



Broken Budgeting

A View of Federal Budget Making from the Trenches

Scott Lilly and Eleanor Hill

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Forward

Some time ago the Center for American Progress was approached about doing research on expanding the use of performance-based analysis in the federal budget-making process. In response we launched an initiative called, “Doing What Works.”

Budget makers look at a variety of data in reaching decisions about program and agency funding levels. Performance-based information is only one category. Another is known as output data, which measures how much activity took place but not necessarily how much was accomplished. Output data are used simply because measuring what was accomplished is often subjective and difficult to determine.

This problem surfaces, for example, in efforts to evaluate the Head Start program. Expensive long-term studies reach different conclusions about the impact that Head Start has on the underprivileged children who enroll. Even within the research community, there is disagreement about how the data should be interpreted. While those who make budget policy with respect to programs like Head Start are generally informed about this debate, they seek more concrete data showing year-to-year changes in Head Start activity. These data might include the answers to questions such as:

- How is the number of children enrolled in the program changing over time?
- How many instructional personnel are engaged in helping these children meet program goals and objectives?
- What are the trends in the educational preparation of program staff?

This is what is referred to as output data. While it does not answer the ultimate question that a policymaker would like the answer to, it does give them a sense of how much effort is being made with the funds provided to attain stated goals.

In many instances, policymakers are forced to rely entirely on output data. This may be because a program is too new to have been extensively evaluated or it may be because a particular program by law provides state and local government with

broad flexibility in determining what problems will be addressed under the program or the type of approach to be used in attacking the problem. And in a great many other instances, we lack performance information simply because no one has figured out what to measure or what those measurements ultimately mean.

Is the U.S. Border Patrol doing a better job when arrests of illegal border crossers go up or is it a sign of success that the number of illegal crossings appears to be going down? Furthermore, from the perspective of budget policy, should you cut funding for the Border Patrol if arrests are going down because they appear to need less staff or should you increase it because they appear to be doing a good job?

It is because budget policy staff in both the executive and legislative branches must rely heavily on output data for a very large portion of the decisions they must make that we directed one Doing What Works research project to review the information available to budget policy staff. Specifically, we decided to do what no one else appears to have done previously—interview such staff and get their perceptions about the following:

- What kind of information do you get in preparing budget recommendations?
- To what extent does information drive resource allocation decisions?
- What flaws do you see in the information that you work with in making budget decisions?
- What kind of information would you like to have that you do not have?

To conduct this research CAP asked me to partner with Eleanor Hill, a partner at the law firm of King & Spalding who had worked for many years as staff director of the Permanent Subcommittee on Investigations of the Senate Governmental Affairs Committee, and subsequently as inspector general of the U.S. Department of Defense. It was thought that the two of us would bring a variety of perspectives to the project, including experience in both the executive and legislative branches, both houses of Congress, and in both the authorizing and the appropriations processes.

Our task was to identify staff and policymakers in both branches who played key roles in the formulation and enactment of spending authorizations and annual appropriation measures and to interview them with respect to the questions raised above. The 32 people we ultimately spoke with consisted of a sampling of people who had long been part of the government culture of budget making and were in touch with a broad spectrum of budget professionals on a regular basis. We feared

at the outset that it would be difficult to obtain interviews with senior budget staff and policymakers; that they would be reticent to speak openly on sensitive matters and that opinions would be sharply divided based on institutional affiliations.

Virtually none of those concerns proved to be correct. A very high percentage of those who were asked to participate agreed to do so. For the most part they seemed appreciative of the opportunity to talk about issues that they found very troubling. Their comments were brutally frank and there was remarkable unanimity in the opinions expressed regardless of institutional affiliation. The interviewers promised all individuals who agreed to be interviewed that their names and identifying characteristics would be kept confidential in order to maximize the openness and candor of the discussions.

The formal interviews were completed in the fall of 2010 but a number of those interviewed were contacted for clarifications or further comments since then. Considerable time has been devoted since the interviews to conducting research into the history of budget reform and the implementation of various program evaluation proposals so as to provide a fuller understanding of the comments made by interviewees and give a broader context to those comments.

It is expected that the results of these interviews will be controversial. The results provide a sharp criticism of the management of the executive branch over the course of recent administrations and perhaps an even sharper critique of Congress over those same years, especially with respect to how Congress has handled its responsibilities for oversight and resource allocation. The interviewees paint a picture of a government that has become very top down in its management style—a government that uses the skills of its experts to justify decisions made by higher authorities rather than as resources for developing more intelligent policies.

Congress, which in earlier times often forced department heads and agency directors to document that they were proceeding based on well-founded information-based policy, has apparently lost the capacity to deal with the executive branch on that level of detail. While the budget justifications sent to Congress in support of department and agency spending requests have become far more voluminous, they for the most part contain less and less useful information. Interviewees confirmed that, in important instances, Congress is often not fully aware of the scope of activities for which requested funds will be used or the extent to which funded activities are truly effective.

In that context, the failure of the executive branch to identify and provide useful program information, and the failure of Congress to force a more thoughtful and deliberate process within the executive branch, seriously undercuts the integrity and effectiveness of the entire budgetary process. This paper details these two endemic problems in the federal budget-making process but does not propose any possible solutions. In the coming weeks, I will in the spirit of “Doing What Works” publish a second paper offering a number of possible remedies to the problems identified in these interviews.

