

# **Meeting the Fiscal and Performance Challenges Facing Government**

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# OVERVIEW

- **The Recovery Act**
  - GAO's mandate & approach
  - Status of recommendations
- **Fiscal Challenges at all Levels of Government**
  - Federal long-term simulations
  - State & Local: near-term and long-term
- **Initiatives to Improve Government**
  - GPRA Modernization Act: Goals and GAO Role
  - GAO Mandate on Overlap and Duplication

# THE RECOVERY ACT

# GAO's "Bimonthly" State and Local Reporting Strategy

- The Recovery Act requires GAO to conduct bimonthly reviews and prepare reports on the use of Recovery Act funds by selected States and localities and to comment on quarterly recipients' estimates of jobs created or retained
- Strategy
  - Longitudinal study of 16 states and the District of Columbia for FY 2009 and 2010 reports
  - Programmatic focus for FY 2011 and forward

# Programs Covered to Date

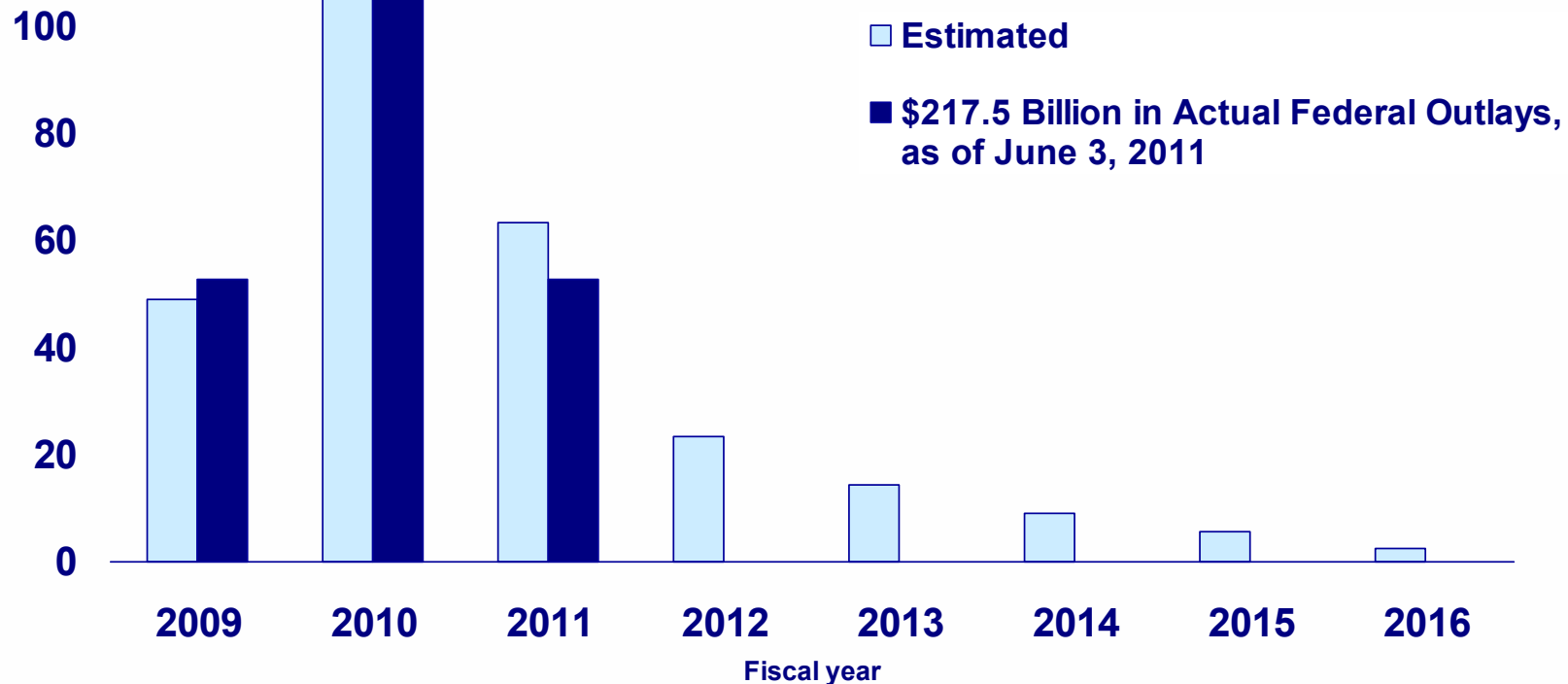
- April 2009 through September 2010 – Wide range of programs covered: Medicaid, education, Head Start, highways and transit, housing construction and tax credit assistance, emergency food and shelter, justice assistance and community policing, workforce investment, and environmental and energy projects
- December 2010 – *Head Start Grantees Expand Services, but More Consistent Communication Could Improve Accountability and Decisions about Spending* (GAO-11-166)
- April 2011 – *Energy Efficiency and Conservation Block Grant Recipients Face Challenges Meeting Legislative and Program Goals and Requirements* (GAO-11-379)

