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Office of Management and Budget
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Chairman Conrad, Ranking Member Gregg, and Members of the Committee:

I appreciate the opportunity to come before you today to discuss the Obama Administration's efforts to improve the performance of the Federal government. In particular, I applaud the Committee's efforts to form a new Task Force on Government Performance and look forward to working with you.

The President believes that it more important than ever to maximize the effectiveness of every tax dollar we spend. We must be aggressive in identifying which programs work, and which do not. When programs work, we should support them and continue to push for improved performance. When they do not, we need to reform or terminate them. To accomplish this, we need to measure the performance of programs and continually search for more effective and efficient ways to operate.

During my 20 years in the private sector as a CEO and advisor to CEOs, I found that leadership, measurement, and a motivated workforce create the foundation for good performance. I am confident that the same is true in government.

Congress and previous Administrations laid some of the groundwork for government-wide performance management, starting with the Clinton Administration's implementation of the Government Performance and Results Act (GPRA). The Program Assessment Rating Tool (PART) developed by the Bush Administration tried to create metrics at the program level. The result is that today we have thousands of metrics and plans in a number of overlapping systems.

The test of a performance management system is whether it is used. Despite the extent and breadth of these historic efforts, the current approach fails this test. Congress doesn't use it. Agencies don't use it. And it doesn't produce meaningful information for the public.

Most metrics are process-oriented and not outcomes-based. We do not track progress on goals that cut across agencies. Overall, too much emphasis has been placed on producing performance information to comply with a checklist of requirements instead of using it to drive change.

This must change. Federal managers and employees at all levels must use performance goals and measures to set priorities, monitor progress, and diagnose problems. They must learn from practices that work and those that do not. They need to learn how to use goals and measures to motivate the best from our workforce and our service delivery partners to achieve greater results and to allocate scarce resources wisely.

We can build on promising performance management developments in State and local governments and other countries. The State of Virginia's *Virginia Performs* website shows how government can clearly communicate state performance priorities, progress, problems, and strategies to the public. Washington's Government Management Accountability and Performance program and Maryland's StateStat illustrate the value of goal-focused, data-rich discussions to find the root causes of problems and to devise smarter strategies to tackle them. Local governments, including New York City; Baltimore, Maryland; and King County, Washington have effectively used performance management practices to improve outcomes, reducing crime and increasing housing starts for example, and drive down costs. Other countries, including the United Kingdom and New Zealand, offer instructive lessons.

As the Administration develops this performance management system, we are committed to taking the best of what works – in other governments, the private sector and recent Federal efforts – to create a new performance management system. This system will at the foundation of our efforts to improve the efficiency and effectiveness of the Federal government. In developing this performance management system, there are five key principles we will follow:

- 1) **Senior leader ownership of performance management process.** It is critical that senior agency leaders “own” the overall performance management process and their agency goals and measurements. Secretaries and Deputies will be charged with the setting of agency goals, will be held responsible for performance against those goals and their related measurements and will be expected to be actively engaged in all aspects of the performance management process.
- 2) **Cascading goals and measurements.** A clear line must link agency strategic goals and measurements to unit-level, program-level and ultimately individual targets. Unfortunately, few agencies have historically had agency goals cascade down to unit or program targets or understood how performance against specific program and unit goals resulted in success – or failure – against agency-wide objectives. Both linkages are critical to the functioning of a successful performance management system.
- 3) **Outcome-oriented, cross-agency goals and measurements.** Outcome-oriented goals and measures connect government agencies to their missions. Too often in the past targets have been internal and process oriented. Similarly, achieving broad

government outcomes often requires contributions from multiple actors across different agencies and often inside and outside of government. Goals and measurements must support coordination across these organizational boundaries. These must also reflect clear delineation of lines of responsibility, explicitly identifying who a “goal owner” is and what other organizations are expected to contribute toward a common objective. Similarly, a given unit’s measurements must reflect their differing contributions toward common goals.