—*Scott Lilly, Senior Fellow, Center for American Progress*

Introduction

Improving the decisions that are made in constructing the annual federal budget has been a central goal of reformers in this country for at least a century and a half. Major reforms were implemented in the late 1860s, with the creation of the congressional appropriations committees to debate and approve all government spending, independent of the congressional committees that authorize the spending. In 1921 the passage of the Budget and Accounting Act established the executive branch budget process, and in 1974 the passage of the Congressional Budget Act created a mechanism by which Congress could attempt to improve the coordination between tax policy, discretionary spending, and entitlement spending.

The 1974 act has been amended repeatedly since it first became law. It has been widely criticized as a failure but there is a divergence of opinion as to what changes would be necessary in order to make it effective.¹ Both the Clinton and George W. Bush administrations undertook major executive branch initiatives to require large-scale standardized data reporting by agencies, which they argued would improve the information available to those charged with allocating government resources. As we undertook this research project, the Obama administration was just putting together its own plans for revising the requirements for how federal agencies collect and report data used in budget preparation.

It is in this context that we conducted the research described in this paper. While many of those demanding reform were arguing that government should be run more like a business, we noted that no one had done what the gurus of private-sector management reform advocated—people such as W. Edwards Deeming and Peter Drucker, who championed objective-oriented, performance-based management, based on detailed information about the operations of business gathered from the employees of firms.

In short, the promoters of business practices in government had not walked the federal government’s equivalent of the plant floor and sought the advice of its production workers.

We decided that information should not be left untapped. We sought out the perspective of those who had hands-on, everyday experience in analyzing federal program objectives, measuring program performance, and determining how available resources should be divided among competing government priorities. Specifically, we wanted to know what role information played in their decision making, what information they used, how they evaluated that information, and what additional information they would like to have.

The group we selected to speak with had a wide range of experience in government budgeting. There was a total of 32 people, the large majority of whom were currently employed as budget professionals in either the executive or legislative branch of government. A few were recent retirees. Among the interviewees within the executive branch, some were at the agency level, others at the departmental level, and still others were at the Office of Management and Budget, which oversees the executive branch budgeting process. Among those in the legislative branch, some were employees of the House and others employees of the Senate. The group included staff from authorizing committees, as well as the appropriations committee, and from the Government Accountability Office, the investigative arm of Congress. Also included were two members of Congress with significant roles in oversight and budget.

Most of the budget professionals had played multiple roles during their careers. Six had, at some point in their career, been at the Office of Management and Budget, while 19 had served at some point in a departmental budget office, and 13 had been in an agency budget office. A total of 22 had worked at one time or another for Congress. Altogether the group had more than 600 years of government service in the field of budgeting. The interviewers promised all individuals who agreed to be interviewed that their names and identifying characteristics would be kept confidential in order to maximize the openness and candor of the discussions.

We found the interviewees to be an impressive group of individuals. By and large they displayed an extraordinary breadth of knowledge, and nearly all of our interviews provided us with numerous penetrating and thoughtful insights. For the most part, these individuals were nonpolitical. Most, in fact, had careers that, over time, required them to work for leaders in both political parties. While they dealt with the federal budget from a variety of institutional perspectives, they saw the evolution of the process by which the government makes spending decisions in ways that were remarkably similar.

This paper presents their view of the federal government's "factory floor" and "production processes." It is not a pretty picture.

Deterioration and distress

Clearly the most disturbing aspect of the interviews we conducted revealed the very strong sense conveyed by a large majority of those we spoke with that the system by which government makes decisions on resource allocation has seriously deteriorated over the past decade or so. Many intimated that the portion of the system they dealt with was bordering on dysfunction.

One departmental budget director stated that he felt his system was “collapsing” around him. He said that the department’s planning and evaluation staff had been whittled away by budget cuts over the years, seriously reducing what was known about the performance and effectiveness of various programs within his department. Equally destructive, he argued, were the onerous and useless data reporting requirements that consumed the time of the small staff that remained.

A former senior employee at the Department of Defense’s Office of the Comptroller told us:

The real problem stems from the lack of real rigor in the process. The department is renowned worldwide for the Planning Programming and Budgeting System [a budgeting system created at the department in the 1960s]. Every country in the world wants to model it, and we keep screwing with it and making it worse. Every time we mess with it, we make it worse than it was before, and usually we make it easier for people to get around it.

Another perspective on that department came from an individual who had worked on defense budget accounts at both the Office of Management and Budget and on Capitol Hill:

If you didn’t provide bonuses, if you didn’t do XYZ, you weren’t supporting the troops. That mentality undercut the need for analyzing programs and managing them effectively. Fiscal discipline went out the window. In addition, we were doing five bills a year. We weren’t built to do that. You are asking people to do bills every

two months. Analysis simply goes out the window. [Former Secretary of Defense Donald] Rumsfeld and crowd totally broke down the Planning Programming and Budgeting System so that it became dysfunctional. Everything was ad hoc.

An individual who had worked in a number of Pentagon budget offices, as well as on the Hill, told us:

We have changed the structure of the accounts; we have added a quadrennial review. Every service now has a perpetual staff that works for four years to make sure that they will not lose one dime in the next review. We went to a two-year budget process—we did that twice or three times. We are into continual change, but what information are we getting? The process is top-down. There is no bottom-up. There is no accountability. You have just created data, mountains and mountains of data, but there is no information, and there is nobody there using information.

