td>
</tr>
<tr>
<td>Department of Labor</td>
<td>Various efforts to improve evaluation efforts</td>
</tr>
<tr>
<td>Department of Labor</td>
<td>Capacity building</td>
</tr>
<tr>
<td>Department of Labor</td>
<td>Testing alternative mortgage modification strategies</td>
</tr>
<tr>
<td>Department of Labor</td>
<td>Evaluating financial innovations by CDFIs</td>
</tr>
<tr>
<td>Department of Labor</td>
<td>Evaluating different approaches to no-fee debit cards</td>
</tr>
<tr>
<td>Department of Labor</td>
<td>Evaluating VITA prepaid cards</td>
</tr>
<tr>
<td>Department of Labor</td>
<td>Linking mortgage/administrative data to assess mortgage risk</td>
</tr>
<tr>
<td>Department of Labor</td>
<td>Capacity building</td>
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<tr>
<td>Department of Labor</td>
<td>Effects of Applied Sciences data sharing</td>
</tr>
<tr>
<td>Department of Labor</td>
<td>Capacity building</td>
</tr>
<tr>
<td>Department of Labor</td>
<td>Effects of Federal investments in science</td>
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<tr>
<td>Department of Labor</td>
<td>Effects of various STEM education initiatives</td>
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<tr>
<td>Department of Labor</td>
<td>Effects of Federal employee health and wellness initiative</td>
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<tr>
<td>Department of Labor</td>
<td>Effects of SBA programs</td>
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<tr>
<td>Department of Labor</td>
<td>Disability Insurance evaluations</td>
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<tr>
<td>Department of Labor</td>
<td>Effects of AmeriCorps on training, service, and communities</td>
</tr>
</tbody>
</table>

Environmental Protection Agency
National Aeronautics and Space Administration
National Science Foundation
National Science Foundation
National Science Foundation/Department of Education
Office of Personnel Management
Small Business Administration
Social Security Administration
Corporation for National and Community Service
Other Initiatives Related to Performance Included in the Obama Budgets

In addition to a major focus on these four areas of performance, there are other areas related to performance that are part of the Obama agenda. For example, for the most part, the management issues addressed by the Bush PMA have not gone away. The Obama administration has explicitly targeted human capital, emphasizing recruitment, retention, and workforce issues. Agencies are still required to comply with the many laws governing financial management and reporting, and still must strive to produce clear audit opinions. The administration, in its emphasis on transparency, has embraced the use of technology for reporting on White House and federal agency activities. As noted earlier, the thrust of the Obama performance agenda is not to reject the Bush-era reforms so much as to build on and learn from them.

The single exception here is competitive sourcing and commercial services, where the emphasis of the Obama administration has tended to move away from contracting, rather than encouraging more outsourcing. Specifically, the Obama administration has instructed agencies to identify $40 billion of contract savings (Newell 2009a). It is President Obama’s view, in particular, that “overreliance (on contractors) was encouraged by the one-sided management priorities of the previous administration. Those priorities rewarded agencies for identifying functions that could be outsourced, while ignoring the costs associated with the loss of institutional knowledge and internal capability” (OMB 2010a).

Another area where the Obama administration intends to build on the trends over the past several administrations is in the use of benefit–cost analysis. Almost continuously since the Reagan administration, this tool has been used to evaluate the appropriateness of executive branch regulations, based on the premise that such regulations should only be pursued if the total economic benefits outweighed the total economic costs. The FY 2011 and FY 2012 budgets present a discussion of the history of benefit–cost analysis for regulations, catalogues the benefits and costs of many current regulations, and reaffirms the commitment of the Obama administration to continuing the use of this tool. In fact, it argues for the expansion of the tool from being used in the regulatory arena to being used to evaluate budgetary policies as well (OMB 2010a).

The Obama Performance Agenda in Context

As noted earlier, the Obama performance agenda is a work in progress. Given the experience of the federal government, particularly in the last 20 years, with attempting to link performance information and the budget, there are a number of observations that can be made at this point about the Obama initiatives.

1. **As much as the Obama administration attempts to create an agenda all its own, it really is standing on the shoulders of past administrations and reforms.** Many of the Obama initiatives necessarily build on the capacity developed, particularly for measuring performance, since the passage of the Government Performance and Results Act in 1993. The Bush administration made substantial progress in measuring performance—progress that can assist the Obama administration in being successful with its own efforts.

2. **There are, however, also significant differences.** There is, in particular, a general movement away from private sector solutions to public sector ones. The movement away from contracting, and away from private production of student loans, in favor of programs that are administered by government employees, are two of these.

3. **The Obama administration approach is also a significant departure in that it specifically embraces 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. In fact, a number of observers and analysts encouraged the Obama administration to employ a more agency-centered approach to management, which is a clear departure from the approach of the Bush administration, as exemplified by the PMA and the PART (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 rank-and-file at the OMB will shed no tears over the demise of the PART, how much the OMB will actually let the agencies drive the agenda is a matter of some question. 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 the OMB imposes its will (at which point, of course, that looks like a top-down process).

