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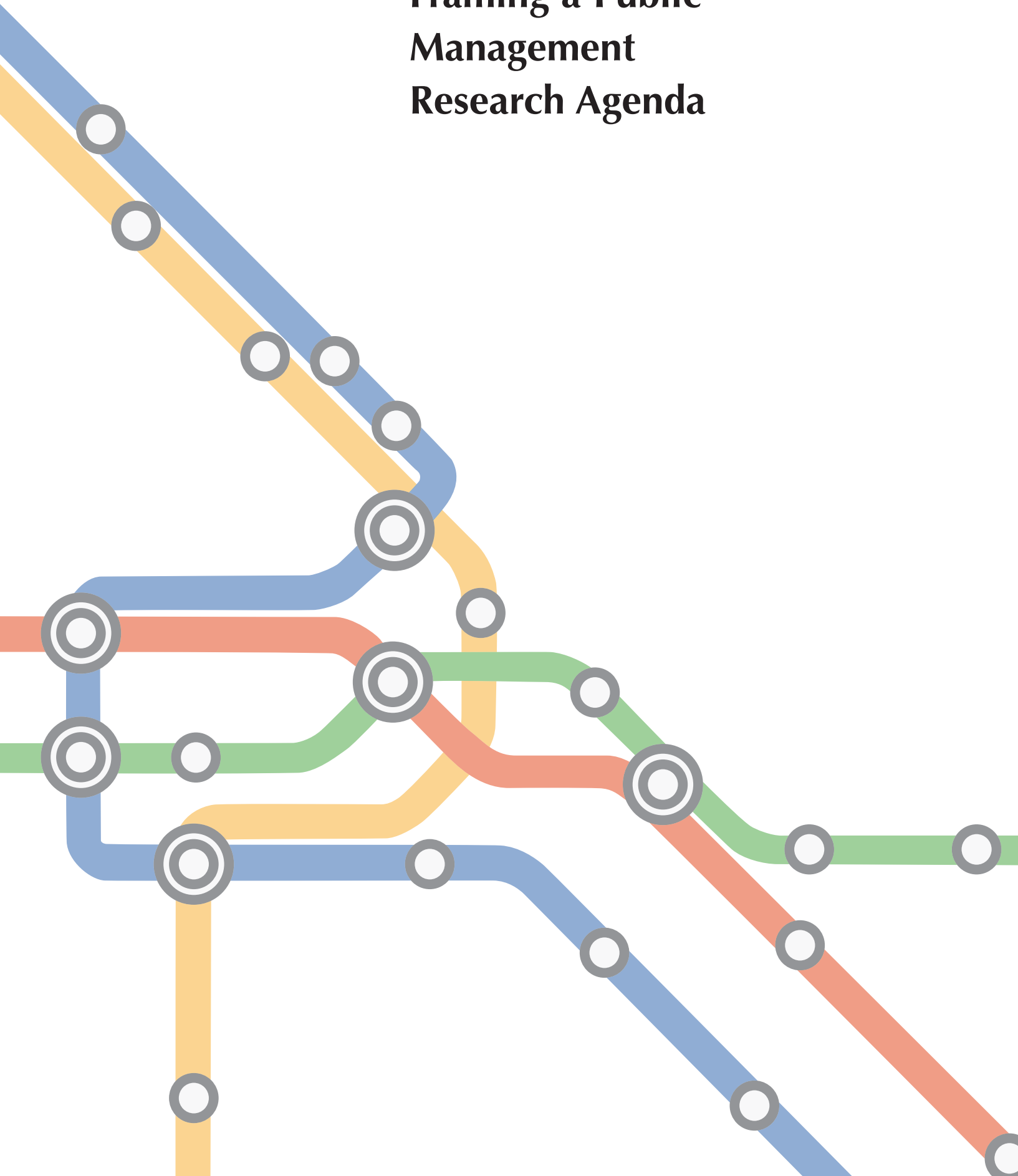


# Framing a Public Management Research Agenda



2010

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# Framing a Public Management Research Agenda

by Jonathan D. Breul

On November 8–9, 2009, the IBM Center for The Business of Government hosted a forum in Washington, D.C., to examine the Obama administration's themes for a high-performing government and to frame a public management research agenda. The participants included more than four dozen of the nation's top public management researchers, scholars, and distinguished practitioners. The forum was an effort to bridge the gap between research and practice and to collectively develop a research agenda that helps the administration and senior government executives move things forward.

The participants gained an early look at where research might help the administration address real-world problems and, in turn, more quickly produce empirical evidence to inform the debates about whether particular management approaches will improve government performance. They examined and discussed what the new administration *hopes* to do, what it has *done* to date, and *where* it is going. They also heard a call from several administration officials for “immediate lessons”—a need to “jump in right now” with actionable research about strategic as well as operational management.

Seventeen years ago, the Clinton administration launched Vice President Al Gore's National Performance Review to “reinvent government,” relying heavily on the principles articulated in David Osborne and Ted Gaebler's book, *Reinventing Government*. Eight years later, the Bush administration issued the President's Management Agenda, which was based on a speech the president gave in Philadelphia the year before.

Unlike the two previous administrations, the Obama administration appears to have no one “big idea” to guide its government and management reform. The Obama administration appears to be undertaking a more pragmatic approach to governance—looking to take the best of what works—in other governments, the private sector, and recent federal efforts—to create a new performance system. At the same time, the administration is facing a daunting series of challenges, including the global economic crisis, the continuation of two wars in Iraq and Afghanistan, and significant new policy objectives in health care, energy, the environment, and education.

## The Need for Applied Research

Harvard Professor Steve Kelman has written that “good empirical evidence about a phenomenon can help inform the debate about whether a management approach will improve government or not.” Yet public management has not yet bridged the gap between public management researchers and practicing public managers. A recent study of papers presented at the biannual Public Management Research Conference, for example, shows a strong tendency toward academic or basic research, with most not explicitly addressing



*Jonathan D. Breul is Executive Director of the IBM Center for The Business of Government.*

practitioner needs or policy implications. According to an analysis by Professors David Pitts and Sergio Fernandez, most of the papers did not provide recommendations for practice.

Practitioners and researchers face different sets of challenges. Practitioners focus on the implementation of policies and programs “on the ground” on a day-to-day basis. In contrast, researchers focus on the development and testing of theory. Their theories are usually derived from published literature, rational ruminations of individual experts, and the careful and critical examination of case studies and empirical data. Too often, the knowledge they produce is often unavailable or is not used by practitioners.

### **Research as a “Team Sport”**

As a follow-up to the conference, the IBM Center framed a public management research agenda with the aim of stimulating and accelerating the production of actionable research. While not intended to be exhaustive, the agenda addresses some significant questions that would benefit from first-class, rigorous research to provide those in government lessons learned and insights to better address mission and management challenges.

Noted public management scholar Michael Barzelay has written that “knowledge building is much more of a team sport than contributors to the current literature seem to appreciate.” With this in mind, we are hopeful that the research questions throughout this report can help foster such team play by all of those involved in and committed to improving government performance.

President Obama’s fiscal year 2010 budget included a chapter in the *Analytical Perspectives* volume titled “Building a High-Performing Government.” It indicated that the administration was working on developing a management and performance agenda based around six themes:

1. Putting performance first: replacing the Program Assessment Rating Tool with a new performance improvement and analysis framework
2. Ensuring responsible spending of American Recovery and Reinvestment Act funds
3. Transforming the federal workforce
4. Managing across sectors
5. Reforming federal contracting and acquisition
6. Transparency, technology, and participatory democracy

The administration also said that, “in developing this new approach, the Administration will engage the public, Congress and outside experts to develop a better and more open performance measurement process that improves results and outcomes for Federal Government programs while reducing waste and inefficiency.”

**Source:** The President’s Budget for Fiscal Year 2010. *Analytic Perspectives*, [www.whitehouse.gov/omb/budget/fy2010/assets/building.pdf](http://www.whitehouse.gov/omb/budget/fy2010/assets/building.pdf)

## LIST OF FORUM PARTICIPANTS

### Framing a Public Management Research Agenda: Examining the Obama Administration Themes for a High-Performing Government.

November 8–9, 2009, Renaissance M Street Hotel, Washington, DC

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<b>Mark A. Abramson</b> Leadership Inc.	<b>Ruth Gordon</b> IBM Center for The Business of Government	<b>Marcus Peacock</b> The Pew Charitable Trusts
<b>Frank J. Anderson</b> Defense Acquisition Institute	<b>Carolyn Heinrich</b> University of Wisconsin at Madison	<b>Paul L. Posner</b> George Mason University
<b>Lisa Blomgren Bingham</b> Indiana University	<b>Alfred Ho</b> Indiana University-Purdue	<b>Chuck Prow</b> IBM
<b>Clinton Brass</b> Congressional Research Service	<b>John M. Kamensky</b> IBM Center for The Business of Government	<b>Todd Ramsey</b> IBM
<b>Stuart Bretschneider</b> Syracuse University	<b>P.K. Kannan</b> University of Maryland	<b>Steve Redburn</b> National Academy of Public Administration
<b>Jonathan D. Breul</b> IBM Center for The Business of Government	<b>Michael J. Keegan</b> IBM Center for The Business of Government	<b>Steven L. Schooner</b> George Washington University
<b>Walter Broadnax</b> Syracuse University	<b>Steve Kelman</b> Harvard University	<b>Carmen Sirianni</b> Brandeis University
<b>Trevor Brown</b> The Ohio State University	<b>Anne Khademan</b> Virginia Tech	<b>Dennis Smith</b> New York University
<b>Dustin Brown (Observer)</b> Office of Management and Budget	<b>Deidre A. Lee</b> Professional Services Council	<b>Stan Soloway</b> Professional Services Council
<b>Allan Burman</b> Jefferson Solutions	<b>Carolyn Lukensmeyer</b> AmericaSpeaks	<b>Fred Thompson</b> Willamette University
<b>Debra Cammer</b> IBM	<b>Tony McCann</b> University of Maryland	<b>Susan Thompson-Hoffman</b> Department of Education
<b>Robert Childs</b> National Defense University	<b>Shelley Metzenbaum (Observer)</b> Office of Management and Budget	<b>Robert Tobias</b> American University
<b>Curtis Clark</b> IBM	<b>Chris Mihm (Observer)</b> Government Accountability Office	<b>David Van Slyke</b> Syracuse University
<b>Tim Conlan</b> George Mason University	<b>Don Moynihan</b> University of Wisconsin at Madison	<b>Katherine Willoughby</b> Georgia State University
<b>Jack Donahue</b> Harvard University	<b>Kathryn Newcomer</b> George Washington University	<b>John Wonderlich</b> Sunlight Foundation
<b>Mortimer L. Downey</b> Washington, DC	<b>Theresa Pardo</b> University at Albany	<b>Jeffrey Zients (Presenter)</b> Office of Management and Budget
<b>David Garrison</b> Washington, DC		
<b>Joseph P. Goldman</b> AmericaSpeaks		





# Putting Performance First—A New Performance Improvement and Analysis Framework

*by Kathryn Newcomer*

## **Background**

Since the enactment of the Government Performance and Results Act of 1993 (GPRA), the efforts of successive administrations have built a legacy of assets useful to the next administration. All agencies now have strategic plans and performance measures supported by an infrastructure of staff and processes that have been built incrementally to collect and deliver performance data. The level of sophistication in dialogue about programmatic performance within agencies, within the Office of Management and Budget (OMB), and within Congress has heightened, although the impact of such deliberations on government performance has not been universally apparent [Government Accountability Office (GAO), 2009]. Both improvement of programmatic performance and transparency of deliberations about progress in this arena are placed securely on both the executive and Congressional agendas.

The Obama administration took over leadership of an executive branch with enhanced capacity to drive improved results at a time when there will be a growing premium on making better use of budget resources. However, the administration also inherited a fairly unwieldy, burdensome, and unaligned set of information systems that report on hundreds and hundreds of performance measures and are not connected effectively with budgeting and financial accounting systems—and found a somewhat skeptical federal workforce that has witnessed limited use of performance data to improve government, and that is still battle weary from skirmishes with OMB examiners over scoring program effectiveness during the previous administration.

The initial actions taken by the new administration, and commitments to improving federal performance articulated by Obama’s “chief performance officer” and OMB staff are laid out here, as are some of the key challenges facing the Obama administration as OMB and agency leaders move performance improvement to the next stage. The paper concludes with a series of questions to guide research on performance management into the next decade.