A Hill employee who is a veteran of the Defense Department's Comptroller's Office said that a dramatic decline occurred in the quality and experience of personnel in that office during the previous decade. According to this individual, the average tenure of the staff dropped from 18 years to 13 months, and that change took place in a period of only five years.

A current senior Pentagon official conceded:

We do make an incredible number of decisions based on a frighteningly small amount of information, two lines on a power point, and some of these things can be large, hundreds of millions even. There is an attempt to muster information.

A senior budget official at one of the largest government departments dealing with domestic issues said:

My frustration is that it seems almost overwhelming to make the right decision on how you allocate scarce resources. The president does a discretionary freeze, and that number is not necessarily realistic—it may be or may not be. It is hard to get out of just repeating last year. I am working all the time, but I am not finding those answers. [The departmental evaluations staff] have some really smart people. They are obviously studying issues that relate to our programs. They should inform the budget process. They don't! We are too tied up on too many other issues with too many people directing the process.

In the past, the appropriations committees played a central role in forcing agencies to disclose how they had used the funds that were appropriated to them and how they planned to use the new funds they were requesting. But the committees seem to have become markedly less forceful in their ability to make and enforce such demands. One appropriations committee member told us:

When I came here, members didn't have to go down to party headquarters every day and dial for dollars. Now they do. Polarization and partisanship make the House a very different institution. If an agency knows that the members have the time and staff has the time to dig into their operations, they're going to be a little bit more responsive. Now they don't have to be. Members have no time to dig in. ... [they are not focused] on niceties of program performance when busy wrestling alligators.

Use of information

A concern expressed by budget-process reformers outside of government is that the current process is not sufficiently based on information—in particular, information regarding program performance. If that is true, an explanation might be that those in government who make such decisions are not competent in collecting and analyzing such information, or that they allow other considerations—such as parochial politics—to become the dominant consideration in congressional, agency, or departmental budget decisions. This concern—that the role of parochial politics outweighs the use of relevant information in congressional deliberations—is not only held by those outside of government but also by many executive branch officials.

We found some evidence to support this notion, but we also found evidence that this view is greatly overstated. Based on the interviews we conducted, budget professionals in both the executive and the legislative branches are by and large avid consumers of information about the programs they fund and the performance of those programs. When possible, they make funding decisions based on such information.

That does not mean that all decisions are based on evidence and information. Useful information may not be available, or, in some cases, other factors or priorities may affect the funding decision. One Senate staffer told us:

If it's a pet priority of a member, then they are going to do it regardless of the data. I think we would all feel better if the decisions we were making on funding were grounded in better information, but I think they are not partly because that's part of the political process that people have an agenda, and then also too often good information is lacking.

A colleague of his, who had staffed a separate subcommittee, said:

Many decisions are made based on who is asking. That is not a function of information. But in the broader scheme of things, the chairman's threshold for

decision making is low. He relies on his staff to make 95 percent, 96 percent, 97 percent of the decisions. And those decisions were made based on information.

Another House staffer, whose career was spent largely as a career civil servant in a departmental budget office, made recommendations to the subcommittee chairman that were all based on the best information available to the staff. According to the staffer, all of those recommendations had been included in the legislation reported by the committee without change.

Based on our interviews, information plays an important role in congressional decisions about spending. While some provisions of those bills are based on political imperatives rather than information about programmatic needs or performance, it appears that most provisions within a given appropriation measure reflect information collected and analyzed by staff who usually have lengthy professional backgrounds in evaluating programs. As a senior staffer at the Office of Management and Budget described his congressional counterparts to us, “We are all cut from the same cloth.”

The individuals we interviewed relied on wide array of sources to get the information necessary to make decisions on resource allocation. These included:

- Agency budget justifications
- Formal program evaluations performed for the government by outside contractors
- Government Accountability Office reports
- Departmental inspector general reports
- Outside experts
- Agency personnel
- Reports and analyses commissioned from the National Academy of Science

Based on the individuals that we interviewed, all seemed committed, well-trained, and reasonably current in terms of their knowledge of major program evaluations related to the spending accounts for which they were responsible.

Quality of information

Despite the wide array of sources of information, none of the people we interviewed felt that they had the information that they should have to best perform their job. They cited a variety of reasons for this. One Hill staffer stated that he

was unable to get basic facts from one executive branch department for which he was responsible because the executive staff themselves had been unable to collect those facts. This staffer, from a major authorizing committee, said, “The hardest thing we do is getting accurate information,” citing the impact of departmental “agendas” and the need for more objective information.

Other government officials with a broader portfolio said that the quality of information varied widely across government agencies. Repeatedly, the intelligence agencies got the worst reviews. One staffer reported that it was not uncommon to get budget documents from the intelligence agencies that contained columns of numbers that added to totals different from the totals contained in the documents.

Many complained that agencies were deliberately withholding information. An Office of Management and Budget official, for example, described the department he dealt with as “not even trying to be honest, just trying to get more money.” While some in the executive branch disagreed, others indicated information had been withheld increasingly in recent years, despite warnings from agency and departmental budget staff that the consequences could be disastrous. One departmental budget officer stated that the transparency of budget and performance data communicated to Capitol Hill had declined markedly in the past decade.

Indeed, Department of Defense budget staff told us there had been a serious decline in the level of information shared with Congress—a decline that they largely attributed to Congress’s unwillingness to be more demanding. A staffer from a major authorizing committee complained that, as a result, “Congress is losing the power of the purse.” Compounding the problem, said one former Hill staffer, who had also been a senior official at the Office of Management and Budget, is that Congress had better access to Defense Department information than was available to the Office of Management and Budget.