# Programs to be Covered in the Future

- **Recovery Act:** Preliminary Observations on the Use of Funds for Clean and Drinking Water Projects  
[GAO-11-642T](#), May 4, 2011
- Late June 2011– Reports on transportation infrastructure and on water projects
- September 2011– Education (Title I, IDEA, State Fiscal Stabilization Fund)
- December 2011– Weatherization Assistance
- February 2012 – Housing (Public Housing Capital Fund, Tax Credit Assistance Program, Section 1602 Program)

# Projected Versus Actual Federal Outlays to States and Localities Under the Recovery Act

120 Outlays in billions of dollars



Source: GAO analysis of data from CBO, Recovery.gov and Federal Funds Information for States.

# Status of GAO Recommendations

- 68 recommendations to 9 different agencies in bimonthly reports—over half have been implemented
- Some key recommendations still outstanding:
  - Energy: develop & clarify weatherization program guidance
  - Labor: clarify guidance for state and local efforts to provide youth with employment and training in green jobs
  - HUD: develop a risk-based plan for overseeing the Tax Credit Assistance Program
- Ten of GAO's recommendations to OMB were aimed at making the Single Audit a more effective oversight tool



# Single Audit: Lessons Learned from Recovery Act

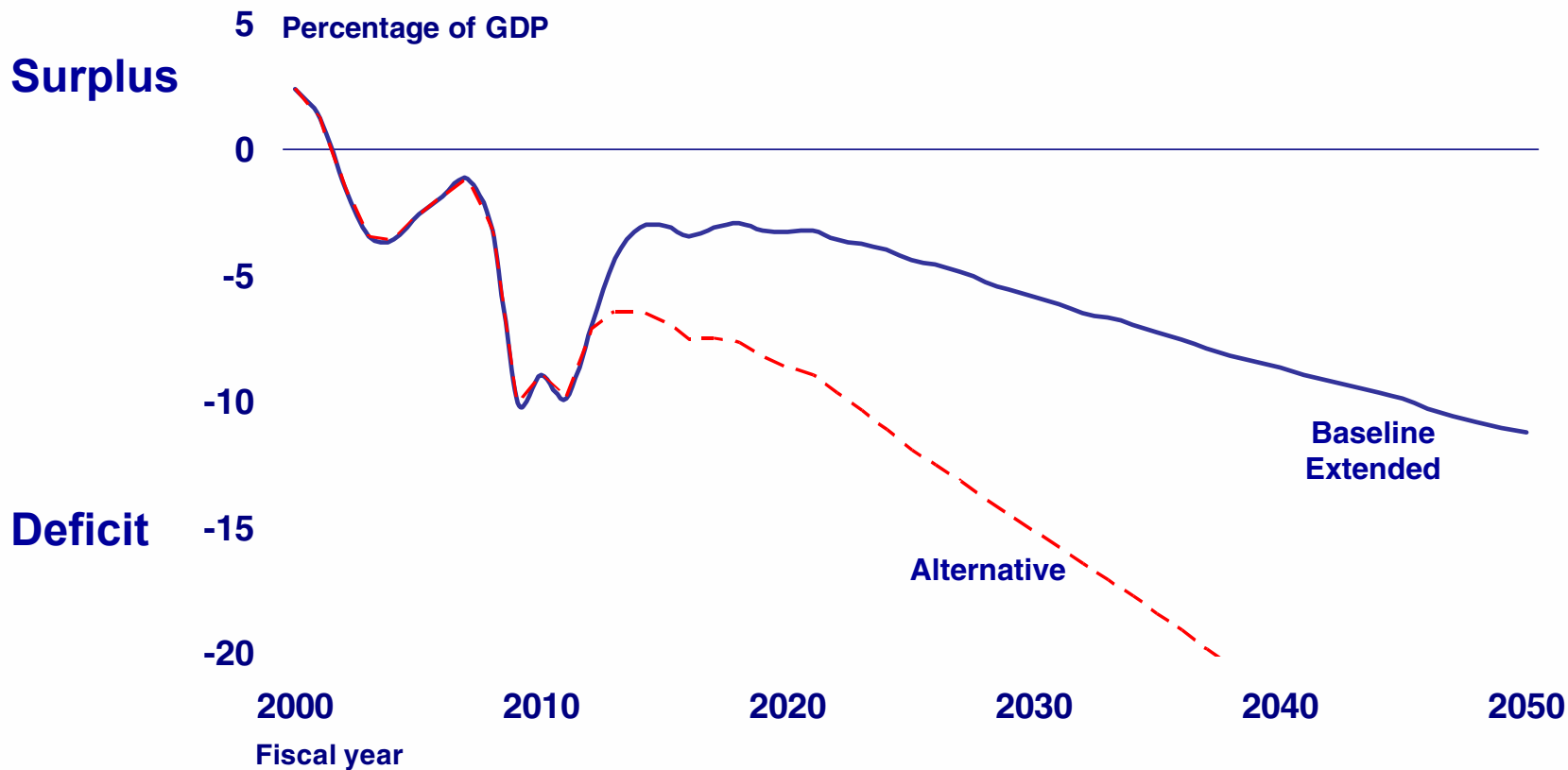
Single Audit enhancements needed for effective oversight of Recovery Act funds (recommendations to OMB):