## **Progress to Date**

Actions and public statements from the Obama administration during 2009 indicate that the new administration appreciates the legacy of assets, logistical challenges, and skepticism it has inherited as it tackles performance improvement. In nominating Jeffrey D. Zients, an accomplished management consultant, as deputy director for management of the OMB and his “chief performance officer,” President Obama has demonstrated that he appreciates both the importance of the goal and the challenges his administration will confront to make real headway in performance improvement. He apparently has chosen to follow the example of Britain’s then-Prime Minister Tony Blair, wherein Blair appointed Michael



***Kathryn Newcomer** is the Director of the Trachtenberg School of Public Policy and Public Administration at The George Washington University, where she is also the Co-Director of the Midge Smith Center for Evaluation Effectiveness.*

Barber to head his Delivery Unit in 2001 and placed a laser-like focus on performance improvement, with a publicized empowerment of Barber to get the job done—with Blair’s explicit support. Barber’s book about his experience appears to be on OMB leaders’ must-read list (Barber, 2008).

Budget guidance, OMB memoranda to the heads of agencies, personnel appointments, and public statements thus far indicate that the Obama administration has set a strategy for performance improvement that focuses upon three key elements that academics, consultants, political leaders in other countries, and the GAO have also advocated: leadership, prioritization, and demonstrated use of performance data.

**Leadership.** President Obama has signaled that he recognizes that committed and consistent leadership within OMB and within the agencies will be essential in performance improvement efforts. In addition to appointing the first-ever chief performance officer for the federal government within OMB, President Obama endorsed the retention of the performance improvement officers (PIOs) within the agencies—positions established by an executive order under the previous administration.

In September 2009, the administration announced that Zients recruited Shelley Metzenbaum to assume a hands-on leadership role in performance improvement with the agencies. Metzenbaum has both experience as a political executive at the Environmental Protection Agency during the Clinton administration, and research and consulting experience in performance management as an academic, most recently at the University of Massachusetts/Boston. Metzenbaum has completed two studies of challenges to performance management in federal agencies, and in her recommendations has illustrated that she understands the institutional and cultural challenges to getting performance data used effectively to improve programs (Metzenbaum, 2006 and 2009).

Of special interest to federal program managers is that Metzenbaum has written extensively about the imperative for performance management to be “inquisitive not punitive” (2006, p. 9), and to recognize that outcomes for federal programs are typically affected by many factors outside the control of federal managers. She has written that linking rewards and penalties to goal attainment is not desirable for a multitude of reasons, and demonstrated that she appreciates the potential for dysfunctionalities to result from overly rigid and simplistic approaches to performance management (2006, p. 48). Metzenbaum also recently highlighted the problems of the lack of use of performance data, and of paying too much attention to target attainment rather than to learning from trend analysis (2009, pp. 17–18)—and these two points have been publicly echoed by Zients.

The OMB director appointed by President Obama, Peter Orszag, places a priority on examining federal programmatic performance. His public commentary on his OMB blog, and the OMB memorandum titled “Increased Emphasis on Program Evaluation,” issued on October 7, 2009, demonstrate that Orszag appreciates that more focus and resources are needed to assess performance. As OMB’s October memorandum states, “Although the Federal government has long invested in evaluations, many important programs have never been formally evaluated—and the evaluations that have been done have not sufficiently shaped Federal budget priorities or agency management practices. Many agencies lack an office of evaluation, with the stature and staffing to support an ambitious, strategic, and relevant research agenda. As a consequence, some programs have persisted year after year without adequate evidence that they work.” OMB’s memorandum on evaluation demonstrates that his goals include more transparency as well as more resources devoted to “high priority evaluation activities.”

**Prioritization.** In the spring budget guidance given to the agencies, OMB Director Orszag asked all major federal agencies to identify a limited number of high-priority performance goals reflecting the near-term implementation priorities of each agency’s senior managers—and by the July 31 deadline that had been given, 19 of the 24 agencies had submitted their lists of priority goals. By October 1, all agencies had submitted them. Observers in the agencies suggest that there have been some intra-agency controversies in selecting realistic performance goals in some of the large “holding company” departments—such as the Department of Homeland Security—as well as in other agencies; where a performance is somewhat more quantifiable, such as in the Departments of Education and Transportation, there was more enthusiasm about the new prioritization approach.

The new high-priority performance goals set by the agencies are, no doubt, intended to trigger top-down processes of performance tracking in the agencies. In Congressional testimony on September 24, 2009, Zients stated, “These goals communicate the priority targets that each agency’s leadership wants to achieve over the next 12 to 24 months. Once this list is final, we will regularly review with agencies the progress they are making and the problems they are encountering. We will expect each agency to reach beyond their own organizational boundaries to get feedback about priorities and strategies and to enlist expertise and assistance to reach their targets.” ([www.whitehouse.gov/omb/assets/testimony/092409\\_government.pdf](http://www.whitehouse.gov/omb/assets/testimony/092409_government.pdf))

Zients also announced in September 2009 that OMB will develop a federal performance management framework that will be designed “to serve the needs of agency managers, the public and the Congress.” It is clear that the Obama administration plans to replace the Program Assessment Rating Tool (PART) used in the Bush administration, and to push for a more strategic use of performance data and analysis moving forward. OMB career leaders have indicated that there will not be an attempt to assess all programs over a five-year cycle, as was done under the Bush administration, and that the new framework will likely shift the burden more to the agencies, away from OMB budget examiners.

It appears that the OMB performance team of about nine staff has set as a priority the addressing of tough cross-cutting issues. The desire to improve the performance of programs that cross departments within agencies and that cross agencies is said to be of high priority, as is the better alignment of information systems. The Canadian national government’s integrated information system that aligns program data with relevant budget and accounting data has been identified as a model for the restructuring of the federal data systems by the

OMB. OMB Director Orszag has voiced his commitment to streamlining information systems to move toward producing a reasonable set of high-priority metrics to support consistent attention to performance. OMB performance staff report that they are approaching performance improvement as a cross-cutting management challenge that must be aligned with efforts to improve financial, information, procurement, and personnel management systems in the agencies, as well.

**Demonstrated Use of Performance Data.** Observers of federal performance reporting have been quick to criticize the lack of use of the data, and the leadership in Obama's OMB is extremely sensitive to the "use" challenge. In Zients's words: "I am committed to helping and motivating Federal agencies to maximize the productive use of performance information to improve the effectiveness, efficiency and transparency of government. This is a cornerstone of my agenda and one of my highest priority goals." ([www.whitehouse.gov/omb/assets/testimony/092409\\_government.pdf](http://www.whitehouse.gov/omb/assets/testimony/092409_government.pdf))

During his testimony before the Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security on September 24, 2009, Zients emphasized in his responses to Subcommittee Chair Senator Thomas Carper that OMB will take an instructional and supportive posture with the agencies. He noted that Metzenbaum will work with the Performance Improvement Council (PIC) to support sharing and learning about successful practices, and celebrate successes in using data to improve performance.

Prior to joining OMB, Metzenbaum provided 22 recommendations for the Obama administration in her 2009 IBM report on performance management, and they prescribe quite practical steps to improve the use of performance data—such as running "goal-focused, data-driven meetings" both of cabinet secretaries and by the agency heads in the agencies. She also wisely recognized that different audiences have different information needs, thus there is unlikely to be a one-size-fits-all approach pushed down by OMB.

In line with Metzenbaum's recommendations about modeling use, Zients noted that he will follow up and track the progress in moving toward the high priority goals with the deputy secretaries who meet monthly as the President's Management Council that he chairs. This recommendation is also in line with that offered by Margaret Yao after observing the Clinton administration's use of the President's Management Council (Yao, 2000). Zients stated in his remarks before Carper's subcommittee that he sees OMB's role as that of a teacher rather than as a compliance officer in interactions with the agencies in tracking performance. This espoused posture stands in sharp contrast to the Bush administration's President's Management Agenda approach, which was more focused on compliance and what former Deputy Director for Management Clay Johnson termed "shaming" to improve management. The entire approach that Obama's representatives articulate is based on an assumption that positive incentives and a collaborative approach can encourage federal managers to use data to secure improved programmatic outcomes. The OMB role as articulated thus far is to serve the agencies as "coach" rather than as "police officer." Whether or not a kinder, gentler OMB will enhance the probability that performance data will be used to guide decisions, and whether data-informed decisions will result in improved federal performance, remains to be seen.

**A New Performance Management Framework.** Zients has articulated his intent to build a performance culture that will involve focused collaboration among OMB, the agencies, and Congress, and draw upon the administration's focus on leadership, prioritization, and

interagency sharing of successful uses of performance data to improve programs. He has repeatedly mentioned a new performance management framework, but the exact role OMB will play in specifying criteria for programmatic assessment in the new framework, and in funding evaluation in the agencies, has not been clarified.

## **Key Challenges to Improving Performance in Federal Agencies**

The Obama administration's approach to performance improvement will face a number of challenges, in part due to the legacy left by the preceding administration, and in part due to institutional and cultural obstacles to using performance data to inform management decisions as well as strategic political decisions in federal agencies. The political context surrounding the OMB efforts to see the increased use of performance trend data within the agencies and within OMB presents some fairly intimidating obstacles as well. The large number of earmarks, seemingly irrational spending ceilings or floors, a focus on evaluating the impact of the stimulus, the preoccupation of Congress with health care reform, and the war in Afghanistan may well present rather significant distractions from a focus on federal management.

The existing institutionalized performance measurement reporting systems may both help and hinder the achievement of the Obama administration's promise of performance improvements. There are countless questions that may be framed to assess how the next phase of performance management will play out. Six sets of challenges are listed here, accompanied by questions that focus on the myriad of implementation obstacles the administration is likely to confront.

### **Challenge One: Sustaining Performance Leadership**

The following questions can be addressed to determine how well the Obama administration is responding to this challenge:

- Are agency and bureau leaders demonstrating their commitment to achieving real performance improvements through the allocation of time and resources to performance monitoring and assessment?
- How effectively does the new approach enable and encourage agency leadership to take responsibility for driving performance improvement?
- Is there an adequately supported staff and consolidated system to administer and service performance reporting for purposes of program assessment, budgeting, and publishing of agency plans and performance accountability reports, consistent with OMB and GPRA requirements? Do agency staff at all levels understand how agency strategic performance goals should be used to direct workforce staffing, and are all line employees involved and educated about how their work contributes to the achievement of agency goals?
- How is stimulus funding taken into account in agency deliberations about performance measurement and interpretation of performance data?
- Are agency leaders supporting and funding the strategic use of program evaluation methods to address questions about both program implementation and results?
- Are agency leaders taking advantage of the OMB offer to support evaluation projects?
- How well is coordination achieved and used to achieve high-priority cross-program and/or cross-agency policy and program outcomes within the agencies?

### **Challenge Two: Mitigating the Downsides of Prioritization**

The following questions can be addressed to determine how well the Obama administration is responding to this challenge:

- How effectively is performance improvement achieved by the focus on a limited set of high-level/high-priority performance goals?
- If the high-priority performance goals are selected on the basis of their ability to show improvement by the 2010 election, will that detract from more strategic attention to performance across the board?
- Are processes established within the agencies modeled after a “CitiStat” or “StateStat” approach, i.e., regular discussions among senior managers about agency performance as measured by a limited set of valid and reliable outcome measures, focusing regular attention to progress on the highest-priority objectives of the administration?
- Are there any dysfunctional consequences of focusing on the “high-priority” goals at the expense of others?
- Are program managers using appropriately disaggregated programmatic performance data to improve program delivery and outcomes that feed upward in support of the more strategic, high-level goals?

### **Challenge Three: Forging Cross-Agency Collaboration and Coordination**

The following questions can be addressed to determine how well the Obama administration is responding to this challenge:

- Are agency leaders taking public steps to ensure that cross-management coordination and collaboration take place to support performance improvements?
- How effective is OMB guidance to the agencies to take a more strategic and integrated approach to cross-agency policy issues?
- How well is coordination achieved within agencies, and across management silos, affecting performance improvement (e.g., the chief performance improvement officer working with the chief financial officer, chief information officer, chief human capital officer, and procurement directors)?