The issue of time

No issue came up more often in the interviews than the question of time. Without time, budget staff cannot demand the information necessary to make intelligent decisions, and without time, they cannot read and analyze such information even when it is made available. Several factors have seriously eroded the time available to government staff for engaging in information-based budget decisions.

Chaos in the budget cycle

Perhaps the most frequently mentioned of these is the chaotic nature of the budget process that has evolved over the past decade and a half. For decades there was a very regular rhythm to the government's budget decision making. After 8 to 10 months of weighing options, the executive branch would send a budget request to Congress in January. That request would be followed by several months of fairly intensive hearings. By May the House Appropriations Committee would start reporting bills to the floor of the chamber. By the end of June, nearly all of the dozen or so appropriation bills (the number has changed over time) would have been passed by the House, and in July most would have moved through the Senate.

If all went well, conference committee agreements between designated House and Senate committee members were reached in September or early October. That left three important months for the in-depth review of problem agencies or rapidly growing programs. That time period gave staff and members a solid informational background around which to plan and focus the coming round of hearings on the key problems facing each agency.

That system fell apart for several reasons. Increased partisanship in the House limited the ability of the Appropriations Committee to build the broad consensus necessary for expeditious consideration and adoption of annual spending legislation. More importantly, growing partisanship in the Senate resulted in the more frequent use of the filibuster—even when the bill in question was not particularly

controversial. In recent decades, a bill can often be blocked from consideration if a senator simply notifies the leadership that he will not cooperate in the procedural motions needed to bring legislation to a final vote.

By the early part of the past decade, Senate leaders of both parties became unwilling to give up enough time on Senate floor calendar to allow consideration of more than a handful of the annual appropriation bills, due to threatened filibusters. Action on those bills was often delayed until a few weeks before adjournment—usually in December—when the Senate would insist on an omnibus bill or a series of omnibus bills containing appropriations never considered under regular order on the Senate floor.²

Another change that greatly reduced the time of budget professionals in both the executive and legislative branches for obtaining and examining information on programmatic needs and performance was the decision of the George W. Bush administration to fund what came to be known as the “global war on terror.” The war was funded through supplemental appropriation measures, which resulted in Congress simultaneously struggling to pass the regular appropriation measures alongside massive requests for additional spending that often included not only funding for the wars in Afghanistan and Iraq and other antiterrorist operations but also money to address a variety of domestic needs.

Between 2001 and the beginning of 2009 (before the consideration of the American Recovery and Reinvestment Act of 2009), more than \$1 trillion was appropriated outside the annual appropriation measures—about 10 times the amount considered in such measures in the previous eight-year period. A Senate staffer told us:

With the wars, there is always a supplemental coming around the corner. That meant that there is always an opportunity [for someone in the process to advocate] for more money, and so you are always getting sucked into it in one way or another. That is an extremely important point.

A Hill and former Department of Defense employee (who we previously cited with respect to the rapid pace of personnel turnover in the department Comptroller’s Office) pointed out that the chaotic process generated by repeatedly funding huge chunks of government activity through supplemental appropriations affected the executive branch, as well as Congress. According to this individual, the unending workload for defense budget analysts was a key factor in why so many left government service.

Earmarking

Another factor was the practice of earmarking. While Congress seriously curtailed earmarking in 2009 and eliminated it altogether in 2011, the explosion that took place in the practice between 1995 and 2009 had a powerful impact on both the desire and capacity of Congress to perform oversight and demand the information necessary to engage in oversight. While the practice of earmarking has vanished, its effects appear to linger.

In 1995 many of the 13 appropriation bills contained no earmarks at all, and the practice was fairly limited even in bills where earmarks were allowed. In the late 1990s the practice exploded. Subcommittee staffs that had no earmarks to deal with in the mid-1990s were dealing with as many as 10,000 member requests for earmarks by 2004, with more than 1,800 such requests included in the final legislation sent to then-President George W. Bush.³ This consumed a huge portion of the time previously spent weighing program performance and conducting agency oversight.

One staffer, who had recently served on two separate subcommittees heavily impacted by the growth of earmarking, characterized the problem as follows:

The biggest single problem [with] the proliferation of earmarks is not ... the wasting of money [on the earmarked project] but the complete drain on the attention of staff and members. You could be seriously reviewing more than 1,000 separate earmarks on a single subcommittee. It is a tremendous drain on staff time, and as the process evolved, projects drove out programs. At one time members were interested in programs. Now the question is, "What did I get?" So much of their attention has shifted from "What does the bill do?" to "What did I get?"

Another appropriations staffer told us:

There is no question that ... earmarks are so far out of hand, the sheer numbers of them, and the concern of members—there was a time when members asked about programs. They don't anymore. No one off the subcommittee will ask a single question about even things I would think they genuinely care about. They feel they got whatever—\$10,000 or \$100,000 in earmarks that are far more important than a billion-dollar program in that bill. When they come and ask you what is in the bill, that is what they are asking about. And that is a sea change.

A Senate staffer told us very much the same thing:

It's unfortunate that a lot of the time, that is what so many members care about. We would like to hear about members' programmatic priorities, but too often they only care about earmarks.