- Annual Single Audit guidance needs to be issued in a timely manner to facilitate audit planning
- Need to focus on high risk activities, programs, and grantees while potentially streamlining, simplifying or reducing focus on areas of low-risk
- More timely Single Audit reporting is needed, especially in the area of internal controls
- Federal awarding agencies need to provide management decisions on corrective action plans in a timely manner
- Federal agencies need to make better use of Single Audit results in oversight of programs

# **FISCAL CHALLENGES AT ALL LEVELS OF GOVERNMENT**

## **FEDERAL, STATE AND LOCAL FISCAL CONDITION AND LONGER-TERM OUTLOOK**

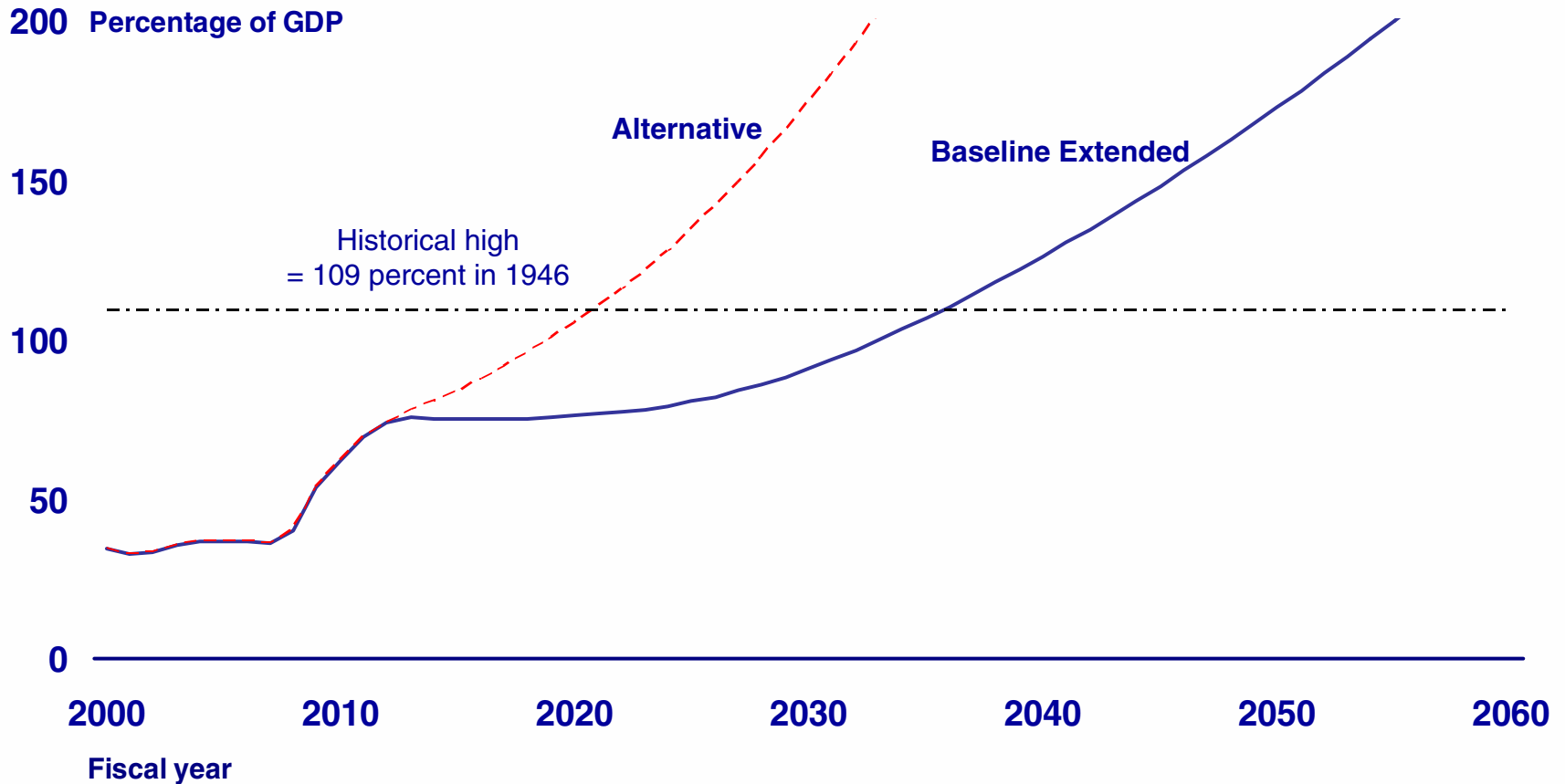
# Federal Budget Surpluses and Deficits Under Different Fiscal Policy Simulations