### **Challenge Four: Integrating Performance Data in Budget Submissions**

The following questions can be addressed to determine how well the Obama administration is responding to this challenge:

- Does the deputy director for management’s call for a focus on using data to improve program management mean that there will be less of an attempt by OMB to link performance data with OMB budget decisions?
- Are the agencies’ annual performance reports considered useful within the agencies and to the OMB in assessing progress on strategic priorities?
- When revisiting agency strategic plans, are the consultation with relevant Congressional stakeholders and the streamlining of performance measurement and reporting processes undertaken in sync with the refreshed agency high-priority objectives?
- What, if anything, are the agencies doing with existing PART data?
- How is the new performance improvement approach (e.g., identifying the high-priority goals) integrated in agency budget submissions and performance documentation?

### **Challenge Five: Ensuring Coordination Within OMB**

The following questions can be addressed to determine how well the Obama administration is responding to this challenge:

- How well are OMB strategic efforts to improve performance coordinated internally within OMB?
- To what extent are the efforts of the OMB performance staff to encourage the use of trend data for nonpunitive reasons supported by the budget examiners within OMB?
- To what extent do budget examiners facilitate ownership in the agencies of performance measures?
- To what extent do budget examiners “use” performance data in their budget hearings with the agencies?
- How effective is the OMB performance staff in maintaining the commitment and involvement of agency leaders in performance improvement efforts in the monthly meetings of the Performance Improvement Council?
- How much time and how many staff does OMB allocate to the performance staff so that it can make good on promises to accomplish such things as: (1) collect and disseminate information on successful performance improvement initiatives and evaluation practices, (2) provide training, and (3) support an interagency working group on strengthening evaluation?
- How are OMB efforts to integrate performance data into budget submissions shaped by the OMB performance staff (vis-a-vis budget examiners)?
- How well is coordination achieved and used to make demonstrable progress on high-priority, cross-agency policy and program outcomes within OMB?
- To what extent are OMB reporting requirements and data systems coordinated and modified to reduce the burden and redundancies for the agencies?

### **Challenge Six: Effectively Engaging Congress**

The following questions can be addressed to determine how well the Obama administration is responding to this challenge:

- How effectively is Congress consulted about and supportive of the administration’s performance improvement efforts?
- How extensively are the key Senate and House committees (i.e., the Senate Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia; the Senate Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security; the new Senate Budget Committee’s Task Force on Government Performance; and the House Oversight and Government Reform Committee) consulted by OMB about the design and use of the new federal performance management framework?
- To what extent does the Senate Budget Committee Task Force’s focus on cross-cutting policy issues, e.g., food security, compete with or detract from the administration’s efforts to improve agency performance?
- Do congressional appropriations bills and legislative reforms use performance information—provided by the agencies via the new OMB framework—to allocate funding and legislate program design improvements?

## The Road Ahead

Jeffrey Zients, OMB deputy director for management and chief performance officer, has said that the Obama administration's performance management approach will be built on four principles: prioritization, transparency, engagement of employees and other stakeholders, and building on early wins to reach a tipping point for performance improvements. Research into the circumstances under which management strategies built on these principles work presents some interesting targets for further study.

There is already a fruitful line of research on networked government and collaboration (O'Leary, 2008 and 2009), and more attention to how performance management works in such environments, especially with managing performance against cross-agency policy goals, is needed (Frederickson and Frederickson, 2006; and Moynihan, 2008). The impact that the requirement for transparency of government performance data and of performance management has upon behavior within government agencies presents an intriguing target for study, especially given the public concern about the unreliability of stimulus tracking data. A research focus on transparency actually relates to building our understanding about how to secure effective stakeholder engagement, as well as the mediating role the media play in interpreting performance to the public.

More research is also needed on when, how, and under what circumstances "performance-stat" systems work is needed. So far, the direct applicability to federal agencies of performance-stat success stories from local governments is not clear. More research on how and why defensive behavioral reactions may hinder the success of such accountability mechanisms is needed.

And finally, as GAO and other researchers have noted, the fact that performance data frequently are not used or are not deemed useful by managers highlights the need for more research into how, when, and under what circumstances performance data are used. Performance management approaches assume that—if the data are provided—they will be used, yet federal experience to date seems to undermine such a belief.

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## Performance Improvement and Analysis

The following research questions are based on discussions by participants in small group working sessions at the November forum:

1. What can federal agency managers learn from the PerformanceStat movement in cities and states across the nation, such as New York City's experience with CompStat systems, Maryland's experience with StateStat, and Baltimore's experience with CitiStat?
2. What is the relationship between program evaluation and performance measurement, including the development of leading indicators?
3. What constitutes useful "evidence" and "evidence-based management" in the public sector?
4. What are the success factors in implementing a performance management system?
5. To what extent should performance management systems be connected to other "management systems" that have strategic thinking, planning, budgeting and action-oriented elements?
6. What factors shape the use of performance information?
7. How will the introduction of high-priority goals engage federal agency leaders in the use of performance information?
8. How should government leaders set priority goals, demonstrate progress in achieving the goals, and explain performance trends?
9. How should public managers engage the public, the legislature, and outside experts to develop a better and more open performance measurement process that improves results and outcomes?
10. What can government leaders learn from successful performance improvement efforts and the use of advanced analytic techniques?

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# The Recovery Act: An Accountability Test for Our Federal System

by Paul L. Posner

## Background

The Congress passed the American Recovery and Reinvestment Act (ARRA) in February 2009 in the midst of the worst economic crisis since the Great Depression. The \$787 billion was approved to stimulate the economy through a mix of tax and spending actions—the largest stimulus enacted in the postwar era.

The stakes have rarely been higher for an administration or Congress. The economy's turnaround is in no small part predicated on the jump start that the ARRA provides. The paradox of ARRA is that achievement of these compelling national goals rests on the shoulders of the thousands of state and local governments, nonprofits, and private firms who would be assigned the primary implementation roles for ARRA programs. The tensions that will unfold between national policy ambitions and noncentralized implementation regimes are as old as the republic. However, the consequences of this tension have rarely been so immediately apparent and politically consequential.

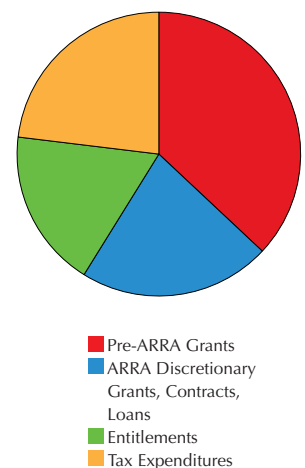
The high stakes have spawned emergent forms of accountability and new governance models. Officials with the Obama administration have already opined that they intend for many of the innovations in governance to become the new baseline for managing federal programs beyond ARRA for the future. It is incumbent upon our community—public administration researchers as well as practitioners—to assess the implications of these emerging governance models for national policy leadership, accountability, and our federal system.

Passage of ARRA constituted a major federal fiscal investment in economic recovery unlike any seen since the New Deal. With traditional monetary levers exhausted, the new administration reached for fiscal intervention to stimulate the economy, with the goal of saving or creating 3 million to 4 million jobs. Other postwar stimulus packages were dwarfed in magnitude by the \$787 billion package of 2009.

Unlike the New Deal, however, ARRA does not focus on creating direct federal jobs or federally owned and operated public works projects. Rather, consistent with the nation's postwar history, this stimulus largely consists of funneling federal assistance to a wide range of third parties. The *Stimulus and Governmental Tools* chart shows that most of the ARRA subsidies are provided through several more indirect tools of government—grants, tax expenditures, contracts, and loans.

While often discussed as a single entity, in reality ARRA affects numerous programs across the spending and revenue sides of the budget. Grants to state and local governments through ARRA exceed \$300 billion, when all discretionary and entitlement grants are included. In

**Stimulus and Governmental Tools**



Source: Recovery.gov



*Paul L. Posner is Professor of Public Administration and Director, Masters in Public Administration Program, Department of Public and International Affairs, George Mason University.*

fiscal year 2010, grant outlays for ARRA alone are equivalent to approximately one-fourth of all grants in FY 2008, the last year before ARRA.

Major new tax credits and deductions were provided for new home purchases, energy conservation, higher education assistance, health insurance premiums for the unemployed, and auto purchases, among others. In several cases, tax expenditures were replaced by more direct federal grant funding, as the collapse of financial markets undermined the roles played by tax subsidies in such areas as low-income housing and state and local infrastructure bonds.

Much is riding on the implementation of the Recovery Act. Against the backdrop of high expectations, how are the actors in our system positioning themselves to achieve the ambitious goals of the act? What are the fiscal, programmatic, and intergovernmental consequences of the programs enacted by Congress and the implementation regime articulated by the Obama administration? What are the longer-term implications of the ARRA experience for the future of federal domestic policy management and implementation?

### **Progress to Date**

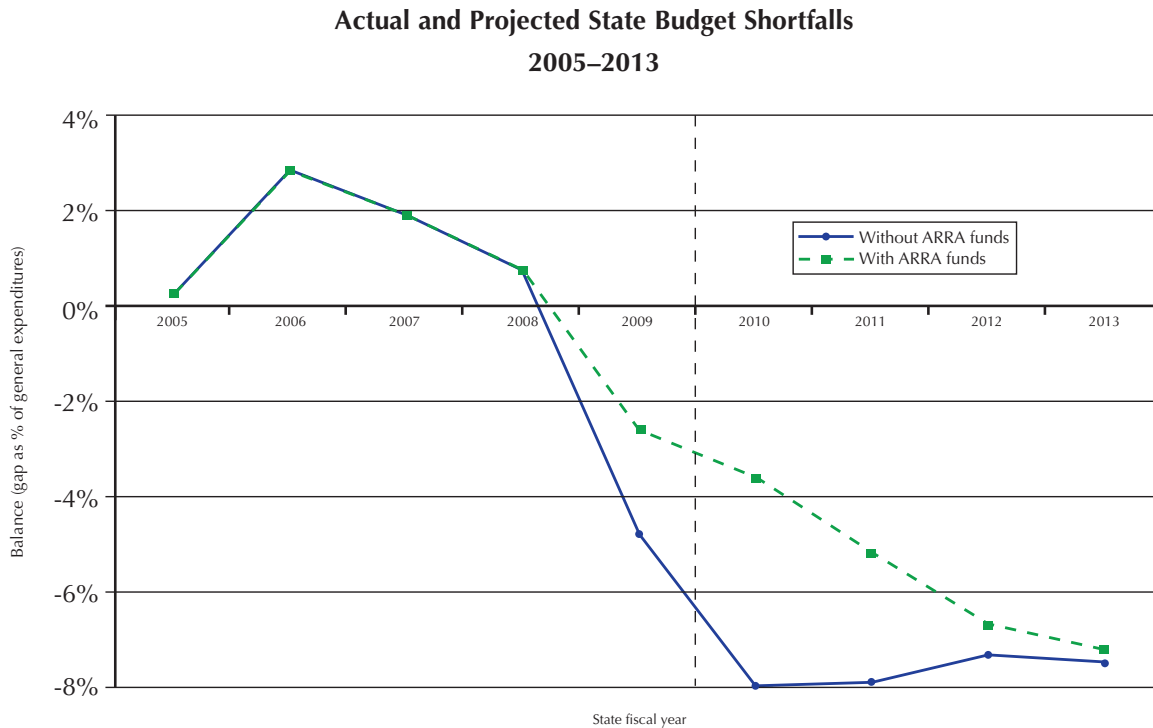
**Economic Stimulus.** When viewed against the primary goal of stimulating the economy, the performance of this legislation is actually quite notable. The conventional wisdom about federal countercyclical assistance can be summed up simply: too little, too late. For instance, in the 1970s, federal money from the antirecession fiscal assistance act came to the states so late that it may have contributed to higher inflation, since the economy had already entered a period of strong recovery.

Facing mounting job losses and bank failures, Congress and the Obama administration acted with record speed. The 2009 stimulus program became law just 14 months after the recession officially began in December 2007—faster than the average 27 months between the beginning of past recessions and the enactment of antirecession job creation programs.<sup>1</sup>

The magnitude and targeting of at least a portion of the funds was also notable. The combination of Medicaid enhancements and the State Stabilization Fund means that the flexible funds provided under the act total over \$100 billion, a significant share of projected state budget shortfalls of \$300 billion to \$350 billion through 2011. While labeled as programmatic funds, in effect they constitute back-door revenue sharing which can be used to free up state dollars in education and health care to shore up the entire state budget. Moreover, the Medicaid matching formula was changed to target a portion of the enhanced federal match based on states' relative unemployment rates. The executive director of the National

Governors Association concluded that ARRA funds have already had a positive economic impact by enabling states to postpone planned cuts and tax increases for fiscal year 2010.<sup>2</sup>

The following chart from the Rockefeller Institute of Government illustrates both the moderating fiscal role played by ARRA and the projected lag in the states' fiscal recovery path from the recession.



