

### **BUDGET: Report Card Anxieties**

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For years, critics have been saying that something is missing from the Office of Management and Budget. To put it bluntly, the agency is doing only half its job, they argue. Annual budget wars between Congress and the administration have become so bloody that the management side of OMB's ledger has been ignored. To foes and maybe even some friends, the term "effective management" of government programs by OMB is an oxymoron.

The Bush administration wants to change that. "The president believes citizens have a right to expect a government that works," OMB Director Mitchell E. Daniels Jr. told the House Government Efficiency, Financial Management and Intergovernmental Relations Subcommittee in September. OMB is determined to link at least part of the budget process to management performance. "The expectation is that programs will get additional funds almost automatically," Daniels said. " 'How much?' is the question asked, instead of 'How well?' "

OMB started the effort this year by using red, green, and yellow designations in the federal budget to point out the effectiveness of programs. Next year, that effort will go far beyond color designations. "A critical goal for the FY 2004 budget is to improve the program rating process by making ratings more consistent, objective, credible, and transparent than they were for FY 2003," Daniels wrote in a July memo to federal agencies.

To that end, OMB introduced its Program Assessment Rating Tool: 20 percent of all federal programs will be evaluated on a lengthy questionnaire filled out by OMB and agency officials. Programs to be evaluated with the PART range from the school lunch program to the Drug Enforcement Administration, with the number of programs increasing in subsequent years.

But even before the first questionnaires are released, critics say they are concerned that agencies cannot evaluate their own programs and that OMB will target for bad reviews the programs it wants to eliminate. "There's a lot of anxiety, but you would expect that," said Marcus Peacock, OMB's associate director for natural resource programs,

who is heading up the evaluation effort for the budget office. "When people are being held accountable, they're going to feel somewhat uncomfortable."

The Government Performance and Results Act, passed in 1993, was supposed to help the evaluation process, but it has had a limited impact on spending, Peacock argued. The law requires agencies to file myriad reports. "If you stack them all up, they're over four feet high, and I've yet to find anyone who's made a budget decision based on them," he said.

Over the years, programs developed goals that were simple to meet, Peacock said. For instance, one Environmental Protection Agency program measured its effectiveness by determining whether it delivered a report to Congress on its effectiveness. And the Smithsonian Institution stated in a draft budget that it could measure its performance by whether it received more money from Congress than the president requested.

The new performance review consists of 35 questions-most of them requiring yes or no answers-developed over several months by OMB, agency, and outside experts. The review of the questionnaire was intense, Peacock said. He added that one potentially troubling question-whether a program met an appropriate federal role-was eliminated because it was highly subjective and the answer would depend on a person's political ideology.

Comptroller General David M. Walker, while he applauded OMB's effort, raised some concerns about the program review during the September congressional hearing. "Performance budgeting should not be expected to provide the answers to resource allocation questions in some automatic or formula-driven process," said Walker, who is head of the General Accounting Office. In addition, the OMB review will not effectively evaluate federal projects that cut across agencies. "In such areas as low-income housing or health care, the outcomes achieved by federal policy are the result of the interplay of a complex array of tools," Walker said.

One key congressional Democrat said she is most concerned that OMB will specifically target programs. "I am not sure that linking vague measures to the budget process will achieve better government, and I have strong concerns about the objectivity of that process," Rep. Jan Schakowski, D-Ill., the ranking Democrat on the government efficiency subcommittee, said at the September hearing. "We have to make sure that this is not an effort to single out programs that are political targets, like welfare and public-support projects."

But in his July memo, Daniels said, "OMB does not view the PART as an automated approach to making budget decisions." He added that fiscal 2004 "decisions will be fundamentally grounded in program performance, but will also continue to be based on a variety of other factors."

Objectivity is not Peacock's biggest worry about the new review process. "I'm concerned about it being ignored by Congress," he said. "If this is seen as a credible tool, other people will use it. It will become part of the budget process."

But congressional authorizers and appropriators are notoriously independent in deciding the fate of programs. And if the mounds of unopened oversight reports filling cabinets all over Washington are any indication, OMB may be facing an uphill fight.