Source: GAO.

Note: Data are from GAO's January 2011 simulations based on the Trustees' assumptions for Social Security and the Trustees' and CMS Actuary's assumptions for Medicare.

# Debt Held by the Public under Two Fiscal Policy Simulations



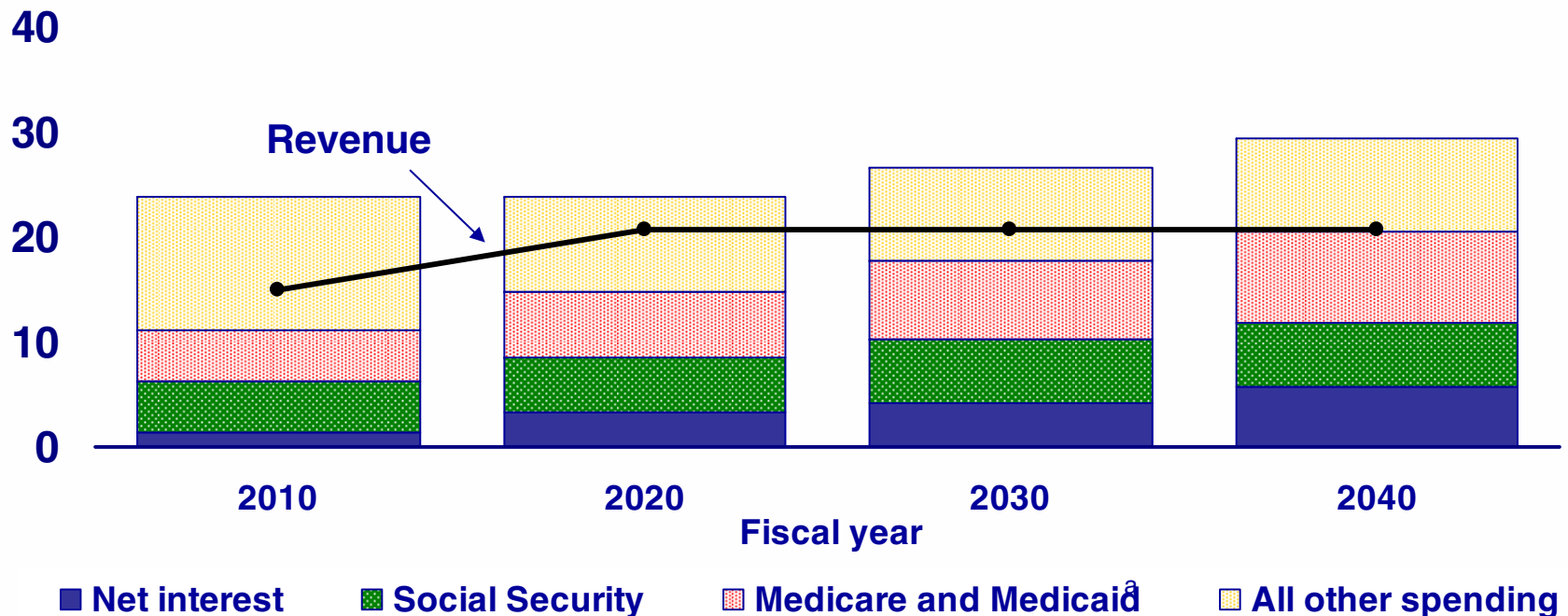
Source: GAO.

Note: Data are from GAO's January 2011 simulations based on the Trustees' assumptions for Social Security and the Trustees' and CMS Actuary's alternative assumptions for Medicare.

# Potential Fiscal Outcomes

## Revenues and Composition of Spending Under Baseline Extended Simulation

50 Percentage of GDP



Source: GAO.