**Source:** Rockefeller Institute of Government

**Daunting Management Challenges.** Congress and the administration have together created a highly complex set of programs and tools under the ARRA umbrella to achieve economic and programmatic goals of the act. When viewed against the backdrop of the insistent and urgent national economic crisis, weaving an implementation regime together to manage ARRA has proven to be a difficult challenge indeed.

The ARRA is a highly complex assemblage of specific and fragmented programs and tools. Classic managerial problems associated with implementing ambitious federal goals were made even more challenging thanks to a highly specific, and sometimes conflicting, set of federal goals and objectives. This alone suggests the likelihood of goal conflicts, slippage, program delivery shortfalls, and widespread confusion.

For the most part, the effective implementation of ARRA's economic and programmatic goals relies on a wide range of third parties with independent interests, priorities, and allegiances. For the first quarterly reporting cycle, there were over 130,000 entities that reported spending under ARRA-funded discretionary grants, contracts, and loans. These included many state and local governments as well as subrecipients, contractors, and sub-contractors that number in the thousands.

## Key Challenges in Ensuring Responsible ARRA Spending

### Challenge One: Complex Federal Program Structures

Over 300 new and existing programs are covered by the public reporting requirements alone—and those only cover one-third of ARRA funding.<sup>3</sup> Grants to state and local governments are provided through 95 specific grant programs, each with their own program rules and administrative conduits.<sup>4</sup> The more than 200 grant programs funded under the Recovery Act have very different designs, with different expectations and results. One breakdown of grants by the Council of State Governments showed the following:

- \$100 billion can be used to supplant state funding through general fiscal relief under increased federal Medicaid matching and the State Stabilization Fund program.
- \$130 billion supplements state spending under categorical grant programs.
- \$100 billion is competitive funding for new discretionary grant awards.<sup>5</sup>

Grant programs under ARRA contribute to the classic problems of program fragmentation that have plagued the categorical grant system over many years. Thus, for instance, one study found that over 30 specific ARRA and non-ARRA federal grant programs were available to support energy retrofit projects undertaken by cities.<sup>6</sup> In some respects, the proliferation of programs under ARRA reflects the fragmentation of authority in the Congress and the executive branch which formulated the act, as numerous subcommittees and agencies competed to gain a foothold for their programs in the recovery process.

### Challenge Two: Conflicting Purposes

ARRA serves several different purposes. Stimulating the economy through more jobs was, of course, the primary impetus for the act. However, like so much legislation, the act became a veritable magnet for other policy goals and programs that had little to do with the near-term economy. For example, the administration chose to use ARRA to provide a down payment on longer-term programmatic investments, including high-speed rail, broadband dissemination, and health care technology. On top of this, other policy requirements were added to the mix—which has had the effect of sowing conflicting messages about goals, and slowing implementation.

Multiple objectives are not unusual for federal programs. However, many of ARRA's goals may well prove to be mutually inconsistent. For instance, a key objective was funding “shovel ready” projects that could start immediately, but, for example, the addition of Davis-Bacon wage requirements has slowed the use of weatherization funding by local communities as they waited for federal guidance on pay rates for contractors.<sup>7</sup>

Most critically, speed can undermine accountability and thoughtful implementation design. Hurricane Katrina illustrates the problems that occur when federal agencies are pressed to expedite responses to urgent needs, sometimes at the expense of careful management and oversight.<sup>8</sup> Brookings' Metropolitan Policy program observes that the emphasis on speed frustrates the ability of state and local officials to use the new funds to transform the delivery structures of intergovernmental programs.<sup>9</sup>

### Challenge Three: Third-Party Government

In some respects, ARRA follows traditional models of domestic policy implementation. As with other policy initiatives, state and local governments have major responsibilities, authority, and expertise in most domestic policy areas that are vital to the recovery.

As with many other programs, the federal government seeks access to the authority, expertise, and resources of other levels of government as well as to those of other nonprofit and private actors, while these third parties gain vital federal funding. While the federal government may gradually gain buy-in and partnerships, top-down, centralized federal goals typically founder in these settings, at least in the early going. Third parties, in particular state and local governments, have different priorities and significant information monopolies and controls over beneficiaries which enable them to resist or modify and mitigate the most onerous federal prescriptions. The sheer volume of transactions means that federal officials are fundamentally incapable of managing the system in a hands-on manner, but rather must rely on state and local governments and other third parties to eventually internalize federal priorities and norms.<sup>10</sup>

Derthick's work notes that centralizing policy choices made at the national level are modified and even undone by the bargaining process that takes place with state-level bureaucrats who have critical leverage as the middle layers of our system.<sup>11</sup> Peterson, Rabe, and Wong have added a brighter note by concluding that implementation systems mature over time, as program specialists across levels of government come to share common values and professional norms.<sup>12</sup> Attending the same schools and same professional conferences, informal networks of program specialists become the mortar that binds the intergovernmental system together in cooperative endeavors.

The challenges facing federal officials in gaining cooperation are perhaps greatest when using governmental tools that are the least direct and least controllable by national officials. Tax expenditures, for instance, present vexing program challenges to federal officials. Prized for avoiding meddlesome government interference with the private economic decisions of taxpayers, these government tools provide notoriously weak accountability for achieving the underlying programmatic goals of the subsidy.<sup>13</sup>

#### **Challenge Four: High Political Stakes**

One observer noted that, given its dependence on state and local governments to deliver recovery programs, this administration has an even greater investment in cooperative federalism than did many prior administrations.<sup>14</sup> However, the version of cooperative federalism ushered in by the Recovery Act has a monotonic Washington accent. In marked contrast to the devolution rhetoric that has characterized national programs since the Reagan era, there has been a decidedly centralizing shift in our system under ARRA.

Crises, whether economic or around homeland security, traditionally have centralizing effects on our system. The rapid start-up of programs and high national stakes together provide powerful incentives for national officials to take strong measures to drive implementation and develop effective surveillance and oversight. Politically, the president and Congress are in the hot seat. Even if state and local governments share responsibility for any program failures or shortfalls, prior research suggests that the broad public will blame national officials, as was the case with the botched response to Katrina.<sup>15</sup>

#### **Challenge Five: Centralization Under ARRA**

Commensurate with the high political stakes, this administration and Congress established policy implementation roles, strategies, and policies that represent a significant centralization of authority for the many intergovernmental and third-party programs. The following

examples comprise significant increases in federal centralization of the implementation of ARRA programs in comparison with the typical federal implementation role:

- **The “Sheriff.”** The vice president has been assigned to play the key role in managing ARRA implementation. In carrying this out, the vice president has fashioned himself as the “sheriff” who will single out leaders across the federal system who are found to be wasting funds or violating grant or program requirements. Rivaling the centralized authority exercised by President Johnson at the birth of many domestic programs, the projection of the vice president adds a new dimension of political centralization to the ordinary management of government. Importantly, the White House has indicated it will use the bully pulpit to place blame on state and local leaders who fail to choose and deliver effective Recovery Act projects.

The vice president has assumed the role of centralized authority for management, both horizontally and vertically. His control over federal agencies is reinforced by a special “Recovery Cabinet” that meets biweekly with key federal agencies. Reflecting the importance placed on implementation at the highest levels, the director of ARRA implementation reports to the president, the vice president, and the OMB director.

The vice president also plays a key role in reaching downward through the system, upsetting “normal” federal, state, and local roles and routines in the process. With weekly calls to state and local leaders, the vice president plays the role of an ombudsman who will intervene to smooth implementation and override federal agency decisions, where warranted. In return, in early October he asserted his authority by overturning 150 proposals from federal agencies, states, and local governments—including projects under block grant programs, where state and local officials normally enjoy unfettered discretion.<sup>16</sup>

- **Gubernatorial centralization.** The very same impulses prompting a stronger role for the White House also caused governors to become more engaged in ARRA implementation within their own states. Most states established Recovery Act “czars” to provide state-wide guidance and strategy in dealing with the federal government, the legislature, and various interest groups and media. Just as the president is in the hot seat, so are governors—and they need to be positioned to prevent embarrassing practices and promote effective ones. The federal ARRA statute provides new authority for a governor to prepare state proposals for areas not traditionally under the purview of many governors: education stabilization funds and mass transit funding provided under ARRA.

Stronger gubernatorial roles have raised the prospects for a union of “topocrats” across all levels of government. Just as programmatic experts work in partnership across governments on federal programs, there is evidence that top political officials have used ARRA as an occasion to establish their own intergovernmental networks to counter the dominance of program specialists and agencies in their respective governments. High-level consultations among elected officials and their staffs can serve as a safety valve to relieve some of the intergovernmental tensions arising from the centralized ARRA framework.

- **OMB standards.** The Office of Management and Budget (OMB) played an unusually prominent role in ARRA implementation. The agency issued five highly specific guidance documents from February through September 2009. The guidance specified government-wide standards covering issues such as recipient reporting, agency risk assessments, budget execution, and application and review procedures for grants, contracts, and loans. While contracting rules are traditionally standardized in the Federal Acquisition Regulation, the level of standardization for grants constitutes a major departure from the



more generalized and often hortatory language in OMB's grants management circulars. The common reporting framework for providing data on jobs and spending provides a level of standardization and detail that is rare indeed in the world of grants management.

- **Program rules.** Federal programmatic guidelines and standards were often ratcheted up under ARRA. While it is difficult to capture the diversity of programs under the act, one bellwether is the set of rules established for state spending under the broadest-purpose ARRA programs—Medicaid, State Fiscal Stabilization Funds, and highways programs.

Although gaining what amounts to \$87 billion in general fiscal relief under Medicaid, states were nonetheless required to maintain benefits and payments to local governments at 2006 levels. The State Fiscal Stabilization Fund provided significant new funds to the states under the education banner, but only if states maintain their education spending at 2006 levels and achieve four major education reform goals—including improving teacher effectiveness and promoting standardized testing. The federal highways program became more centralized under ARRA than before, with a new state “maintenance of effort” provision added to prevent substitution, new requirements for targeting hard-pressed local areas, and a Department of Transportation review of state project decisions.

### **Challenge Six: An Accountability Stress Test**

Consistent with the more insistent federal expectations, ARRA is accompanied by virtually unprecedented layers of federal oversight and accountability rules. At the federal level alone, multiple actors will play significant roles in overseeing the use of ARRA funds:

- Vice president's office—broad political oversight
- OMB—program guidance
- Council of Economic Advisers—jobs reporting
- Federal agencies—program management and monitoring
- Recovery Accountability and Transparency Board—12 Inspectors General (IGs) involved with ARRA
- IGs—up-front guidance and post hoc reviews
- Congressional committees—hearings and inquiries to federal and state officials
- Government Accountability Office (GAO)—regular reports on progress and data reports

In addition to official federal overseers, there is a virtual army of nonprofit organizations acting as nonofficial watchdogs of the Recovery Act. The Coalition for an Accountable Recovery, an umbrella of 35 nonprofit advocacy organizations, has made its presence known in monitoring ARRA guidance, reports, and websites.

What is particularly notable are the prominent roles played by federal auditors in the process. Departing from their traditional roles as ex post facto reviewers following program implementation, auditors are playing more proactive roles, advising top federal officials and managers up front in the design of rules and management processes. A separate body—the Recovery Accountability and Transparency Board—was established to provide coordination for federal agency IG reviews and to develop and maintain the federal ARRA website, Recovery.gov. With membership from 12 IGs, the so-called RAT Board will coordinate its work, perform its own audits, and make recommendations on management and internal

controls and risks. Additional funds were allocated to provide staffing for IGs and the GAO to undertake reviews of ARRA management and results.

Both the IGs and the GAO have mounted early field reviews to examine state and local implementation. GAO is required to provide Congress with reports every 60 days on progress and problems involved with ARRA implementation, as well as with quarterly reports assessing the quality of recipient reporting under the act. The IGs are working proactively with federal agency managers to help them pinpoint areas of potential risk and vulnerability to waste and abuse, and to highlight key compliance responsibilities.

