



Strategic Objective:

Analyze the Implications of the Increased Role of Public and Private Parties in Achieving Federal Objectives

Issue: Over time, as the federal government has sought to address more complex and pervasive societal needs, the traditional “bright lines” between the public sector and the private sector and between the federal government and other public sector institutions have become increasingly blurred. In fact, since the 1930s there has been a largely overlooked revolution in which the traditional hierarchical federal agency model—that is, a federal agency implementing a program through annually appropriated funding—has been essentially replaced by an incredibly diverse and blended service-delivery model involving many different parties and tools of intervention (for example, grants, tax expenditures, regulations, loans, guarantees, and insurance). Nowhere does this revolution become more evident and more confounding than in federal agencies’ efforts to become more results-oriented. In the 21st century, federal agencies’ performance and accountability will, to an ever greater extent, be seen as a function of nonfederal entities

and involve tools that are typically not subject to the same level of annual or even periodic oversight and reexamination as more traditional federal programs and activities.

Performance Goals: To inform the Congress of the implications of the increased role of public and private parties in achieving federal objectives, GAO will

- analyze the modern service-delivery system environment and the complexity and interaction of service-delivery mechanisms,
- assess how involvement of state and local governments and nongovernmental organizations affect federal program implementation and achievement of national goals, and
- assess the effectiveness of regulatory administration and reforms in achieving government objectives.

Analyze the Modern Service-Delivery System Environment and the Complexity and Interaction of Service-Delivery Mechanisms

Key Efforts

- ❑ Develop a comprehensive approach to array, describe, and relate the tools, parties, and management processes used to achieve national goals
- ❑ Review specific federal mission areas, such as higher education or responses to distressed economic sectors, to test the applicability of this approach and to gain a more complete understanding of oversight, design, and performance management challenges
- ❑ Develop and test new or revised assessment criteria that reflect the modern service-delivery environment that can be used in ongoing and future engagements

Significance

The modern service-delivery system—how the federal government does business—operates in a continuously evolving environment in which the interaction between the parties involved, and between policy tools, has implications for federal management processes. The parties involved in this modern service-delivery system range from public institutions (such as federal, state, local, and foreign governments), to publicly created or chartered entities (such as regional consortia and government-sponsored enterprises), and to private institutions (including for-profit and nonprofit corporations and charitable, faith-based, and other types of special entities). Policy tools include spending, taxing, and regulating—each of which has many different forms and variations, often keyed to the affected parties. The implications for federal management functions and activities include financial, human, information, and capital resource management, each of which is profoundly affected in this more complex and often unstructured service-delivery environment.

Potential Outcomes that Could Result when GAO's Work Is Used

Enhanced congressional understanding of the modern federal mission environment and the complexity of, and interactions between, service-delivery mechanisms

Enhanced congressional understanding of the modern service-delivery environment's effects on congressional oversight obligations and challenges

Better understanding of the adequacy and completeness of agency performance planning through a more complete description of the context of the agency operating environment

Assess How Involvement of State and Local Governments and Nongovernmental Organizations Affects Federal Program Implementation and Achievement of National Goals

Key Efforts

- ❑ Identify fiscal, policy, and programmatic trends among federal, state, and local governments over the past several decades
- ❑ Identify the implications of using nongovernmental third parties—such as nonprofit, faith-based, and for-profit organizations—to deliver public services
- ❑ Assess the level of coordination and integration between the levels of government in preparing for and responding to natural and man-made disasters and terrorist attacks
- ❑ Develop intergovernmental frameworks on federal, state, and local roles in regulation and in the effective delivery of federal programs
- ❑ Identify issues the Congress will need to address during the reauthorization debate on welfare reform at the end of fiscal year 2002

Significance

Since the 1930s, the role of the federal government has expanded, triggering new intergovernmental tensions as federal influence extended to areas that were traditionally the responsibility of state and local governments. These tensions concern the fiscal, legal, and administrative authority and flexibility of states and localities. For example, while federal grants may have enhanced state and local resources, state and local officials often view the grant conditions, mandates, and preemptions as overly intrusive. Another source of tension is balancing accountability among the federal, state, local, and private sector parties involved in achieving national goals. Pressures to delegate or devolve authority for long-standing federal programs have grown at the same time that, paradoxically, the federal government extends its national authority through preemptions of traditional areas of state and local responsibility, such as sales taxation and health insurance regulation. Moreover, GAO has reported that confusion exists among state and local officials over the large number of federal agencies—over 40—currently providing programs and assistance to combat terrorism.

Potential Outcomes that Could Result when GAO's Work Is Used

Enhanced congressional understanding of American federalism in the debate over whether current intergovernmental relationships are still appropriate

Greater congressional insight into the issues arising from increased participation of nongovernmental organizations in the delivery of federal programs

Increased congressional awareness of the options for reducing confusion at the state and local levels over governmental roles and responsibilities, and for improving the responsiveness of the intergovernmental system through program consolidation and other design changes

Effective legislation for regulatory programs that involve both federal and state responsibilities

Greater fiscal balance between the federal government and the states in providing services to needy families in the upcoming reauthorization of the Temporary Assistance for Needy Families block grant

Assess the Effectiveness of Regulatory Administration and Reforms in Achieving Government Objectives

Key Efforts

- ❑ Evaluate how effective procedural rule-making requirements have been in achieving regulatory reform goals and improving the effectiveness of rules
- ❑ Determine why agencies initiated major health and safety rules and whether those rules are addressing the most significant risks
- ❑ Assess the information that agencies use to decide what and how to regulate
- ❑ Compare agencies' methods of estimating the costs and benefits of regulatory actions with best practices

Significance

The process of developing and enforcing regulations is one of the basic tools of government, with enormous positive and negative effects on society. Estimates of regulatory benefits are as high as \$1.8 trillion per year, with cost estimates of up to \$800 billion per year. Each year, federal agencies issue dozens of final rules costing the economy more than \$100 million. In response to concerns about the burden and complexity of federal regulations, the Congress and recent presidents have put in place numerous procedural requirements designed to minimize burden and improve the transparency of the rule making process. It is unclear, however, whether these reform initiatives are achieving their intended results and whether the regulations that agencies develop are addressing the areas of most significant risk.

Potential Outcomes that Could Result when GAO's Work Is Used

Improved compliance with regulatory reform requirements and improvements in the requirements themselves

Greater transparency of the rule-making process

Better targeting of agencies' regulatory efforts on the most important issues

Improved regulatory information

Increased adherence with cost-benefit best practices and increased use of regulatory approaches that maximize net benefits