

Fifth Meeting of the National Commission on Fiscal Responsibility and Reform

September 29, 2010

Dirksen Senate Office Building, Room 608

9:30 am – 12:00 pm

Commission Members In Attendance:

Co-chairs Erskine Bowles and Sen. Alan Simpson (R-WY)

Executive Director Bruce Reed

Rep. Jeb Hensarling (R-TX-5)

Rep. Camp (R-MI-4)

Rep. Spratt (D-SC-5)

Rep. Jan Schakowsky (D-IL-9)

Rep. Xavier Becerra (D-CA-31)

Rep. Paul Ryan (R-WI-1)

Sen. Max Baucus (D-MT)

Sen. Tom Coburn (R-OK)

Sen. Kent Conrad (D-ND)

Sen. Crapo (R-ID)

Sen. Durbin (D-IL)

Sen. Gregg (R-NH)

Alice Rivlin

Andrew Stern

David Cote

Not Present:

Also Present:

Paul L. Posner, Director of Public Administration Program, George Mason University

Patricia Dalton, GAO - Managing Director, National Resources and Environment

Janet St. Laurent, GAO – Managing Director, Defense Capabilities and Management

Fiscal Commission Staff:

Conor McKay

Meaghan Mann

Marc Goldwein

Ed Lorenzen

Paul Weinstein

Fred Baldassaro

Ethan Pollack

Russ Anello

Lydia Ogden

Josh Odintz

Interns Caroline Matthews and Kingsley Trotter

OPENING REMARKS

Sen. Simpson makes opening remarks.

Mr. Bowles gives opening remarks. Thanks everyone for coming and for coming into the meeting in a non-partisan manner; remarks on the importance of achieving solvency for Social Security. Says it is not going to be easy, fun, or popular, and that when members return in November after the elections they are going to have some tough decisions to make.

Mr. Bowles introduces speakers Paul Posner, Patricia Dalton, and Janet St. Laurent.

PRESENTATION 1

Paul Posner: "Performance Budgeting"

1. *Historical Perspective*

60 years of Efforts to link resources with results

- The First Hoover Commission (1947) and the Budget and Accountings Procedures Act (BAPA) of 1950
- Planning-Programming-Budgeting (PPBS) System, 1965-71
- Management by Objectives (MBO), 1973-74.
- Zero-Base Budgeting (ZBB), 1977-81
- Government Performance and Results Act (GPRA)/ Program Assessment Rating Tool (PART)

2. *Performance Budgeting Continuum*

- Presentations
- Budget Restructuring
- Performance based targets
- Performance linked funding
- Performance reviews and assessments

3. *Key Elements of Performance Budgeting*

- Defining expectations clearly
- Addressing structural alignment between plans, budgets and total costs
- Increasing the supply of credible outcomes, measures, and information
- Promoting demand for information used by actors with different needs

4. *Expectations: What is the Relationship Between Performance and Budget Allocations?*

- Mechanical model – performance changes directly reflected in budget
- Incentives model – performance affects a portion of funding or other incentives
- Agenda model – performance one factor in budget decisions

5. *GPRA: Building the Performance Supply Chain*

- Agency planning and reporting as foundation

- Focused on outcomes
 - Linkage to budget accounts
 - Phased in approach
6. *The Payoff: Improved Performance*
- Coast Guard reduces marine accidents from 91 to 27 per 100,000 workers
 - FDA increases number of generic drugs reviewed on time from 35% to 87%
 - Veterans health networks use data to reduce cardiac morbidity
 - NTSA data leads states to adopt “Click it or Ticket” seat belt initiative
7. *Obama Administration Performance Agenda*
- High Priority Goals
 - Agency heads required to identify select initiatives with well defined outcomes
 - Examples include
 - Assist 3 million homeowners at risk of foreclosure
 - Reduce homeless veterans to 59,000
 - Double renewable energy capacity by 2012
 - Quarterly monitoring by OMB
 - Dashboards and other transparency initiatives
 - Cross agency teams under Performance Improvement Council
 - Program Evaluation initiative
 - \$100 million for 17 initiatives
8. *Challenges*
- Support and agreement on goals
 - Linking government actions to outcomes
 - Building support among nonfederal actors
 - Developing data on all important results
 - Aligning budget with performance goals
 - Congressional support and use
9. *Overcoming Barriers to Strategic Performance Based Budgeting*
- Tradeoffs across agencies and tools addressing common goals
 - Periodic examination of the base, not just increments
 - Performance informed resource decisions
10. *Performance and Congressional Budgeting: An Agenda*
- Developing a leadership agenda
 - Review and assessment of selective portfolios of programs
 - Inclusion of all tools and programs addressing common missions
 - Integration with congressional budget process
11. *Budget Subfunctions*
- 19 Functions across the federal budget
- Natural Resources and Environment
- 80 Subfunctions

- Natural Resources and Environment
 - Water resources
 - Conservation and land management
 - Recreational resources
 - Pollution control and abatement
 - Other natural resources

12. Framework for Assessments

- Reassess objectives for relevance and fit
 - Change in environment and need
 - Persistent failures
 - Excessive costs
- Redefine beneficiaries
 - Grant formulas
 - Eligibility rules
 - Fees
- Improve efficiency
 - Reorganization and consolidation
 - Reengineering
 - Streamlining
 - More cost effective tools of government
 - Pricing

MEMBER DISCUSSION

Mr. Cote

Remarks that efforts to improve efficiency have been used in the private sector for years, and that this never seems to happen within the federal government. Asks presenter why that is.