A challenging array of accountability provisions has been created to track and account for ARRA funds. Detailed reporting standards have been articulated requiring ARRA funds to be tracked, reported, and accounted for separately from other federal grant or state/local funds. The act includes new requirements, such as estimating the number of jobs created or maintained by the funds, and quarterly reporting on funding and project status.<sup>17</sup> For the first time, federal reporting will flow down to capture the first level of funds passed through by states to subrecipients.

These stronger federal accountability roles have proven to be controversial. On one hand, federal officials are appropriately worried that emphasis on speed might lead to waste, fraud, and abuse, justifying a more central role for auditors at the outset. Moreover, given the higher stakes involved with ARRA, long-standing federal weaknesses in managing federal grants and contracts also call for redoubled efforts to focus on program accountability.

Nonetheless, the higher federal accountability profile has raised concerns. First, the greater up-front role played by auditors raises questions about the relationship of auditors to managers in public administration. While such a relationship is clearly healthy, both parties need also to be on guard to protect their own unique roles and perspectives. Auditors must be careful not to compromise their independence by reviewing the very same rules and procedures they recommended early in the design phase. Managers must be free to trade off the often literal, rules-based accountability perspectives of auditors with other important competing values, such as the need to expeditiously deliver assistance to stimulate the economy.<sup>18</sup> ARRA experience shows that, under pressure to strictly observe accountability requirements, some program managers are erring on the side of caution rather than providing expeditious program delivery and drawdown of funds. State officials note that federal IGs often push federal rules well beyond the point of no return, pointing to a recent Education IG report—which called for states to maintain their own funding for education under ARRA—that went beyond the legal maintenance of effort provision in the law itself.<sup>19</sup>

The ARRA experience also illustrates that uniform standard federal accounting and reporting rules may founder when applied to diverse third-party governance settings. Given that many states and localities have their own accounting and reporting systems, and that existing federal grants often have different timelines, due dates, data collection requirements, and reporting styles, the overlay of Recovery Act requirements will create implementation problems as diverse as our federal system.<sup>20</sup> The essential problem is that we have no national chart of accounts that states—let alone the thousands of substate entities—must use in managing their own funds. These challenges become even greater when tracking funds below the state level, as states have very different ways of reporting and handling the pass-through of federal and state funds, often commingling federal and state money devoted to common programs. The projection of federal requirements down through the system constitutes a stiff stress test for a highly decentralized system.

### **Challenge Seven: Public Transparency**

Perhaps the most significant governance legacy of ARRA will be the unprecedented public transparency provisions. Unlike the Federal Funding Accountability and Transparency Act of 2006, cosponsored by then-Senator Barack Obama, ARRA bypasses federal agencies by requiring all grantees and contractors, as well as the first level of subrecipients, to report their quarterly data from one-third of ARRA programs directly to an online website.<sup>21</sup> This new process will produce a veritable bow wave of information that will be searchable down to the level of specific communities on electronic maps.

The invitation to the public to become engaged in real-time oversight by providing it the tools to search ARRA data will make intergovernmental decisions more transparent than ever before. However, its success will rest on whether the information disclosed is both reliable and meaningful. As Earl Devaney, current chair of the RAT Board noted, the public reporting of inaccurate data will set transparency back. Indeed, the first round of recipient reports in October 2009 showed significant problems with data reporting and quality, according to GAO. The 640,000 jobs reported included numerous inconsistencies and apparent errors caused by confusion over federal guidance, among other factors.<sup>22</sup>

In addition to the problems with tracking funds downward through the layers of our system discussed earlier, the reporting will only focus on inputs and jobs for each separate ARRA program. While input data are important for the public, this level of data will not be sufficient for the public to understand how ARRA is affecting performance and broader outcomes that matter to communities. Most categorical grant projects are too narrow to capture the underlying outcomes—results which are typically achieved through the integration of individual federal grants with other related federal, state, and local programs that address broader community-level problems.

The most important feature to monitor will be the response of our system to this new information deluge. Various interest groups will not be shy about highlighting those data that support their views. An eager media and a vast array of blogs will become preoccupied with a daily diet of fresh incidents to follow and highlight. Those who oppose the stimulus and specific programs will be delighted by being able to select data that suit their own biases. Churchill's quote of some 60 years ago is more than true today: "A lie gets halfway around the world before the truth has a chance to get its pants on."

The question raised by this is whether public managers will play a role in interpreting and providing context to the welter of data released. In some respects, the transparency movement makes managers' institutional knowledge and expertise even more critical. However, some advocates advance the concept of "crowdsourcing," where the judgments of managers and other experts are supplanted by an undefined community, challenging the autonomy of professional managers of any stripe or calling.<sup>23</sup> Past studies of "open government" initiatives have shown that they are often exploited not by the "people," but by organized interests who have the resources to pay attention.

Certainly, the agenda of managers and political officials alike will at the very least be reshaped to respond to the vast outpouring of information to the public, and the responses that this engenders. ARRA is the latest chapter in the evolving story of how our bureaucracy reconciles potentially competing notions of responsiveness with broader stewardship responsibility to act on behalf of broader interests and values in our system, including

those not expressed in blogs. Harlan Cleveland used to say that public administrators are the “get-it-all-together profession.” This has never been more true than today.

## The Road Ahead

Looking forward, ARRA is scheduled to expire over the next several years. Many of the issues raised for the economic recovery, state and local budgets, and accountability are still very much in their early stages and difficult to predict. For instance, considerable discussion is already being generated about a second stimulus. Even if the economy continues to recover, state and local governments will in all likelihood face deep and chronic deficits over the next several years. With the general relief from Medicaid and the State Stabilization Fund expiring in 2011, states will face a “cliff effect” from the withdrawal of those federal dollars—an effect which could not only deepen state fiscal deficits but set back the economy as well. For instance, New Jersey alone will have to pay \$550 million in 2011 to replace enhanced federal Medicaid funds.

However, even once ARRA expires, the experience raises several important longer-term issues for the public sector that would profit from additional research. They include the following:

- **Intergovernmental fiscal relief.** State and local governments’ procyclical budgets mean that they will continue to be a destabilizing force for both the economy and critical federal programs, like Medicaid, that rely on states and localities. Most major federal systems have a permanent national fiscal assistance program, recognizing the mismatch between the key spending responsibilities shared by state and local governments and the superior revenue-raising capacity of the national government. Whether such a program is in the cards or not here, recent history suggests that some kind of federal general assistance to hard-pressed states and localities is likely to be forthcoming in future downturns.

Research can help identify design principles that should inform the magnitude, allocation, and triggering of such a program. Would an automatic trigger, along the lines of unemployment insurance, help ensure a more rapid response to recessions? How can we design appropriate incentives to ensure that such a program will not cause a moral hazard, i.e., where states reduce their own rainy day funds in anticipation of federal assistance?

- **The role of public transparency.** One lasting legacy of ARRA likely will be the direct reporting online of information on federal programs. What trends occurred in public participation in the ARRA process as a result of these new provisions? Who participated and who did not, and what does this say about the design of this transparency initiative? How satisfied were various groups, both in the public as well as among public managers, with the outcomes realized from this experiment in democratic governance?

As Tim Conlan noted, public confidence will not automatically flow from public transparency.<sup>24</sup> What roles can and should public managers play to institutionalize transparency in a responsible and balanced manner? How can public managers work to facilitate the transparency movement in a way that also contributes to public understanding? How can appropriate controls be designed to ensure data quality as well as quantity?

- **The role of auditors in public management.** ARRA vaulted auditors into primary roles at the front end of program design and management. We need to better understand the implications of this for the future of public management at the federal level. Very little has been written about auditors in public management, except by the audit community itself.

Research is needed on the specific roles and relationships established under ARRA between the audit community and managers within OMB and the federal agencies. What kinds of contributions did auditors make to the design and management of ARRA programs? To what extent did these relationships succeed in satisfying the objectives of both communities—auditors and managers? What tensions existed between these two separate cultures, and what consequences did these have? What institutional reforms can be made to foster stronger partnerships?

- **States as middle agents in the federal system.** ARRA placed renewed focus on the critical role that states play in the intergovernmental grant system. As the stakes ratcheted up under ARRA, it became apparent that the capacity and effectiveness of the states' grants and contracting processes were vital to getting funds distributed in the most expeditious yet accountable manner. ARRA represented the ultimate stress test, which could provide a useful baseline for understanding these critical partners in our federal system.

Unfortunately, little is known about these state systems. A study done by the Advisory Commission on Intergovernmental Relations (ACIR) in 1978 on the states' role in passing through federal funds needs to be updated and repeated.<sup>25</sup> The ability to understand and pinpoint the location and use of federal funds passed through the states is dependent on understanding how various states account for these funds. In years past, states combined related state and federal funds together into a single payment and grant to local providers and governments. If the federal government insists on isolating its contribution, this may very well require a major shift in state accounting and reporting.

- **Institutionalizing the center in intergovernmental management.** Successfully designing and managing broad cross-cutting intergovernmental initiatives like ARRA requires capacity at the federal level to understand intergovernmental management and work with partners to create mutually acceptable implementation regimes. Unfortunately, the federal government has allowed this central management capacity to wither within OMB, the Congress, and the White House. The ACIR provided analytic data and studies that helped us better understand the many moving parts of our compound republic.

A study is needed to identify alternatives for restoring such a capacity at the national level. Such a study would address the restoration of analysis and data, managerial, and legislative capability—and the creation of a forum of elected officials to come together around common challenges and themes. Federal systems like Australia and Canada have established systematic mechanisms to regularly analyze and consult on alternatives across levels of government.

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## Implementation of the Recovery Act

The following research questions are based on discussions by participants in small group working sessions at the November forum:

1. Which Recovery Act programs have met the criteria for stimulus funding: timely, targeted, and temporary?
2. Which design features (e.g., maintenance of effort, segregation of funds, no earmarks, larger local role) of the Recovery Act have worked?
3. What have been the consequences of transparency and reporting requirements in the Recovery Act, including direct and subrecipient reporting?
4. What are the outcomes (e.g., jobs created or saved, program performance) from the Recovery Act?
5. What have been the implications of increased high-level attention (e.g., by the vice president, departmental secretaries, etc.) on spending and risk avoidance?
6. What is the role of public managers in enhancing public trust in the implementation of the Recovery Act?
7. How has the Recovery Act strengthened the role that states and governors play in the intergovernmental process?
8. How has the Recovery Act changed the audit function?
9. What positive and negative lessons have we learned about the Recovery Act accountability requirements?
10. What elements of the Recovery Act might be appropriate to extend to all intergovernmental spending programs?



# Federal Contracting and Acquisition

*by Steven L. Schooner*

## **Background**

The Obama administration inherited a public procurement regime stretched to the breaking point and under siege. As the federal government spent more than \$500 billion in fiscal year 2008 purchasing a mind-bogglingly diverse array of services, supplies, and construction, a chorus of voices in Congress, the media, and the public concluded that the current system is broken and demanded dramatic reform. These critiques must be tempered. The statutory and regulatory regime that underlies and guides federal purchasing is well-established and fundamentally sound, and most contractors provide the government excellent value for its money. Unfortunately, there are at least four trends which are now working together to deny the public the full value for its money that it has every right to demand.

### **Trend One: The Dismantling of the Acquisition Workforce**

Beginning in 1989 and continuing until 2000, Congress mandated reductions in the Defense Department's (DoD's) acquisition workforce, which reduced the number of professionals available to plan for, negotiate, and manage the government's contracts. The reductions rendered succession planning impossible, increased future risks associated with the pending retirement bubble, and left the government unprepared for the recent period of dramatically increased purchasing.

### **Trend Two: Failure to Acknowledge or Adapt to Seismic Changes**

An overburdened workforce denied infusions of new talent (and, of course, time and resources to train) failed to adapt to two dramatic changes in federal procurement over the last two decades:

- The government evolved from primarily purchasing supplies into an insatiable consumer of services, specifically including professional and personal services.
- During the 1990s, robust "new public management" initiatives empowered government purchasers to embrace commercial practices, employ flexible contracting vehicles, and ultimately, change business methods in an effort to maximize value for money received and customer satisfaction.

### **Trend Three: The Post-Millennial Spending Binge**

In the past decade, and particularly after the September 11, 2001 attacks, federal procurement spending increased, conservatively, at more than five times the rate of inflation (rising from approximately \$220 billion in FY 2000 to over \$530 billion in FY 2008). [These numbers, of course, exclude grants. Although the amount of money spent annually on grants exceeds that spent through contracts, grant spending is less transparent and subject to far less





*Steven L. Schooner is Associate Professor of Law and Co-Director of the Government Procurement Law Program, George Washington University Law School.*

scrutiny.] Driven by, among other things, large-scale military deployments in Iraq and Afghanistan, an increased national focus on antiterrorist security, a natural disaster (Hurricane Katrina), and demands for government stimulus and action to avoid economic catastrophe, this increased volume of purchasing typically was accompanied by increased urgency.