- 4) **Relentless review and accountability.** As has been noted above, measurement has no value if it is not used by decision makers. Clear communication of progress against targets and frequent reviews of performance against plans are essential. These reviews must be performed at all levels of government, including program, unit and agency level reviews, as well as reviews by OMB and other components of the White House of overall agency performance. These reviews must be done on a regular basis, probably at least quarterly. Only this kind of relentless review process will result in performance management becoming ingrained into the culture of government.
- 5) **Transparent process.** Achieving important government goals requires the active engagement of the public, Congress, and the overall government workforce. Transparency plays a critical role in this engagement, promoting understanding of what we in the government are doing, stimulating idea flow and involvement of broader groups, communicating results and creating accountability for agency managers. Such transparency is therefore critical to the success of any Federal performance management system.

Using these five principles, we are committed to driving performance gains across the Federal government. This is an ambitious undertaking. However, we have already begun to move forward on several fronts.

Priority Performance Goals for Every Agency

In this year’s spring budget guidance to agencies, OMB asked every major agency to identify a small number – three to eight – of ambitious, outcome-oriented high priority goals which they intend to achieve in the next 12 to 24 months. Senior leaders are actively involved in this effort, including Secretaries and Deputy Secretaries. This level of involvement is a significant break from the past. We expect agency leaders to review their progress against their goals on an ongoing basis and OMB will monitor progress here also. At the same time, agencies are identifying goals, such as climate change and homelessness, which are a high priority for multiple agencies and require close collaboration.

Management Dashboards

Management dashboards have proven an effective means for succinctly conveying real time performance data in both the private and public sectors. In June, we launched the IT Dashboard, which covers all major IT projects across government. The IT Dashboard makes it possible to review cost and schedule variance for every major Federal government IT project. The dashboard also shows how each agency's Chief Information Officer has assessed performance. The IT Dashboard is already having an impact. As a result of this effort the VA, for example, put 45 over-budget or over-schedule projects on hold until it decides which to continue and which to terminate. We plan similar dashboards for other common government functions, including procurement, financial management, and personnel management.

Customer-Facing Performance Information

We have begun using dashboards not just to improve our administrative functions, but to serve agency customers. In June, the President charged Secretary Napolitano and the team at the United States Citizenship and Immigration Services (USCIS) to set up, within 90 days, a system that allows applicants to see their application status via web or email updates, how long each step in the process normally takes, and the speed of the applicant's case compared to other similar cases. The site went live on September 24, exactly 90 days after President's announcement and makes what had been a notoriously opaque process much more transparent. We are encouraging agencies to identify other service areas which can benefit from similar customer-facing systems.

Rigorous Evaluations

For certain types of programs, regular measurement is not sufficient. These programs require periodic in-depth evaluations to determine their effectiveness. On October 7th, OMB Director Orszag encouraged Federal agencies to request FY2011 funding to conduct significant evaluations in social, educational, and economic programs as well as begin to strengthen agency evaluation capacity. He also established an inter-agency evaluation working group and instructed all Federal agencies to make evaluations of program impacts readily available online.

Performance Leadership

Dr. Shelley Metzenbaum, who joined our OMB team a month ago, is leading our performance measurement and management effort. Among the Obama Administration's Cabinet and sub-cabinet appointments are several former Governors, state officials, and local officials, who have experience using performance goals and measures to drive government change. We are enlisting them and other interested officials across Federal agencies to work together as a vanguard for Federal performance management. They are developing real-time systems for measuring their performance and managing their agencies.

As we move forward, we are also identifying current performance management requirements and systems that do not meet these principles, and will either eliminate or streamline them. This will include making the Performance and Accountability Reports more useful by scaling back their hundreds of pages per agency per year.

OMB is also using performance measures, evaluations, and other relevant data about need and program context to inform budget decisions. The President's FY 2010 Budget proposed reduced funding or the termination of 121 programs that had not accomplished the goals set for them, that operated inefficiently, or that were unnecessary because the program objectives were being better addressed by another program. Agency goals and relevant performance information will also inform our FY2011 budget decisions.

As we undertake these efforts, we would like to work with the Budget Committee to make sure the information you receive from agencies serves you well. We look forward to partnering with you as we learn more about the Committee's performance improvement priorities. In particular, we believe you have a unique perspective for examining how the government can more effectively achieve broad goals through multiple programs that cut across agency and appropriation boundaries.

I thank the Committee for holding this hearing and for your belief in improving Federal performance. I look forward to working with you, with the other members of this panel, the newly formed Task Force, with Federal employees across the nation, and with our service delivery partners to accomplish this objective. Mr. Chairman and Members of the Committee, I would be pleased to answer any questions you may have.