The high cost of poorly conceived experiments in performance-based budgeting

While the legislative branch was sacrificing opportunities to make informed budget decisions because of its obsession with earmarking, the executive branch was, according to many of our interviewees, squandering budget policymaking resources on other misguided initiatives. Ironically, the executive branch missteps grew from efforts specifically aimed at improving the quality of information available to federal budget makers.

The first came in the 1990s. Vice President Al Gore referred to this effort as “reinventing government.”⁴ As that effort was underway, Congress passed the Government Performance Results Act, which, among other things, was intended to hold government accountable by measuring program performance in terms of achieving program goals. The second misstep was introduced during the administration of President George W. Bush and labeled the Program Assessment Rating Tool by his budget director, Mitch Daniels. The tool was intended to improve agency planning under the Government Performance Results Act by systemically linking performance-based measurements mandated under that law with the budget process.

We were stunned by the almost universal negativity with which both efforts were viewed by the budget professionals we interviewed in both the executive and legislative branches. A senior evaluation expert working for the executive branch at the departmental level told us that any effort to measure performance is more complex than either of these initiatives recognized. The expert said neither program recognized that the Office of Management and Budget-level functionaries directing the data collection and reporting needed to build a consensus among stakeholders, including program managers, about what was to be measured and why:

What do you measure? What do you think you have learned from the things you measure? One of the problems is that we measure a lot of things that the people who actually run the programs don't particularly care about. They are not the way that they measure their own performance, and so they don't manage to those measures. They report the measures, people yell at them about those measures, but

they are not the thing that they care about. They have every incentive to make the measures trivial and uninteresting and unimportant because, as far as they are concerned, it is pure make-work, and they don't really use them. And so it is set up as a tension. We would like to start out organically and say, "What do we need to know to determine if the organization is working well?" But we can't do that.

This individual also stated that performance-based reporting measures required by the Office of Management and Budget were, in reality, not associated with the achievements of the program or lack of achievements of the program that they were supposed to help evaluate:

There is a big push to go to measures that are broad and are outcome-based, even when it is unrealistic to imagine that the program could achieve those outcome-based objectives. Even if those things happened, it would be random.

A congressional staffer with responsibility over the budget of a group of health programs amplified that exact point with specific examples:

One program has the long-term objective of increasing the number of women who get mammograms every two years. Another is to reduce per-capita cigarette consumption in the United States, and another is to increase the number of people screened for diabetes. But women are getting mammograms independent of this program; there are a lot of factors affecting cigarette consumption besides one small program; and the same is true of diabetes. Are we assessing the success of this program, or are we assessing the health of the United States? Is this program yielding that result? Is there any correlation between that trend and expenditures for this program?

The executive branch evaluation expert concluded:

There is a real misunderstanding between a management measure, which is something that you do control and could be held accountable for, and an outcome that very much depends on other things going on in the world. Even if [the program] were operating on a large scale, there are a lot of things out there that you would want to be controlling for before you would want to attribute these numbers to the success or failure of the program. So on the one hand, OMB has this big interest in randomized trials and doing everything from an evaluation perspective very elegantly, and, on the other hand, they

want very global measures that we can be held to, but these two things are diametrically opposed to one another, these carefully controlled studies compared to these very broad outcome measures.

In September 2002 Office of Management and Budget Director Mitch Daniels appeared before the House Oversight and Government Reform Committee and stated:

Nearly 10 years have passed since the Government Performance and Results Act was enacted. Agencies spend an inordinate amount of time preparing reports to comply with it, producing volumes of information of questionable value.

While Daniels may have correctly seen the folly in the law, he did not relax reporting requirements, and the initiation of the new Program Assessment Rating Tool (his contribution) merely layered more make-work on top of what was already required. According to those we interviewed, agencies suffered under not one but two separate burdensome, costly, and time-consuming data-collection requirements that contributed little or nothing to either the management of programs or the ability of budget policymakers to improve their decisions. In addition to the hundreds of millions of dollars—or perhaps more—spent in paying the salaries of those charged with collecting this largely useless data, we were told that there were other major costs to the government as a result of these perhaps well-intended but misguided initiatives.

First, this so-called performance data was drowning both branches of government with paper and obscuring, if not replacing, information that was relevant to better management and resource allocation. A senior federal budget expert at the Government Accountability Office told us this:

One thing that was very clear to me was that you break the system by overwhelming it with demands so that instead of concentrating on the congressional budget justification, the agencies were responding to slicing and dicing, and we are going to do things for PART and Performance and, oh yes, we have to do a congressional budget justification. We are expecting cutback after cutback. If you look at the laundry list of things the agencies are expected to do for the 2012 budget and at the same time cut back 5 percent or more than that, and none of the things that I see on that laundry list are necessarily things that agencies would pick as a priority.

For a great many decades, the congressional budget justification was the principle tool in the annual appropriation process for weighing the needs of particular agencies and the programs within those agencies. Its contents had been negotiated over many years in repeated confrontations with the relevant committees of Congress. Various tables reflecting staffing levels, grant awards, contract activity, and expenditures for each discrete activity within the agency were included. Measures deemed relevant to output and performance were required, and the relevance of those measures to the agency's performance were discussed at length in the annual hearing on the agency's budget request.