#### **Trend Four: The Inevitable Result—Scandal and Criticism**

The trends described above exposed the acquisition system's cracks. A relentless focus on *awarding contracts* (meeting purchasing requirements to accomplish critical agency missions) exacerbated the absence of resources available to actually *manage those contractual relationships*—often including high-profile, complex, flexible agreements. Unrealistic promises in unstable areas (involving, for example, the civic renewal of Iraqi society and infrastructure) were prematurely delegated to contractors and resulted in high-profile disappointments. Hastily negotiated arrangements in unstable areas without adequate or responsible government oversight also permitted unethical actors to exploit the system.

#### **Progress to Date**

Faced with financial and economic crises, distracted by multiple military actions, and engaged in a high-stakes debate over the future of health care, the nascent Obama administration—not surprisingly—did not immediately focus its resources on establishing its procurement leadership team. Nonetheless, within a month of its inauguration, the administration issued four pro-labor executive orders that impact the federal procurement process. In early March 2009, a Presidential Memorandum on Government Contracting articulated concerns with recent trends in outsourcing, cost-reimbursement contracting, and insufficient competition. The memorandum implied (and the president's speeches promised) that remedying these perceived pathologies would generate significant savings and highlighted “contracts that are wasteful, inefficient, subject to misuse.”

In late July 2009, the administration expanded upon these policies by issuing memoranda that:

- Mandated savings and advocated the reduced use of high-risk contracting vehicles (such as noncompetitive and/or cost-reimbursement contracts);
- Provided guidance to help agencies improve their management of the multisector workforce (a more constructive, but still premature, approach to the earlier anti-outsourcing rhetoric); and
- Injected rigor into the government's ineffective process for obtaining, managing, and employing contractor performance data.

At the same time, in pursuing initiatives to stimulate a stalled economy with government spending, the administration mandated increased transparency in public procurement (and government, generally) and reiterated concerns regarding contractor compliance. The administration also continued to deploy the procurement process to achieve targeted wealth distribution (favoring, for example, domestic manufacturers, environmentally friendly producers, and small businesses, implicitly, at the expense of taxpayers, large businesses, foreign firms, etc.).

To date, the Obama administration's procurement policies lack a cohesive performance- or outcome-oriented theme, suggest a reactive rather than a proactive approach, evidence a special interest bias, and, at best, send a mixed message at a critical juncture.

## **Key Challenges Facing the Public Procurement System**

As the Obama administration belatedly fills in its leadership team, at least five significant challenges must be addressed if the administration desires dramatically different outcomes from the procurement regime over the next decade.

### **Challenge One: Restore and Stabilize the Acquisition Workforce**

Consensus opinion recognizes the need for a large-scale, sustained reinvestment in the acquisition workforce. The DoD, which accounts for two-thirds of the government's annual purchasing, intends to hire 20,000 additional acquisition professionals by 2015 (and many conclude that even that number will prove insufficient). Even if DoD achieves its recruitment goal, and if civilian agencies follow suit, numerous related challenges remain:

- How can the government attract the right talent? Civil service and OPM-based recruitment of acquisition personnel remains slow, cumbersome, and frequently impenetrable for many in the private sector. The Defense Acquisition Workforce Initiative Act and its civilian companion, the Clinger-Cohen Act, make entry-level positions seem unattainable to talented, highly qualified young people. Furthermore, there is insufficient awareness on the nation's undergraduate and graduate campuses of the opportunity to serve the nation as a valued business manager.
- Can the marketplace meet the government's demands for highly qualified talent in certain critical specialties, such as program managers and systems engineers (or experienced experts in complex systems integration)? If not, the government may require years of career development and mentorship to develop that talent.
- How should the government train, integrate, and allocate tens of thousands of new acquisition professionals? Effectively doing so will require leadership, patience, vision, and resources. Historically, all of these have been lacking, as most clearly demonstrated by the government's inability to effectively implement many promising acquisition reforms in the 1990s.
- How significant is the pending acquisition workforce retirement bubble? Estimates as to the magnitude of the problem may differ, but the lion's share of the government's most experienced acquisition professionals are eligible to retire. Current economic conditions may continue to delay this pending crisis, but the eventual exodus cannot be avoided, likely will negate the gains derived from current hiring initiatives, and may thin the existing pool of mentors.

### **Challenge Two: Achieve Responsible Outsourcing**

For the foreseeable future, the government has no choice but to outsource even its most critical and sensitive requirements. The government's increased—and now almost insatiable—demand for services over the last two decades is well-documented. Neither the civil service nor the military is large enough to meet the government's existing mandates. In Iraq and Afghanistan, for example, the government has relied upon more than 200,000 contractor personnel not only for transportation, shelter, and food, but for unprecedented levels of security, battlefield and weaponry operation, support, and maintenance. Without contractors, our military simply cannot project its technical superiority abroad. Despite the extent of this reliance, Allan Burman in a 2009 IBM Center paper noted, "For the past decade, government has increasingly contracted out its operations with little or no overall strategy." This leads to the following questions:

- What tasks should the government outsource? Which must (or should) be kept in-house? If the government (currently) is overly dependent upon contractors, to what extent, and in what areas, should the government's reliance be reduced? If the long-standing "inherently governmental function" standard is an inadequate test, is a superior alternative test or rubric available?
- When presented with immediate requirements that military personnel could not fulfill in Iraq and Afghanistan, agencies turned to the private sector for surge capacity, additional expertise, or, more broadly, more people. Is it feasible for the government to avoid permitting short-term needs to become long-term outsourcing requirements?
- How can the government better structure its service contracts and manage its contractual relationships? Unfortunately, the acquisition workforce lacks (1) the expertise and experience to craft (e.g., plan for, solicit, draft, and negotiate) high-performance, outcome-oriented service contracts (e.g., the 1990s' performance-based service contracting initiative surely has not yet fulfilled its promise); and (2) the skilled personnel to manage and provide sufficient oversight over these contracts once they are in place.

In his 2008 IBM Center paper, Steve Kelman agreed that the "1990s-era reforms paid little attention to improving contract management following [contract award]." Indeed, Kelman asserts that what is lacking today is the personnel available (and skilled) to provide basic supervision of contractor work, executive-type decision making, developing strategy, inspiring the workforce, monitoring, and focusing on metrics or performance outcomes. Can the government employ and deploy qualified personnel to supervise contractor work?

### **Challenge Three: Focus on Best-Value Outcomes**

This challenge centers on developing performance metrics which are appropriate for assessing the success of a public procurement regime. Economic and business experts assert that procurement policy must be driven by a focus on "best value" or what some call "value for money"; end user customer satisfaction is equally important. Contrary to a significant amount of public administration research, agreement with this approach suggests that the administration should shift its focus away from constraints or "controls" to a more constructive emphasis on performance results. Third World and developing economies routinely elevate (1) "corruption control" and (2) targeted wealth distribution as their highest-order priorities in an effort to instill or maintain credibility, willingly incurring increased transaction costs and sacrificing marginal potential savings, flexibility, speed, and customer satisfaction. But the United States can do better. This leads to the following questions:

- To what extent should the government use the procurement process to effectuate various social policies? The existing procurement regime favors a dizzying array of private interests ranging from organized labor; domestic manufacturers and firms located in areas of high unemployment; small businesses, including disadvantaged and women-owned firms; blind, severely handicapped, and prison industries; and, most recently, environmentally friendly vendors. Affirmatively steering the government's business from the open marketplace to preferred providers adds complexity, thus increasing transaction costs throughout the procurement process, which absorbs scarce resources.
- How significant are the transaction costs resulting from the administration's commitment to transparency (generally, and specifically in the context of stimulus or recovery spending)? In a representative democracy, transparency is critical. But transparency is expensive and time-consuming, and the additional resources required to comply with the recently enhanced disclosure standards remain an unfunded mandate. Thus, the existing acquisition workforce must devote scarce resources to an (admittedly legitimate) end *other than the pursuit of value for money or customer satisfaction*. Is there an optimal balance or a point of diminishing returns?

#### **Challenge Four: Neutralizing the Toxic Environment**

Particularly given the perceived failure of the free market in the financial and mortgage industries, contractors increasingly are vilified, and resources are shifted from pursuing value-based outcomes to creating compliance and risk avoidance regimes. At a macro level, this is an inefficient overreaction. The United States enjoys one of the world's best public procurement regimes. Government customers enjoy excellent value for taxpayer money. Contractors provide extraordinary levels of support, particularly in extreme conditions such as those in Iraq and Afghanistan. This leads to the following questions:

- Is the current perception of the procurement process—by Congress, the media, the public—reflective of reality? If the perception is inaccurate, does it impact (adversely) the allocation of scarce acquisition resources? Pervasive anticontractor rhetoric colors public perceptions of contractors and the acquisition profession. Does it adversely impact recruitment and retention of acquisition personnel? While a successful procurement regime depends upon high standards of integrity and compliance, a pervasive "corruption control" focus not only stifles creativity and encourages mechanical rule adherence, but encourages timidity and risk-averse behavior. Kelman hits close to the mark in his prediction that public managers (or procurement professionals) over the next decade:

[r]ather than transforming, learning, and challenging themselves ...  
could be preoccupied with "ferreting" out waste, fraud and abuse, ...  
"exposing mismanagement," ... "complying with rules and procedures"  
... in a mode of "hunkering down" and "keeping out of trouble[.]"

- Is there a proper balance between integrity concerns and government purchasing efficiency? Is there a point of diminishing returns on compliance? An ethical procurement process, where both parties perform their contractual obligations with the highest degrees of integrity, is a worthy aspiration. But there are significant costs associated with sophisticated rules-based procurement regimes and the resulting compliance programs—and the audit, oversight, and prosecutorial functions required to validate and sustain them. Historically, Congress willingly has funded oversight functions and ignored the popular axiom that an ounce of prevention is worth a pound of cure. More

auditors and inspectors general will uncover more problems, but they will not write or negotiate better contracts, nor will they manage contractor performance to ensure customer satisfaction.

- Does the government have a social responsibility to its business partners? Does the government have a responsibility to disclose its dependence upon contractors and laud their successes? Does the government have an interest in communicating the importance—to every government mission—of effectively managing the government's business partners, its vendor and supplier base, or, simply put, its contractors?

### **Challenge Five: Major System Acquisition Reform**

A relatively small number of extremely large programs, typically referred to as “major systems,” absorb a disproportionate amount of the annual procurement budget. Empirical evidence demonstrates that—particularly at DoD—major system acquisitions rarely are completed on time, routinely cost more than originally expected, and often fail to meet the performance requirements that the government and the contractor initially agreed upon. This leads to the following questions:

- Are the currently employed metrics sufficient to assess the success of the system? Three metrics—cost, schedule, and the original contractual performance requirements—make an apparently compelling case that DoD's major system acquisition program is fundamentally flawed. Although this view is widely accepted, it potentially overstates the potential problem and masks related pathologies. Employing these metrics, the solution to the perceived problem is that DoD must curb its appetite for purchasing technology beyond the current “state of the art.” Purchasing presently available technology, no doubt, would permit more credible contractual promises with regard to delivery dates, expected costs, and technological capabilities. Conversely, purchasing currently available technology may not permit the military to maintain future battlefield superiority over the nation's enemies.
- Can the pathologies caused by the Congressional appropriations process be mitigated? Potent institutional forces inherent in the budget cycle drive the government and the contractor to agree to contract pricing, schedules, and requirements that subsequently prove unrealistic. Because DoD cannot afford to pay for the necessary research and development needed for systems to mature, contractors submit proposals for immature technologies and commit to long-term delivery schedules fully cognizant that both technology and the government's needs (and wants) continue to evolve. DoD is fully complicit in this overpromising, believing that it is required to placate Congressional appropriators.
- Can the government more effectively employ incentives and disincentives? Agencies routinely struggle to inject meaningful incentives and disincentives into the procurement process to help achieve better results. Recent examples—such as the cleanup of the Rocky Flats Environmental Technology Site and the replacement of the Minneapolis I-35 Bridge—demonstrate that aggressive incentives motivate contractors to overcome daunting tasks and, in so doing, satisfy their government customer. Yet efforts to aggressively employ profit policy remain problematic because well-intentioned participants believe the public good is served by artificially suppressing contractor profits or, as they see it, controlling excessive profits.