Mr. Posner

Responds that one of the reasons for these differences is that the underlying goal within the private sector is to generate income and achieve net profit, whereas in the government you have many conflicting interests.

Mr. Cote

Asks what fundamentals we need to change in order to alter the dynamics of the budget process in order to cut cost and improve productivity.

Dr. Rivlin

Remarks on the difference between the private sector and the federal government, and the incompatible interests within the government.

Sen. Conrad

Says that "you can't manage what you can't measure", and that a lack of measurement tools within government, particularly the Department of Defense, is a real problem.

Sen. Baucus

Responds that there are certain areas that can be measured and other areas that cannot be, where metrics don't work.

Mr. Bowles

Says that there is less emphasis in government (versus the private sector) on goals, objectives, timelines, and real accountability, and that the definition of a cut is very different on the federal or state level than it is in the private sector. Adds that a lot of the difference is cultural, and a lot is just a different focus, and that they're very different places to manage.

Mr. Cote

Remarks on the necessity of measuring cost and effectiveness, and finding a way to use metrics in places once thought of as immeasurable. Quotes Albert Einstein: "Not everything that's important is measured, and everything that's measured is important."

Sen. Coburn

Remarks that those associated with Library Grants and Museum Grants utilize the best follow-up practices and manage better than anywhere else in the federal government.

Mr. Bowles

Remarks on importance of looking at utilization before rewarding resources.

Mr. Cote

Says they have to overcome institutional inertia in order to get everything done, and asks what fundamentals need to change and what specific recommendations they should make in order to see real progress.

Sen. Conrad

Remarks about positive aspects of moving to budgeting every two years instead of annually (even though he has opposed the idea in the past), and spending the other year focused on performance and oversight.

53 min.

Rep. Ryan

Says that too much time is spent on appropriating money rather than looking at where and how that money is actually being spent.

Dr. Rivlin

Remarks that budgeting every two years would give agencies more time to plan, and that while in the past people have rejected this notion because they feel that it's a loss of control, she actually thinks that it is more control.

Sen. Conrad

Says that the endless supply of supplementals is one of the many ways Congress can get around rules or enforcements that are set up to curb spending.

Rep. Hensarling

Says that only way the government truly gets any level of oversight is when one party is in charge of the White House and the other party is in control of Congress.

Says that the way one's interest in any program or group of people is measured is through how much you put into them.

Rep. Schakowsky

Says that the big gorilla in the room is the defense budget, which account for 55% of discretionary spending, and that the Commission especially needs to focus on that. In the past she has looked over the defense budget for a different committee, and every time they shined the light on the budget, there was incredible abuse there that the department wasn't even aware of.

Mr. Bowles

Remarks that it was a sure sign that the Defense Department didn't have very good accounting when the they reported that the number of contractors they had was between one and nine million. Adds that Sen. Coburn has been enormously helpful in looking at the defense budget.

PRESENTATION 2

GAO Remarks: Patricia Dalton and Janet St. Laurent – “Opportunities and Challenges for Achieving Greater Efficiencies, Cost Savings, and Revenues in Federal Programs”

1. Introduction

GAO's work can inform the Commission's important efforts to achieve fiscal sustainability over the long run.

GAO assessments reinforce the long-term need for such an effort:

2010-2015 Strategic Plan: “For more than a decade, each of GAO's long-term fiscal simulations has shown the federal government to be on an unsustainable deficit and debt path” (GAO-10-559SP).

21st Century Challenges: “The federal government's financial condition and long-term fiscal outlook present enormous challenges to the nation's ability to respond to emerging forces reshaping American society, the United States' place in the world, and the future role of the federal government.” (GAO-05- 325SP).

In addition, the Pay-As-You-Go Act of 2010 mandated GAO to identify and report annually on duplicative goals and activities across the federal government.

2. GAO's Body of Work Addressing Opportunities to Create Efficiencies and Achieve Savings Across the Federal Government

GAO's body of work has identified numerous opportunities for savings across the federal government, including:

- Opportunities to address fragmentation, overlap, and/or duplication, and
- Other major cost saving opportunities.
- Savings opportunities should be considered across the range of federal activities including spending, credit, regulatory, and tax.

- GAO has also identified several challenges the government will face in pursuing these opportunities.