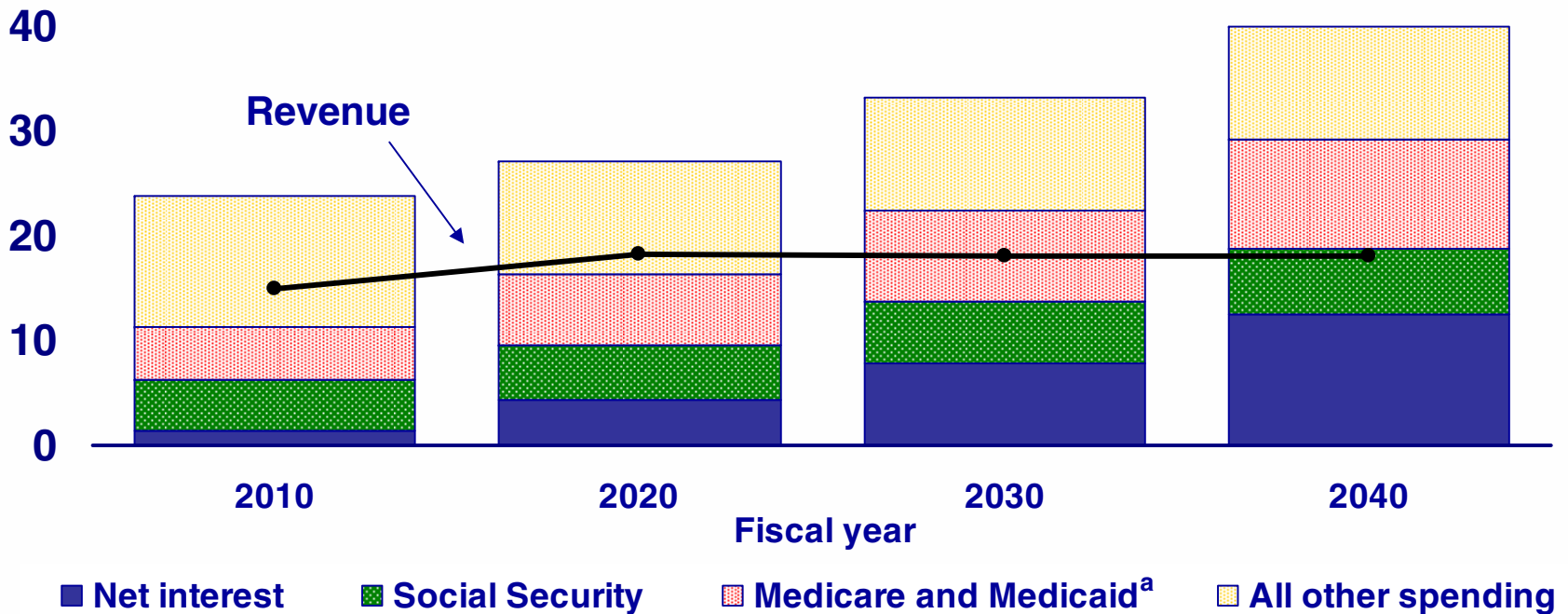
Note: Data are from GAO's January 2011 simulations based on the Trustees' assumptions for Social Security and Medicare.

<sup>a</sup>This also includes spending for insurance exchange subsidies and CHIP.