## The Road Ahead

The Obama administration would do well not only to continue, but accelerate, its efforts to restore and stabilize the acquisition workforce. Strong leadership will be required to sustain the investment required to recruit talent, plan for the training and integration of tens of thousands of new professionals, and better address the long-term necessities of professional development and succession planning, the absence of which caused the current state of affairs.

Just as the private sector is increasing its focus on optimizing its vendor and supply chains, the government must invest talent, energy, and resources in managing what is, in effect, its contractor workforce. Long-term personnel planning may (or may not) reduce the need to employ contractors to perform inherently governmental functions. But proper management of the acquisition workforce should permit the government to more accurately define its requirements, negotiate performance-based contracts intended to meet those requirements, and manage the contractors who support agencies in performing their missions.

History demonstrates that a rules-based command and control procurement system will not provide the flexibility, speed, and customer satisfaction necessary for a heavily outsourced government to effectively perform its missions. Nor will such an approach maximize the value of taxpayer dollars spent. Performance objectives—outcomes, rather than processes—must move to the forefront of acquisition reform. Bold leadership will be required to make such a transition.

### Federal Contracting and Acquisition

The following research questions are based on discussions by participants in small group working sessions at the November forum:

1. How can the government attract the right talent to the acquisition profession?
2. Can the marketplace meet the government's demands for highly qualified talent in certain critical specialties, such as program managers and systems engineers (or experienced experts in complex systems integration)?
3. How should the government train, integrate, and allocate tens of thousands of new acquisition professionals?
4. How can the government systematically evaluate its acquisition workforce needs and capabilities?
5. What types of skills will be needed in the contracting and broader acquisition workforce to meet the challenges of the next five to seven years?
6. What are effective organizational structures for growing and deploying specialized acquisition expertise to manage complex products and services?
7. How does government assess the impact of an acquisition workforce development program on acquisition outcomes? How will government know if it is successful?
8. To what extent, and in what areas, should the government's reliance upon contractors be reduced or increased?
9. How significant are the transaction costs resulting from the administration's commitment to transparency (generally, and specifically in the context of stimulus or recovery spending), and who will bear those costs?
10. How can government develop and define better metrics on acquisition outcomes?

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# Transparency, Technology, and Participatory Democracy

*by Joseph P. Goldman*

## **Background**

President Barack Obama was elected on a platform of opening up the federal government and changing how Washington works. As a candidate, Obama inspired volunteers with the mantra that “we are the change we have been waiting for,” while using technology to unleash the energy of his grassroots supporters. Upon reaching office, the president maintained his commitment to open government by issuing a Memorandum on Transparency and Open Government immediately following his inauguration. The January 21, 2009, memorandum launched a series of activities now known as the Open Government Initiative. The memorandum declared that the federal government must be transparent, participatory, and collaborative—and mandated the creation of an Open Government Directive to lay out a road map for achieving those goals.

“Our commitment to openness means more than simply informing the American people about how decisions are made,” the President explained as he welcomed new senior staff and cabinet secretaries on his first full day in office. “It means recognizing that government does not have all the answers, and that public officials need to draw on what citizens know. And that’s why, as of today, I’m directing members of my administration to find new ways of tapping the knowledge and experience of ordinary Americans, scientists and civic leaders, educators and entrepreneurs. Because the way to solve the problem of our time is ... by involving the American people in shaping the policies that affect their lives.”<sup>1</sup>

Underlying the president’s commitment to “open government” is a belief that greater transparency, participation, and collaboration are needed to take advantage of the wisdom, energy, and resources that are outside of government. Efforts to make data available, solicit public input, and encourage collaboration acknowledge the reality that government cannot solve by itself the challenges that face our nation.

Emerging research on public participation and collaboration has testified to the value that involvement can bring to public management. For example, the National Research Council recently concluded, in a study of public participation and environmental assessment: “When done well, public participation improves the quality and legitimacy of a decision and builds the capacity of all involved to engage in the policy process. It can lead to better results in terms of environmental quality and other social objectives. It also can enhance trust and understanding among parties.”<sup>2</sup>

The challenge before the new administration is to systematically embed the principles of transparency, participation, and collaboration into the federal bureaucracy in a manner that



*Joseph P. Goldman is the Vice President of Citizen Engagement at AmericaSpeaks, overseeing the organization's citizen engagement initiatives and working with citizens to provide them with a greater voice in policy making.*

increases the effectiveness of federal agencies, builds trust in government, and fulfills the president's commitment to the American people.

### **Progress to Date**

The administration's effort to create a more open government is very much a work in progress. In December 2009, the Office of Management and Budget released the Open Government Directive, which sets out expectations and requirements for how federal agencies should address the president's open government values of transparency, participation, and collaboration. Among the notable elements of the directive are requirements to:

- **Publish agency Open Government Plans.** Publish within 120 days agency Open Government Plans that specify how each agency will ensure that high-quality data is made available to the public, and how new methods and technologies will be used to support increased participation and collaboration.
- **Create Open Government websites and dashboard.** Create Open Government websites on which agencies will make available their plans and other key information about Open Government activities, and create an Open Government dashboard that will track the government's progress on the directive.
- **Release high-value data sets and flagship initiative.** Release at least three new high-value data sets per agency within 45 days and a flagship initiative for each agency within 120 days that addresses one or more of the three openness principles.
- **Review Office of Management and Budget (OMB) policies.** Conduct a review of OMB policies that may impede an agency's efforts to become more open, and issue clarifying guidance or propose revisions where necessary.

The most visible accomplishments of the administration to date have involved using the Internet to make available government data and to experiment with different online methods and platforms for soliciting the participation of federal employees, stakeholders, and the general public. Some observers have raised concerns that the Open Government Initiative's focus on data and technology may mean that that face-to-face participation and collaboration activities could be overlooked by the administration. The focus of the Open Government Directive seems to justify this concern—e.g., the section of the directive that describes the composition of agency Open Government Plans dedicates more than twice as much space to transparency requirements than that given to participation and collaboration requirements combined.

Four initiatives stand out as the administration's most noteworthy accomplishments to date in the area of open government:

- **Open Data.** Perhaps the most widely heralded step taken by the administration in this area has been the creation of Data.gov, a clearinghouse which makes available downloadable federal data sets that enable the public to build applications, conduct analyses, and perform research. Data.gov launched with 47 data feeds and has now expanded to more than 100,000.<sup>3</sup> For example, the *Federal Register* was recently made available in XML, a machine-readable form of text that is easy to manipulate by software.<sup>4</sup> The Open Government Directive requires that agencies make available three new high-value data sets and specify their plans for making data available in the future.

President Obama has endorsed a “presumption of openness” that requires agencies to consider openness as their default position. The directive reinforces a memorandum by the attorney general on Freedom of Information Act requests by requiring agencies to specify their organizational structure for responding to requests and establish milestones for reducing backlogs by at least 10 percent each year.

- **Open Idea Generation, Policy Making, and Collaboration.** With the encouragement of the Open Government Initiative, a diverse array of important online experiments has been initiated to solicit input and participation from federal employees, stakeholders, and the general public. Every few weeks seem to bring new announcements about online processes to solicit input and participation.

The Open Government Initiative itself sponsored a three-phase public process to generate ideas and collaboratively develop recommendations for the Open Government Directive.<sup>5</sup> Similarly, the Department of Homeland Security launched a dialogue process that has engaged more than 20,000 stakeholders in developing recommendations for the Quadrennial Homeland Security Review.<sup>6</sup> The Veterans Benefits Administration in the Department of Veteran Affairs created an online process to generate ideas from its 18,400 employees about how to reduce its immense backlog of claims from veterans.<sup>7</sup> The Department of Health and Human Services hosted an open-source styled “code-a-thon,” which enlisted about 80 programmers to fix problems in the new National Health Information Network.<sup>8</sup>

- **Open Spending.** Several early efforts have been launched to make the federal spending process more transparent, including the creation of Recovery.gov and the IT Dashboard at USASpending.gov. Recovery.gov is the official government website created by the American Recovery and Reinvestment Act (ARRA) to help taxpayers track how ARRA money is being spent. Users can follow spending by state, county, zip code, or Congressional district.<sup>9</sup> The IT Dashboard at USASpending.gov provides data about the performance, schedule, and costs of major information technology (IT) spending within each federal department. Information is available on 800 projects worth \$20 billion in spending, including the agency chief information officer's evaluation of each project's progress.<sup>10</sup>

The Open Government Directive specifically focuses on ensuring the quality of spending data made available to the public. It requires that each agency identify a high-level senior official to be accountable for the quality and objectivity of, and internal controls over, spending information that is disseminated to the public. Furthermore, it specifies that the agency's chief performance officer will issue a long-term, comprehensive strategy for federal spending transparency.

- **Open Government Resources.** The General Services Administration (GSA), among other offices and agencies, has taken significant steps to provide resources to federal agencies to support open government activities. Most notably, GSA has created a new online store that provides federal agencies with streamlined access to software platforms that can help them share information, solicit public participation, and collaborate with stakeholders and partners. Traditionally, federal agencies have been reluctant to experiment with social media and other online tools because of the difficulty involved with customization and the negotiation of terms of agreement that satisfy federal rules and regulations. The new online store, called Apps.gov, offers applications for which the terms of service have already been negotiated, to ensure that legal and procedural barriers have been addressed. The initial applications available on Apps.gov include a wide array of social media platforms, including tools to blog, display data and maps, “crowdsource” ideas, and host online dialogues.<sup>11</sup>

It is worth noting that efforts to make the federal government more transparent, participatory, and collaborative did not begin with the Obama administration. Federal employees have been developing new programs and tools for involving the public in the development and implementation of federal programs for decades. During the Carter administration, an Interagency Council on Citizen Participation was formed to provide several hundred agency staff with a forum to share best practices across federal programs. More recently, a Memorandum on Environmental Conflict Resolution from the Office of Management and Budget and the President’s Council on Environmental Quality created basic principles for engaging federal agencies in collaborative problem solving, and directed agencies to build the capacity for collaborative problem solving. Agencies from the Centers for Disease Control and Prevention to the Environmental Protection Agency and to the Army Corps of Engineers have used a broad variety of processes to provide the public with a greater voice in agency activities.

## **Key Challenges to Creating a More Open Government**

The creation of a more open government requires a wholesale transformation in how the federal government does its business. Meaningful, sustained change will require comprehensive reforms in how the government works, ranging from hiring and training to performance management and budgeting. Reforms must address the core barriers to open government that create disincentives for federal employees to share information, solicit participation, and collaborate with the public. For each of these challenges, the research community can contribute to the success of federal managers by exploring the best practices and options for greater levels of transparency and participation.

### **Challenge One: Transparency, Participation, and Collaboration Are Often Not Valued Inside Many Federal Agencies**

While the costs associated with involving the public are often quite clear to federal employees, the benefits of public engagement are often not. Opening up to, and collaborating with, the public requires funding, time, and the willingness to take risks. Without a clearer understanding about how public engagement improves outcomes, it will always be an uphill battle to integrate these values and activities into the workforce.

While some research has been done to demonstrate the value of public participation, the body of knowledge that is available to demonstrate its impacts is neither extensive nor well known. Indeed, one of the top recommendations that emerged from the National Research

Council's recent study of public participation was a plea for more research and study on the impact of participation and the factors that contribute to meaningful programmatic outcomes.<sup>12</sup>

Champions of public participation within federal agencies need concrete data that bolster their arguments for taking risks and incurring costs. They need case studies, cost-benefit analyses, and indicators of success. Perhaps more importantly, federal employees need systems that reinforce the sense that transparency, participation, and collaboration are valued by their superiors. Performance management systems, reward structures, and funding need to send a clear signal within federal agencies that open government goals are not secondary values—they are a core element of how business is done and how success is evaluated.<sup>13</sup> The research community needs to help public managers by setting standards for these incentives and studying how they can most effectively be applied.

### **Challenge Two: Real and Perceived Legal Barriers Can Prevent Federal Agencies from Reaching Open Government Goals**

At a time when new technologies and processes are regularly emerging to provide the public with access to information and involve the public in the governance process, our existing legal framework does little to enable innovations in transparency and public participation, and can often serve as a barrier to federal employees who seek to experiment with new approaches to working with the public.