The Government Accountability Office noted this in a 2005 report:

Most congressional committee staff we spoke with did not find either the PART information or the way it was communicated suited to their needs. Many had concerns about the usefulness of the goals and measures OMB used to assess program performance and some questioned the "units of analysis" used for the PART as well as the design of the tool itself.⁵

Some might describe that language as understatement. Congress had been complaining for some time about the reams of so-called performance data that was clogging the flow of information necessary for budgeting and oversight. Much of that data was viewed not only as useless but also as being sent with the direct intention of overloading the system and obscuring information from Congress that the executive branch did not want Congress to have. In 2004 those complaints reached the boiling point when the House Transportation and Treasury Appropriations Subcommittee (which, at the time, also funded the White House and the Office of Management and Budget) inserted extraordinary language in the report accompanying annual appropriations:

Many of the detailed tables providing breakdowns of requested funds by activity or by office have been discontinued. Discussions of specific increases and decreases to prior funding levels have been minimized or eliminated, along with breakdowns of changes in staffing levels. In the place of critical budget-justifying material, the Committee is provided reams of narrative text expounding on the performance goals and achievements of the various agencies. This requires the Committee to expend unnecessary effort to get the information it needs, and to weed through mountains of information unrelated to the budget in the hope of finding something useful. ... performance-related information may be submitted under separate

cover. ... if the Office of Management and Budget or individual agencies do not heed the Committee's direction, the Committee will assume that individual budget offices have excess resources that can be applied to other, more critical missions.

The subcommittee took the further step of cutting the budget requested by the Office of Management and Budget for the following fiscal year by nearly \$9 million, or almost 12 percent, during a period in which the White House and the House of Representatives were both under Republican control.

By 2010 there appeared to be little notable improvement in the quality of most agency justifications. The staff of a separate subcommittee identified one agency under their jurisdiction as an example of the problems they faced in getting the information needed to perform the committee's due diligence on the programs they were supposed to fund:

I am struck by how little useful information the committee now gets in making funding decisions. We are getting more and more pages. There has certainly been no decrease in the number of pages. But the amount of useful information is really very little. This agency is a pretty good example. We appropriate excess of \$10 billion each year.

Look at the justification, and see if you can figure out how they spend their money. You've got a lot of talk about performance measures and objectives and all kinds of stuff that fills up pages, but what do they do with that operating money? I know that they have field offices; they have hearing judges; they have a huge information technology budget; but how much do they spend on those items? How much have those expenditures grown? Where is the growth concentrated? We are dealing with a \$10 billion black box.

Generating massive amounts of virtually useless information had one other consequence. It exhausted the capacity to conduct program evaluations at the agency and departmental level even when the Congress, agency heads, or departmental program evaluation staff felt such evaluations were needed. One interviewee expressed the problem as follows:

If we said to our evaluation staff, "I want to know, these 20 programs that we are running, we really have no sense, are they doing any good? What would be the closest we could come—going cheap and cheerful, not out to contractors, not to get the absolute dispositive answer—just tell me, does this look like it is working or not?"

And then I can say to somebody, "You know, this doesn't look like it is working. Show me why do you think this is working?" And maybe he will say to me, "No, you haven't done a good enough study. Here you really need a two-year study. You need to go to a contractor and do it properly." And that is OK. That is the right way to go sometimes.

But the key is to do some research up front. We don't do up front! You can't do up front when you are locked into the very standardized kinds of requirements like those contained in the Government Performance Results Act.

Top-down government

For 132 years the president played almost no role in determining the spending levels of the various departments and agencies under his direction. Each agency would determine how much funding it wanted for the coming year, and it would go directly to the Congress to seek appropriations without consulting the White House. The Budget and Accounting Act of 1921 created, for the first time, a method of reviewing and coordinating executive branch budget requests before they were sent to Congress. That function was entrusted to the Bureau of the Budget, which was not placed under the direct control of the White House or the president but delegated to the Department of Treasury.

President Franklin D. Roosevelt was able to move the bureau to the Executive Office of the President in 1939, and in 1970 the bureau was given management authority, as well as budgetary authority, over the various departments and agencies of the executive branch. Eleven years later another dramatic change took place. President Ronald Reagan's new budget director, former Rep. David Stockman (R-MI), was charged with making massive reductions in the domestic side of the federal budget. He apparently ran the newly named Office of Management and Budget with little consultation and in much the same way he had managed his congressional office.

The book, *Inside OMB: Politics and Process Inside the President's Budget Office* by Shelley Lynne Tomkin and Stephen Wayne, describes the transformation:

It became evident that Stockman already had a clear vision of what he wanted to accomplish. Since the [Reagan] administration had determined that reduction of domestic programs was to constitute a central priority, policy and policy development in OMB became top-down as opposed to bottom up, and policy guidance from OMB's political appointees became increasingly more specific. This change in OMB's communications dynamics was one of the most striking institutional reversals ... a trend had been set in motion for budget examiners

to be used to justify or fill in details on decisions that had already been reached by political appointees rather than to provide advice and information to support decision making in progress.

Don Moran, a legislative aid to Stockman while he served in the House and a deputy to him at the Office of Management and Budget, described the process to *Chicago Tribune* reporter Bill Neikirk:

“Top-down” budgeting meant that the budget office wrote the budgets for the departments. Budgets were literally shoved down the throats of the departments; they could appeal to the president, of course, but they were seldom victorious.