# Potential Fiscal Outcomes

## Revenues and Composition of Spending Under Alternative Simulation

50 Percentage of GDP

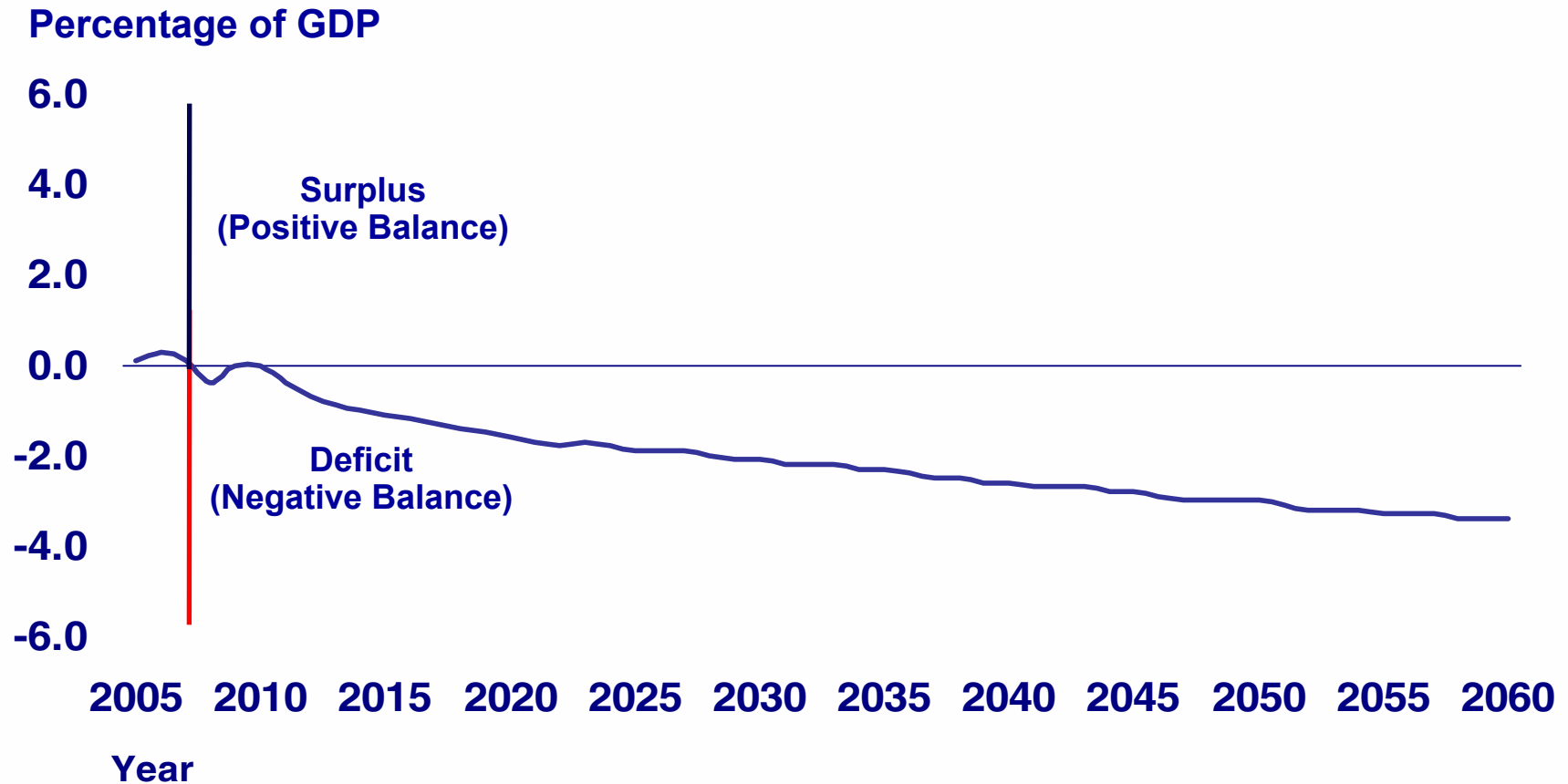


Source: GAO.

Note: Data are from GAO's January 2011 simulations based on the Trustees' assumptions for Social Security and CMS Actuary's alternative assumption for Medicare.