Several existing laws fail to provide adequate guidance and incentives to deepen citizen participation, or they present barriers to using new forms of participation or making information available. Often, narrow legal interpretations of these laws create insurmountable obstacles for adequately informing and engaging the public. These include the Administrative Procedures Act of 1946, the Federal Advisory Committee Act of 1972, the Government Performance and Results Act of 1993, the Paperwork Reduction Act of 1995, and the Government Paperwork Elimination Act of 1998.<sup>14</sup>

Indiana University professor Lisa Blomgren Bingham writes of this challenge:

While the existing legal framework authorizes some of the processes for collaboration, these statutes were ... not drafted with broad civic engagement and collaborative governance in mind. The inherent caution of lawyers may require more explicit language enabling agencies to do this work. ... We are in the “let the thousand flowers bloom” stage of collaborative governance, in which new processes for citizen dialogue and deliberation in the policy process are emerging daily. Legal infrastructure should not inhibit this experimentation. Instead, it should authorize and legitimize it.<sup>15</sup>

While the Open Government Directive requires a review of OMB policies, a detailed review of legislation and agency practices is needed as well. The research community can support the broader dissemination of open government practices by assessing existing laws and rules, developing legal interpretations that enable greater open government practices, and creating legal and regulatory language for new statutes and rules that encourage and incentivize open government without severely compromising other important values like privacy rights and security.

### **Challenge Three: Greater Awareness Is Needed About How to Apply New Tools and Methods for Engaging the Public**

Many online and offline tools and methods have been developed over the past decade that offer transformative opportunities for valuable public and stakeholder participation in developing and implementing federal policies. Indeed, the rush to use online tools to solicit public input and involvement by federal agencies is a welcome development. Unfortunately, limited resources are available to help agencies assess when different tools and methods are appropriate, how they should be best applied in given situations, and what best practices should be followed to implement them.

Comprehensive evaluations of the online and face-to-face experiments in participatory and collaborative policy making that are being conducted by federal agencies are needed to assess their value and provide guidance about improvements. Tools are needed to help agencies determine how to develop public engagement and collaboration strategies, how to choose among different tools and methods, and how to implement them. Perhaps more importantly, training and skill-building resources are needed to build up a larger cadre of staff with the expertise to organize participation and collaboration processes. Research is needed to articulate the skills that are required to support open government and how to build that skill base.

### **Challenge Four: Increased Access to Information Requires Measures to Ensure Data Quality and the Ability to Easily Share Information Across Agencies and Departments**

Along with the responsibility to regularly and widely make available information to the public is a responsibility to ensure that data are reliable, of a high enough quality, and available in a timely manner. In addition to the shifting away from traditional bureaucratic tendencies to protect information within agencies, significant management innovations will be required to ensure that data are collected and processed as accurately as possible—and that efforts to ensure data quality go beyond spending data. It will be important to clarify who should be responsible for ensuring data quality within agency management structures, and how agencies should choose which data are most important to share. Additionally, it will be important to be able to synchronize and compare data from across the federal government through the creation of standards, data tags, and a government-wide data architecture. The research community can play a vital role in all of these areas.

### **Challenge Five: Open Government Goals Require Adequate Funding and Guidance About How to Appropriately Budget Activities**

While open government practices will hopefully save money over the long term, the expansion of transparency, participation, and collaboration activities will almost certainly require additional resources. In the past, agencies have tended not to adequately plan or budget for the involvement of the public in the development and delivery of their programs. Reaching large, diverse groups of citizens and involving them in program delivery in a meaningful, productive way can be highly resource-intensive. Unfortunately, the Open Government Directive has placed many unfunded mandates on agencies with little consideration for the actual expense involved in making these comprehensive changes to how government works.

Little information is currently available about how to systematically think about all the costs (and benefits) that are involved with delivering high-quality participation and collaboration, and how to factor those costs into budgets. Agencies need guidance about how to

adequately plan and budget for these activities.<sup>16</sup> Research is needed to define the best practices in the area of transparency, participation, and collaboration and to provide clear guidelines about the costs involved with delivering on these best practices.

## The Road Ahead

President's Obama's commitment to open government is a welcome development for those who have championed the idea that the public needs a greater voice in our nation's governance. After decades of piecemeal reforms, the possibility that the federal government may systematically rethink how government relates to the public is quite exciting.

In order for the Open Government Initiative and other associated programs to reach their goals of creating a transparent, participatory, and collaborative government, significant support is needed from the research community. There is a great deal we don't know (or haven't documented) about the impacts of open government activities, the best way to incentivize public managers to pursue them, and strategies for planning for—and making choices about—integrating openness into government programs. A partnership between federal managers and researchers will be essential in order to make progress on this important endeavor.

### Transparency and Participatory Democracy Using Technology

The following research questions are based on discussions by participants in small group working sessions at the November forum:

1. How can agencies most effectively get information to people who will use it?
2. Which Web 2.0 social media channels of communication (e.g., the media, Internet, etc.) are most effective in engaging the public?
3. How can agencies select the most appropriate strategies and tools for transparency, collaboration, and participation for their work?
4. When is it best to use face-to-face vs. online-driven interactions?
5. What is the relationship between transparency, collaboration, and participation along the policy continuum (from policy development to policy implementation to program evaluation)?
6. When should agencies enable citizens and users to co-produce public services?
7. How do agencies overcome barriers from legal regulations, agency manager perceptions, and legal counsel interpretations?
8. How do agencies create a culture that reflects the values of participation, collaboration, and transparency?
9. At what point does the cost of developing transparent systems and measures exceed the benefits of that transparency?
10. How will the use of technology increase transparency, accountability, and citizen engagement?

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## ABOUT THE AUTHORS

### Joseph P. Goldman

Joseph P. Goldman is the Vice President of Citizen Engagement at AmericaSpeaks. Goldman oversees the organization's citizen engagement initiatives and works to provide citizens with a greater voice in policy making.

During his 10 years at AmericaSpeaks, Goldman has directed several of the largest citizen engagement initiatives ever conducted in the nation, including a regional discussion in northeast Ohio that involved more than 20,000 citizens, a statewide conversation on health care reform in California, and AmericaSpeaks' work to involve current and displaced residents of New Orleans in the creation of their city's recovery plan after Hurricane Katrina.

Goldman served as the project manager for Mayor Anthony Williams' award-winning initiative to involve Washington, D.C., residents in developing their city's budget. He also served as the project coordinator for the Northeastern Illinois Planning Commission's Common Ground planning process, which produced the American Planning Association's 2006 Plan of the Year.

Goldman is on the Board of Editors of the *International Journal of Public Participation* and recently co-authored a chapter in the *Deliberative Democracy Handbook*.

Goldman received a master's degree in public policy from Harvard University's John F. Kennedy School of Government, where he was a Public Service Fellow.

### Kathryn Newcomer

Kathryn Newcomer is the Director of the Trachtenberg School of Public Policy and Public Administration at The George Washington University, where she is also the Co-Director of the Midge Smith Center for Evaluation Effectiveness, home of The Evaluators' Institute. She teaches public and nonprofit program evaluation, research design, and applied statistics. She routinely conducts research and training for federal and local government agencies and nonprofit organizations on performance measurement and program evaluation, and has designed and conducted evaluations for several U.S. federal agencies and dozens of nonprofit organizations.

Dr. Newcomer has published five books—*Improving Government Performance* (1989), *The Handbook of Practical Program Evaluation* (1994, 2nd ed., 2004), *Meeting the Challenges of Performance-Oriented Government* (2002), *Getting Results: A Guide for Federal Leaders and Managers* (2005), *Transformational Leadership: Leading Change in Public and Nonprofit Agencies* (June 2008); a volume of *New Directions for Public Program Evaluation, Using Performance Measurement to Improve Public and Nonprofit Programs* (1997); and numerous articles in journals, including the *Public Administration Review*.

She is a Fellow of the National Academy of Public Administration, and currently serves on the Comptroller General's Educators' Advisory Panel. Dr. Newcomer served as the president of the National Association of Schools of Public Affairs and Administration for 2006. She received the Elmer Staats Award for Achievements in Government Accountability, given by the National Capital Area Chapter of the American Society for Public Administration.

Dr. Newcomer received a B.S. in education and an M.A. in political science from the University of Kansas, and her Ph.D. in political science from the University of Iowa.

### **Paul L. Posner**

Paul L. Posner is the Director of the Masters of Public Administration Program at George Mason University. He is President of the American Society for Public Administration and Chair of the Federal Systems Panel of the National Academy of Public Administration. He serves as a consultant on national budgeting, public management, and federalism issues for the Organisation for Economic Co-operation and Development, International Monetary Fund, New America Foundation, CGI, and the National Governors Association. Before his current position, he was with the Government Accountability Office (GAO), serving as the managing director for federal budgeting and intergovernmental management.

Dr. Posner has authored numerous articles on budgeting and federalism for academic journals and other publications. He is the author of several books on intergovernmental management. His book, the *Politics of Unfunded Mandates*, received the award for the best book on federalism from the American Political Science Association in 2008. Most recently, Dr. Posner edited with Timothy Conlan the book *Intergovernmental Management for the 21st Century*, which was published by The Brookings Institution.

He has received numerous awards in recent years recognizing his scholarship and public management work. Dr. Posner was the recipient of the Daniel Elazar Award, conferred by the American Political Science Association, as the outstanding scholar on federalism issues in 2008. He received the S. Kenneth Howard Award given by the Association for Budgeting and Financial Management in 2009 to honor a lifetime of achievement in the field of public budgeting and finance. During Dr. Posner's time with GAO, he twice received the agency's Distinguished Service Award.

Posner earned a B.A. from Miami University of Ohio and his M.A. and Ph.D. degrees in political science from Columbia University.

### **Steven L. Schooner**

Steven L. Schooner is Associate Professor of Law at The George Washington University Law School and Co-Director of the Government Procurement Law Program. Before joining the Law School faculty in 1998, Schooner was the associate administrator for procurement law and legislation at the Office of Federal Procurement Policy in the Office of Management and Budget. He previously served as a trial and appellate attorney in the commercial litigation branch of the U.S. Department of Justice. He also practiced with private law firms and, as an active duty Army judge advocate, served as a commissioner at the Armed Services Board of Contract Appeals.

Until his retirement as an Army Reserve officer, Schooner was an adjunct professor in the contract and fiscal law department of the Judge Advocate General's School of the Army in Charlottesville, Virginia.

Schooner's scholarship focuses primarily upon federal government contract law and public procurement policy. His dispute resolution experience includes service as an arbitrator, mediator, neutral, and ombudsman. Schooner is a Fellow of the National Contract Management Association and a certified professional contracts manager. He is the faculty adviser to the American Bar Association's *Public Contract Law Journal* and also serves on the Procurement Round Table and the advisory board of *The Government Contractor*. He served as senior associate dean for academic affairs of the Law School from 2006 to 2008.

Schooner earned a B.A. from Rice University, a J.D. from the College of William and Mary, and an LL.M. from The George Washington University.

## KEY CONTACT INFORMATION

### **Joseph P. Goldman**

Vice President, Citizen Engagement  
AmericaSpeaks  
1050 17th Street, NW, Suite 350  
Washington, DC 20036  
(202) 775-3939, ext. 1002  
jgoldman@americaspeaks.org

### **Kathryn Newcomer**

Director, The Trachtenberg School of Public Policy and Public Administration  
The George Washington University  
805 21st Street, NW, Suite 601  
Washington, DC 20052  
(202) 994-3959  
newcomer@gwu.edu

### **Paul L. Posner**

Director, Masters of Public Administration Program  
Department of Public and International Affairs  
George Mason University  
4400 University Drive  
MS 3F4  
Robinson Hall, Room 236A  
Fairfax, VA 20030  
(703) 993-3957  
pposner@gmu.edu

### **Steven L. Schooner**

Associate Professor of Law  
The George Washington University Law School  
2000 H Street, NW  
Washington, DC 20052  
(202) 994-3037  
sschooner@law.gwu.edu

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#### **For additional information, contact:**

Jonathan D. Breul  
Executive Director  
IBM Center for The Business of Government  
1301 K Street, NW  
Fourth Floor, West Tower  
Washington, DC 20005

(202) 515-4504

fax: (202) 515-4375

e-mail: [businessofgovernment@us.ibm.com](mailto:businessofgovernment@us.ibm.com)

website: [www.businessofgovernment.org](http://www.businessofgovernment.org)