One of our interviewees, who had spent most of his career at the Office of Management and Budget, witnessed this period as a young budget officer at the Department of Health and Human Services. He told us that his boss at that time, HHS Secretary and former Sen. Dick Schweiker (R-PA), despite having just been appointed to “run” the department by President Reagan:

... had to read about the HHS budget in the paper. Stockman gave him nothing. He just was pale. He couldn't believe this was happening. But it happened. ... ever since 1981 the ability to have ... government where your creative governing was happening at departmental levels disappeared, and it has never come back. It is all top line. You go fit your policy into this number. In my mind cabinet government where your creative governing was happening at the cabinet level disappeared in 1981, and it has never come back.

Thirty years later “top-down budgeting” is an issue of serious concern to most of the people we interviewed. Most felt it was a serious impediment to the flow of accurate information. Some indicated that the executive budget process has become more of an exercise aimed at justifying decisions made at a higher level—without the benefit of complete information—than one that attempts to produce quality information upon which the best decisions can be made.

One appropriations committee staffer provided an example of how a top-down budget process corrupted the information necessary for rational resource allocation. According to this staffer, by the fall of 2009 the chairmen and ranking members of the Commerce, Justice, and Science subcommittees of the House and Senate Appropriations committees had reached the end of their rope in dealing with the U.S. Bureau of Prisons. It seemed the bureau was clueless in anticipating future-year

expenses. The previous summer, the two subcommittees had been forced to appeal to their respective leaders to have \$178 million added to an emergency supplemental spending measure to take care of unanticipated medical care and utility expenses. In addition, they were forced to divert \$109 million that had been appropriated to other Department of Justice programs to deal with the shortfall.

Further, the House and Senate appropriation subcommittees had to take \$160 million out of other priorities in their 2009 appropriation legislation to fund an anticipated shortfall in the bureau's budget for the coming year. The two Democrats and two Republicans signed a joint letter to the Government Accountability Office demanding that it get to the bottom of these perpetual budgetary shortfalls.

After a great deal of back-and-forth between the Government Accountability Office, the Department of Justice, and the budget office of the Bureau of Prisons, it was determined that the problem had been going on since at least 2004. But contrary to what some had suspected, it was not a failure in agency-level number crunching. The House Appropriations staffer explained:

It turns out that the Bureau of Prisons is remarkably accurate at estimating what the prison population is going to be ... [but] they are so used to OMB manipulating their request that they have stopped figuring out what a decent relationship is between the population and [the amount] they are requesting. They just don't even ask for it anymore. ... my sense is they are told what their number [budget request in dollars] will be. They build a story based from that number. They still go through the process of figuring out what the population is, but we can find no mathematical correlation between that number and the request.

This particular incident came to light because there was simply no way to finesse the shortfall. The Bureau of Prisons has to process and incarcerate the convicts that the courts sentence. There is very little that it can do to control costs. Its budget is not based on what those costs are expected to be, but rather on a number that someone at the Office of Management and Budget want the costs to be. In the end, the taxpayers had to pay the bill anyway, through emergency appropriations.

The incident provides disturbing insight into how little impact cost and other relevant information often has in the allocation of resources in the current executive budget process. The chief budget officer at one executive branch department described his Office of Management and Budget counterparts as:

Bright people—but superficial. They don't understand programs like they should. They have become more difficult to deal with. They have very little expertise but want to tell us what to do.

His counterpart in another department said much the same thing:

The other issue that I find that is ridiculous is that you have someone on the Hill ... and someone at OMB, you know these young kids, who are making a lot of these decisions that don't have a clue.

While top-down decisions about annual budget levels seemed to be at the center of this controversy, some of the budget professionals we interviewed also raised objections to the increasing workload placed on them and their staffs. Some attributed the increased workload not only to Office of Management and Budget directives but also to departmental political appointees for reasons they considered largely political and self-promoting. One departmental budget officer commented:

There has been a dumbing down of analytic and intellectual capabilities. Knowledge of how government works has deteriorated. People here think in terms of press releases. They announce things before they figure out how to implement them. There are more and more political appointees, and they are not concerned with executing.

The negative feelings were not limited to career civil servants. One political appointee in a very senior departmental position requiring Senate confirmation referred to the people she dealt with at the Office of Management and Budget as “the young punks that think they know everything.”

Looking for perspective

Our interviews with these 32 budget professionals from across the executive and legislative branches were conducted in the spring, summer, and fall of 2010. A number of important things have changed since then. The Obama administration announced in the spring of 2009 that it would discontinue the Program Assessment Rating Tool. It has also announced an initiative to reform the performance evaluation requirements of the Government Performance Results Act. It is too early to determine what impact those reforms will have.

Congress has also made numerous reforms and reductions in earmarking, concluding with a complete abandonment of the practice in 2011—at least for the time being. The chairmen of the House and Senate Appropriations committees—Rep. Hal Rogers (R-KY) and Sen. Daniel Inouye (D-HI)—were able, against considerable odds, to break the impasse and pass a FY 2012 omnibus appropriation bill this past December, giving appropriations staff more time to focus on problem programs and agencies in their respective bills.

It is not clear yet whether this will lead to a greater emphasis on program evaluation and oversight. A cursory review of departmental budget justifications, however, does not give promise to the possibility that either the executive branch has willingly moved to providing more reliable and useful information or that Congress has accepted its responsibility to demand it. As one of the people we talked to at the Government Accountability Office observed:

One of the things that I remember when I was at OMB, I remember when I was at an agency, you didn't mess with appropriators. I was astounded with the Bush administration and their blatant disregard for an extremely important document, which was the congressional budget justifications.