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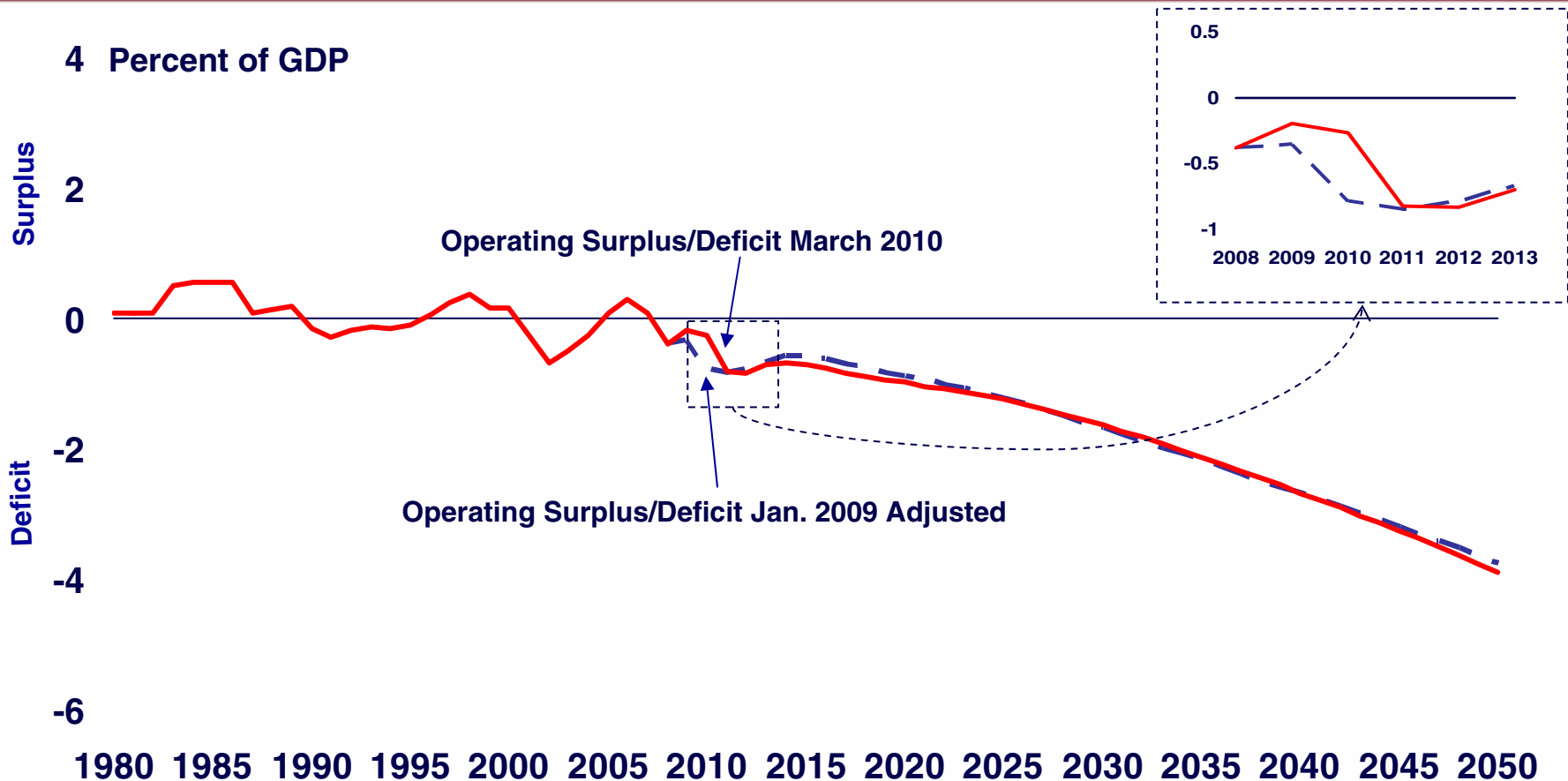
# State and Local Operating Balance Measure, as a Percentage of Gross Domestic Product



Source: GAO simulations, updated April 2011.

Note: Historical data are from the Bureau of Economic Analysis's National Income and Product Accounts from 1980 to 2009. Data in 2010 are GAO estimates aligned with published data where available. GAO simulations are from 2011 to 2060, using many Congressional Budget Office projections and assumptions, particularly for the next 10 years. Simulations are based on current policy.

# State and Local Governments Face Increasing Fiscal Challenges



Source: GAO Simulations, updated March 2010.

Notes: Historical data are from the Bureau of Economic Analysis (BEA) National Income and Product Accounts from 1980 to 2008. Data in 2009 are GAO estimates aligned with published data where available. GAO simulations are from 2010 to 2059, using many Congressional Budget Office (CBO) projections and assumptions, particularly for the next 10 years. Simulations are based on current policy.



# **EFFORTS TO IMPROVE GOVERNMENT**

## **GPRA MODERNIZATION ACT OVERLAP & DUPLICATION**

# GPRA Modernization Act Goals

- Adopting a more coordinated and crosscutting approach to achieving common goals
- Addressing weaknesses in major management functions
- Ensuring performance information is both useful and used in decision making
- Instilling sustained leadership commitment and accountability for achieving results
- Engaging Congress in identifying management and performance issues to address

# Coordinated and Crosscutting Approaches to Achieve Common Goals

- The act requires OMB, in coordination with agencies, to:
  - Develop long-term, outcome-oriented goals for a limited number of crosscutting policy areas
  - Provide information annually on how these crosscutting goals will be achieved
- Effective implementation of these requirements could help inform reexamination or restructuring efforts

# Coordinated and Crosscutting Approaches to Achieve Common Goals

- GAO's recent report on duplication, overlap, and fragmentation highlight areas where such an approach is needed. For example:
  - Teacher quality programs
  - Military health system
  - Employment and training programs
  - Surface transportation
  - Economic development programs

# Addressing Weaknesses in Major Management Functions

- Agencies need more effective management capabilities to better implement programs and policies
- OMB required to develop goals to improve management functions across the government:
  - Financial management
  - Human capital
  - Information technology
  - Procurement and acquisition
  - Real property

# Addressing Weaknesses in Major Management Functions

- GAO recently identified cost-savings or revenue enhancement opportunities that touch on needed improvements to management functions, including
  - Medicaid and Medicare improper payments
  - Tax expenditures
  - Data centers
  - Real property
  - Noncompetitive contracts
  - Undisbursed grant balances

