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before

The Subcommittee on Civil Service and Agency Reorganization
of the
Committee on Government Reform
U.S. House of Representatives

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Chairman Volcker, Comptroller General Walker and I agree that we must and can significantly improve the performance of government for the American people. I suggest to the Members of this Committee, though, that no matter how the Federal government is organized, its performance, our ability to address the issues that the Comptroller General and Chairman Volcker speak about, will not be enhanced unless:

- Our valuable human resources – our employees – are managed strategically;
- Investments are wisely and prudently made in technologies that help us accomplish our goals;
- We focus on cost and efficiency, and have timely and accurate financial information available to us; and
- We are asking ourselves whether programs are working and, if not, doing something about it.

These are areas where there is opportunity for historic improvements in the management and performance of government.

In the area of Human Capital, for instance, each year, we spend more than \$100 billion on the almost 2 million Federal civilian employees. Our employees are the greatest resource we have to improve the performance of the Federal government. So agencies are beginning to manage them more strategically, focusing them on results and evaluating their performance based on achievement of measurable goals. Inventories of the skills we need to perform our mission are being prepared;

skill gaps are being addressed; and succession plans are being put in place, which is particularly important given the large percentage of Federal employees who are eligible for retirement in the next few years. Hopefully, if Congress adopts the Administration's proposed Human Capital Performance Fund and we move away from a complete reliance on automatic, across-the-board pay raises, Federal employees can receive pay based on their performance and not just their longevity.

Just to give you some examples of what agencies are doing to more strategically manage their Human Capital:

- The Department of Health and Human Services developed and implemented Senior Executive Service performance-based employment contracts that link to program outputs and outcomes.
- EPA implemented a Senior Executive Service Mobility Program, which fosters the development of cross-agency skills and succession planning.
- The Department of the Interior completed comprehensive workforce plans for all of its bureaus to guide a Department-wide recruiting strategy, as well as performance-based contracts for members of the Senior Executive Service.
- The Department of Transportation implemented a Department-wide leadership succession planning strategy and piloted a mentoring program for emerging leaders.
- The General Services Administration implemented an agency-wide leadership Institute to ensure current and future leaders are effective.

With these changes taking place, agencies are beginning to maximize the value of the Federal workforce.

In spite of the controversy surrounding Competitive Sourcing, agencies are striving to employ it as an accepted management practice, one which seeks the best source for performing the government's really, really commercial activities. We are beginning to see the positive results of this initiative. For instance:

- The Department of Health and Human Services completed competitive sourcing cost comparisons involving library services, graphic arts, TV studios, clerical support and IT functions.
- The Department of Justice initiated competitions covering commercial positions that include automotive mechanics.
- The Department of Transportation launched one of the largest public-private competitions in the Federal government, studying flight service stations nationwide.

- The Office of Personnel Management has competitively sourced financial systems support and computer operations functions, as well as facilities maintenance, and tele-services. A standard competition is underway for a nationwide test administration program.

These competitions will ensure we're getting the best value for the taxpayer.

We have a duty to account responsibly for the people's money. Agency financial performance is improving, as evidenced by the fact that 21 agencies received clean opinions on their audited financial statements this past year. More importantly, however, agencies are beginning to use financial and performance information to manage their operations. Two agencies — the Environmental Protection Agency and the Social Security Administration — are now using accurate and timely financial information to make decisions and better manage their organizations. For example, the Social Security Administration tracks the amount of time each field location takes to resolve cases and allocates funds to field locations to maximize the effectiveness and efficiency of case processing.

Expanding Electronic Government is another way to improve our service to the American taxpayer. Getting information to and from the people is a major part of what the Federal government does. When we do that, it should be done effectively and efficiently. Providing the American people with one source for information about recreation activities or benefit programs improves service to the people. Making grant applicants go to just one internet site to apply for multiple grants is another.

Continued advances in technology provide limitless opportunities to improve our service to the taxpayer. But the almost \$60 billion we spend on information technology each year must be invested wisely and managed professionally. IT systems must be able to demonstrate how they will assist us in achieving results and they must be developed on budget and on schedule. And they must be secure.

The Budget and Performance Integration Initiative is focusing agencies and the Congress on the question of whether programs are working. The Program Assessment Rating Tool, the PART, is used to evaluate the management and performance of each of the programs that make up the more than \$2 trillion we spend each year. The PART is a systematic, consistent way to ask the question are we getting what Congress and the Executive Branch wants and if not, what can we do about it? Such remedies can range from managing a program differently **to** working with Congress to restructure the program or fund it at higher or lower levels.

Let me provide an illustration with the Department of Education's Upward Bound program, which provides intensive services to improve academic performance and college preparation for high school students. The program did not effectively target the highest risk students, those who have potential for college but are not performing successfully in high school. Because evaluations indicate that this high-risk population is most likely to benefit from the program, the Department created a special competition that will award \$20 million to projects that serve these high-risk students. The Department of Education will monitor the college enrollment rate for these participants and will use the results of this demonstration initiative to guide future changes in the Upward Bound program.

Agencies and departments are working on these significant and, I would say, historic, performance improvements that are realistically possible today. It is important and necessary that we make these changes no matter how the Federal government is organized. The Administration is not currently studying a possible reorganization of the Executive branch, as such a move would not be practical without the benefits of the Reorganization Act, which allowed such a proposal to be considered by Congress in an expedited fashion. If and when the Reorganization Act is reauthorized, the Administration looks forward to working with Congress, this committee in particular, and the General Accounting Office to explore the opportunities to reorganize agencies and departments to better serve the American people.

Thank you for giving me the opportunity to testify before you today.