4. **There is always the chance that the emphasis on the short-term (12 to 24 months) will force out priorities whose payoffs are longer-term in nature.** The administration has sent a couple of clear signals suggesting that delivering results sooner is superior to policies that take longer to deliver. First, this is the clear imperative for the evaluation of stimulus funds. This has the effect, among other things, of encouraging state and local governments to spend funds quickly (in FY 2009 and FY 2010), even if their biggest budget challenges come in FY 2011 or FY 2012. Further, the preference expressed in the June Orszag memo, and subsequently in the “high-priority performance goals” in the budget, is for goals that can be accomplished within two years. Might that be a problem for research and development agencies, or others that are pursuing results (such as health outcomes) where the payoff may come later? In the case of the stimulus, the search for short-term results is part and parcel of the policy. But in other cases, it is worth asking whether the administration is simply encouraging agencies to pursue policies that can demonstrate results in time to catalogue them to support the president’s reelection.
5. The emphasis here is clearly on more detailed evaluations rather than comprehensive assessment such as PART, but it remains to be seen how the results of these evaluations will feed into future policy making. The PART was criticized as an overly simplistic approach, which sacrificed the ability to tailor research to the characteristics of individual programs on the altar of comprehensiveness (i.e., the ability to say you looked at everything). The administration is taking a more targeted approach, but more in-depth evaluations take time. There also is a challenge of determining how to respond to evaluation results in cases in which it is clear that a number of different agencies and programs contribute to results.

6. The administration has made transparency a major emphasis, but it remains to be seen how transparent the new process will be in fact. The transparency of PART, in which all results could be viewed on the OMB website, was a surprising development to longtime OMB observers OMB. Will a new system have similar transparency, or will the decision criteria used to make budget decisions return to being more of a “black box,” as was true historically? One of the reasons there was so much criticism of the PART is because its warts were readily observable. One of the reasons that there were less detailed criticisms of the PMA is that no one outside the Bush administration had any idea how a given agency got to be green, yellow, or red. Readers of the FY12 budget cannot find any information on actual performance 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 year after they were first unveiled, this is not a positive development for transparency and accountability.

7. There is a continued emphasis on quantitative measures which can disadvantage programs/agencies with harder-to-measure outcomes. In the original guidance from Orszag, a clear preference was expressed for priorities with results that could be measured quantitatively. This raises the age-old quandary about quantitative versus qualitative performance measurement. There would be less to the criticism of performance measurement opponents if the administration was a bit less rigid on this front. There are a great many programs where the quest for quantitative measure may miss the main point of the program. Further, programs without quantitative measures may find themselves disadvantaged in the budget process. Certainly the current poster child for quantitative measurement is the ARRA, where it is all about counting jobs, even though the funds could produce many other benefits.

8. 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 “tastes great/less filling” debate that defined the early Clinton administration discussions concerning savings resulting from the recommendations of the National Performance Review. The quandary is that if agencies believe the purpose of the performance agenda is to help them manage their agencies more effectively (tastes great), 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 (less filling). A shift from a tastes great to less filling emphasis can already be seen between the FY11 and FY12 budgets. In the latter, the Administration acknowledges that it proposed reducing or eliminating some programs that it supports in the interest of deficit reduction. This imperative is likely only to increase in light of pressures from House Republicans for more spending reductions.

9. The age-old question—will performance information be used for budgeting, and by whom?—has not yet been resolved. While the Obama administration, as the Bush administration did eight years previously, decried the limited evidence of the use of performance data, it is by no means a given that this administration will be more successful. It is much too early to expect substantial use of performance data, except to say that we have not seen much yet. Past administrations have found that Congress, and especially the appropriations committees, 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 and Tea Party activists to public programs and government spending, may provide some impetus for data-driven budget reduction. It is hard to overstate the extent to which everything between now and November of 2012 is likely to be about the budget. The current debate about the 2011 budget, which is almost 6 months late in being enacted, just foreshadows continuing efforts to reduce spending and the 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. Even if program performance information was used for budgeting, the debate is likely to continue to feature disagreements between the administration and Republicans in Congress about whether all program reductions and terminations should go for deficit reduction, or whether some should be reinvested in programs that are a higher priority, or work better, or both. The President argued explicitly in his budget for the latter; this is not the current view of most Congressional Republicans. Finally, 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 macro level, will be based on evidence. In a context in which spending reduction is a priority, however, weak claims may have a marginally more difficult time being sustained. This was recently evidenced by the House’s cancellation, at long last, of a second engine (that the Pentagon neither wanted nor needed) for the F-35 fighter jet.

10. Given that, it does seem that the Obama administration recognizes that performance-informed budgeting starts in the agencies. The “high-priority performance goals” of the agencies are not tied to increases in funding. Rather, they are commitments that agencies are making to use the resources at their disposal to achieve particular performance targets. This is consistent with analyses of the current state of federal performance-informed budgeting, which argue that the largest payoff—certainly so far and maybe in the future as well—is in the use of performance data for the management of resources, not for the allocation of resources by the president and Congress (Joyce 2003).
The Obama administration shows all of the signs of enthusiastically continuing the performance agenda embraced by its predecessors. But they will find it difficult to navigate around the twin goals of reducing the size of government and improving its management. In addition, while perhaps understandable given other factors that they confronted in their first two years in office, the performance agenda (or at least the part that can be viewed from outside of the administration) is off to a bit of a sluggish start so far.

Notes
1. Table 1 was compiled from the quarterly scorecards issued by the Bush administration, and available at http://www.results.gov. While this website initially was accessed through the White House during the Bush administration; it now can be accessed through the Bush Presidential Library.
5. Ibid.
7. From an OMB Memorandum M-09–20, from Peter Orszag to the Heads of Departments and Agencies, June 11, 2009.
9. Ibid.

References