# Ensuring Performance Information is Useful and Used

- For performance information to be both useful and used, it must meet various users' needs for completeness, accuracy, validity, timeliness, and ease of use. Requirements that may help:
  - Agencies to disclose more information on the accuracy and validity of their performance data, such as data sources
  - Quarterly, rather than annual, reporting for priority goals
  - Information to be posted on a governmentwide website

# Ensuring Performance Information is Useful and Used

- To ensure that federal officials have the knowledge and skills necessary to use the information they are gathering, the act requires OPM to:
  - Identify key skills and competencies needed to carry out performance management activities
  - Incorporate those skills and competencies into relevant position classifications and agency training



# The Need for Reliable Cost Information

- Need is greater than ever for timely & accurate information about costs of specific programs and services for use in performance metrics
- Reliable cost information can help:
  - Provide accurate comparisons on costs/benefits
  - Inform budgets and proposals for reorganization/consolidation
  - Identify potential cost control, efficiencies, and waste
  - Benchmark programs and activities
  - Set appropriate fees to recover the costs of services
  - Measure program and managers' performance

# Sustained Leadership Commitment and Accountability for Results

- The act creates several new leadership structures and responsibilities aimed at sustaining attention on improvement efforts:
  - Chief Operating Officer and Performance Improvement Officer at each agency
  - Governmentwide Performance Improvement Council to assist in carrying out the governmentwide performance and reporting requirements of the act
  - Quarterly reviews for the governmentwide and agency priority goals that involve top leadership

# Sustained Leadership Commitment and Accountability for Results

- The act also creates individual and organization accountability provisions that have the potential to keep attention focused on achieving results:
  - Lead official for each governmentwide goal—charged with coordinating efforts across agencies
  - Agency goal leaders for achieving each of the agency's achieving performance goals
  - OMB to report on unmet agency goals each year;
    - If unmet for 3 years, OMB can propose termination or restructuring or other actions

# Engaging Congress

- Significantly enhances requirements for agencies to consult with Congress when establishing or adjusting governmentwide and agency goals
  - OMB and agencies to consult about proposed goals with relevant committees—majority and minority—at least once every 2 years
  - OMB and agencies required to describe how they incorporated congressional input into their goals

# Engaging Congress

Congress can play decisive role in fostering results-oriented cultures by using information on goals and results in its deliberations

- Congressional use of agency goals and performance information in its decision making will send an unmistakable message to agencies that Congress considers agency performance a priority
- Congressional oversight also essential to ensure further improvement in the performance of federal programs and operations

# GAO's Role in Evaluating Implementation of the GPRA Modernization Act

- Report on implementation of the act's planning and reporting requirements at both the governmentwide and agency levels by June 2013
- Evaluate how performance management is being used by federal agencies to improve their results (by September 2015 and September 2017)
- Evaluate implementation of the federal government priority goals and performance plans, and related reporting requirements (by September 2015, September 2017, and then every 4 years)

# Other Recurring GAO Reports Also Help Evaluate High Risks and Other Major Government Challenges

- Annual audit of the consolidated financial statements of the U.S. government and the condition of federal financial management systems
- High Risk List: reports to each new Congress on government operations that GAO identifies as high risk due to their greater vulnerabilities to fraud, waste, abuse, and mismanagement, or the need for broad-based transformation to address economy, efficiency, or effectiveness challenges
- Ongoing statutory requirement to report each year on federal programs, agencies, offices, and initiatives which have duplicative goals or activities—either within or across departments

# GAO Mandate on Overlap and Duplication

This mandate will contribute both to

- improving government performance and
  - reducing costs and increasing revenues (amount depends on actions taken)
- 
- **First annual report (issued in March 2011)**
    - identified 81 areas for the Administration and Congress to consider action to reduce the cost of government operations or enhance revenue
    - spanned a range of federal government missions (e.g. agriculture, defense, economic development, energy, general government, health, homeland security, international affairs, and social services)



# Breakdown of Areas for Consideration

## 81 Areas are made up of:

- 34 where
  - agencies, offices, or initiatives have similar or overlapping objectives
  - or provide similar services to the same populations;
  - or where government missions are fragmented across multiple agencies or programs
- 47 other opportunities to consider where action could either
  - reduce the cost of government operations or
  - enhance revenue collections

# Moving Forward

- Moving forward:
  - currently identifying issue areas to be covered in the 2012 report
  - developing a methodology to ensure that all the major functions and activities of the federal government will have been addressed with the issuance of the 2013 report
- GAO will also be monitoring progress made in addressing issues raised in issued reports

# Concluding Observations

- Significant fiscal pressures facing government at all levels
- Critical need for better performance measures and analysis on ways to improve government in order to help with tough choices ahead
- Accountability professionals face challenge of providing insight and ways to make government more efficient and effective

## On the Web

Web site: <http://www.gao.gov/>

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