It is not clear that many of the current members and staff of the appropriations committees are even aware of that heritage, much less have the grit to demand the information they have a responsibility to possess and to actually sit down and read the information when they get it.

There is also little evidence of improvement in the acrimony our interviews uncovered between departmental and agency budgetary personnel and those who direct them from the White House and the Office of Management and Budget. As one career staffer at the Office of Management and Budget told us, “No one runs for president on the platform that government is working.”

One can imagine presidential candidates representing a wide spectrum of political philosophies promising, “When I am elected, I am going to reform government, I am going to spend money where it does the most good—I am going to run government like a business.” But what does that mean? Is that in fact a good idea? Do the challenges faced by government require different management strategies—and different evaluative tools—than those used in private-sector organizations? Does running government similar to a business imply the kind of top-down hierarchical management structure that the interviewees in this paper indicate they live under?

Certainly the gurus on modern business management would take strong issue with such a system. The views of W. Edwards Deming, sometimes referred to as the “messiah of management,” were summed up in his *New York Times* obituary:

[He] urged American corporations to treat their workers as associates rather than adversaries ... Mr. Deming’s theories were based on the premise that most product defects resulted from management shortcomings rather than careless workers, and that inspection after the fact was inferior to designing processes that would produce better quality.⁶

Peter Drucker, another leading figure in 20th-century management reform, taught that people are an organization’s most valuable resource. Drucker believed “the more knowledge-based an institution becomes, the more it depends on the willingness of individuals to take responsibility for contribution to the whole, for understanding the objectives, the values, the performance of the whole, and for making themselves understood by the other professionals, the other knowledge people in the organization.”⁷

In short, your workforce is your eyes and ears. They inform an organization of the changing environment in which it operates, the changing demands being placed upon it, and the changing resource requirements needed to meet its goals.

By contrast, we found no evidence that the very critical views of those we interviewed, which they were quite willing to share with us, had been considered in past budgetary reform efforts. Two persistent themes were clear in the interviews:

- Government budget professionals have not, for some time, had the information they believe they need to make reliable, rational, and well-informed funding decisions.
- Years of experience with funding decisions under numerous administrations and congresses have made these professionals highly skeptical about the budget process.
- Such strongly held views and frustrations should, at minimum, be used to inform and enlighten the next generation of budget reform efforts.

About the authors

Scott Lilly has served as a Senior Fellow at the Center for American Progress since 2004. Prior to that, he worked for 31 years with Congress, where he served as staff to both the House Appropriations Committee and House Budget Committee. In 1985 he became executive director of the Congressional Joint Economic Committee, and in 1988 he became executive director of a congressional in-house think tank known as the Democratic Study Group. He left that position in 1994 to become clerk and staff director of the House Appropriations Committee and served as minority staff director on that committee from 1995 to 2004. Since coming to the Center for American Progress, he has authored more than 150 reports and opinion pieces on topics ranging from legislative process to the economy, the firing of U.S. attorneys by the Bush administration to oversight of government contracting.

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Endnotes

- 1 For a samplings of views on the Congressional Budget Act and approaches to reforming it, see: "H.R. 114 — Biennial Budgeting and Appropriations Act of 2011," available at http://rules.house.gov/Legislation/hearings_details.aspx?NewsID=692 (last accessed July 2012).
- 2 Scott Lilly, "From Deliberation to Dysfunction, Its Time for Procedural Reform in the U.S. Senate" (Washington: Center for American Progress, 2010), available at <http://www.americanprogress.org/issues/2010/03/pdf/filibuster.pdf>.
- 3 Minority Staff of the House Appropriations Committee, "Grand Old Porkers" (November 2003), p.9–2. XX NOT SURE WHAT THIS IS SO NOT SURE HOW TO CITE? XX Calculations in that report were based on counting the number of earmarks listed in the Appropriation Bill that passed Congress. See: "Making Appropriations for Agriculture, Rural Development, Food and Drug Administration, and Related Agencies for the Fiscal Year ending September 30, 2004, and For Other Purposes," available at [http://thomas.loc.gov/cgi-bin/cpquery/R?cp108:FLD010:@1\(hr401\)](http://thomas.loc.gov/cgi-bin/cpquery/R?cp108:FLD010:@1(hr401)) (last accessed July 2012).
- 4 This description was lifted from the name of a book published in 1992, *Reinventing Government, How the Entrepreneurial Spirit Is Transforming the Public Sector*, by David Osborne and Ted Gaebler.
- 5 Government Accountability Office, "Performance Budgeting: PART Focuses Attention on Program Performance, but More Can Be Done to Engage Congress," GAO-06-28, Report to the Chairman, Subcommittee on Government Management, Finance, and Accountability, Committee on Government Reform, House of Representatives, October 2005, available at <http://www.gao.gov/products/GAO-06-28>.
- 6 John Holusha, "W. Edwards Deming, Expert on Business Management, Dies at 93," *The New York Times*, December 21, 1993, available at <http://www.nytimes.com/1993/12/21/obituaries/w-edwards-deming-expert-on-business-management-dies-at-93.html?pagewanted=all&src=pm>.
- 7 Peter F. Drucker, *The New Realities* (Portsmouth, NH: Heinemann Professional Publishers, 1989), as quoted by "Drucker in Practice," available at <http://www.druckerinpractice.com/quotes.aspx> (last accessed July 2012).

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- Building a foundation for smarter decision-making by enhancing transparency and performance measurement and evaluation

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