3. *Examples of GAO Reports Suggesting Potential Fragmentation, Overlap, and/or Duplication*

- Federal oversight of food safety
- Federal food assistance
- Federal programs providing assistance to individuals with disabilities.
- Federal postsecondary financial aid
- DOD's unmanned aircraft systems acquisitions
- efforts to improve integration of intelligence, surveillance, and reconnaissance capabilities
- military health system
- The Department of Defense's joint bases
- The Department of Homeland Security's security assessments

4. *Other Potential Major Cost Savings and Revenues Options*

Areas to look into included:

- Defense Acquisitions and Contracting
- Homeland Security Acquisitions and Grant Programs
- Tax Expenditures
- Tax Gap
- Oversight of Oil and Gas Royalties
- Federal Farm Programs
- Federal Improper Payments
- User fees

5. *Challenges to Addressing Duplication*

- Differing Definitions
- Developing baseline data
- Identifying potential savings vs. realizing actual savings
- Identifying specific solutions
- Implementing recommendations

MEMBER DISCUSSION

Mr. Cote

Remarks on measuring performance rather than just input.

Asks if there is one single department that other departments could look to as an example of excellent performance.

Presenter responds that she cannot point to one single department.

Mr. Bowles

Says that the fact the presenter cannot point to one single department that follows the best practices and could be an example for other departments is a big deal.

Sen. Coburn

Asks presenters if they have done an analysis or report on whether or not Congress has acted on GAO recommendations, because Congress had a tendency to ignore GAO.

Ms. Dalton

Remarks that while some recommendations may be easy to follow, some require a policy or legislative change which makes it more difficult.

Sen. Coburn

Says that Congress gets great recommendations from GAO but doesn't act on them, and that it's not the agencies' or employees' faults, it's Congress'. Adds that he would love to see a "report card" on Congress from the GAO.

Rep. Schakowsky

Agrees with Sen. Coburn that she thinks this would be very helpful. Adds that recommendations from GAO are incredibly helpful, but only if they are implemented.

Mr. Bowles

Asks what happens to these recommendations if Congress does not act on them.

Sen. Coburn

Additional remarks on Congress ignoring GAO information.

Mr. Bowles

Asks if a lack of time is part of the reason Congress continues not to act on these recommendations.

Sen. Coburn

Remarks that Congress doesn't like to do the hard work of oversight; it doesn't get you the "attaboy" from home like passing a bill to get someone what they want does.

Rep. Ryan

Says that Congress doesn't prioritize spending, they just throw more money on top. Says that if they force Congress to prioritize spending and recommend caps on spending, they could maybe make real progress.

Rep. Becerra

Remarks that he doesn't think the main issue is runaway spending, or that Congress doesn't follow the advice of GAO, it's that they all have different interests; everyone is going to use the numbers in the way that's most beneficial to them. Everyone thinks that different types of spending are the most important, so it makes it difficult to make the necessary changes.

Sen. Coburn

Adds that the problem is simply parochialism, and that Congress does not do what is best for the country as a whole. Says the Commission could start a trend that would stop this, if they were all dedicated to doing the right thing for the whole country. Adds that this gets recognized at home for its valor; Congress is too worried about the next election cycle to do something long term.

Mr. Bowles

Says that every presenter or speaker they've had has said that the current path the government is on is unsustainable, and remarks on the importance of putting parochial differences aside.

Rep. Hensarling

Says that people ask "Why doesn't Congress accept changes?", and that the reason is the cultural focus on "the metrics of input". Even if a Congressman or Congresswoman ends up saving an agency money, they are still liable in the body politic for "cutting" their funds; this is not a culture that rewards efficiency.

Sen. Simpson

If you torture statistics enough, they'll confess.

Sen. Conrad

Says that this has been a good conversation because it has gotten to the heart of the culture, and that some of all of it is true. There's an interest behind every dime in the federal budget; there's no coordination. Adds that if the Commission recommended simplification, that might help. Asks how much money actually gets out there to help people, and how much gets locked up in bureaucracy; says that this is an opportunity for them to really make a contribution.

Rep. Schakowsky

Asks if they can continue with the rest of the presentation.

Mr. Bowles

Adds that the recommendations they will end up with will be relatively easy for people like him and Mr. Simpson to make, and they probably will not be popular in the short-term sense, but it's extremely important for people on the Commission to step up and put their differences aside.

Sen. Baucus

Asks about Medicare fraud.

Mr. Cote

Asks if GAO could put together a list of recommendations they've made over the past 5 years, and whether they have worked or not.

Mr. Bowles

Says tax expenditures are just spending by another name.

Sen. Conrad

Remarks on the large amount of improper payments that are made within the federal government, and asks if the GAO has a breakdown of where improper payments were made. Adds that this would be a very good thing for this Commission to have.

Rep. Schakowsky

Says that she is on the Intelligence Committee and that they're trying to get the help of GAO, but haven't yet because of national security issues. Says they need to ask if they are really achieving coordination and/or cost savings, or if they've just set up another office; adds that they definitely need the help of GAO...there are 16 intelligence agencies.

Mr. Bowles

Says the Congress really needs to grab the ball: you have turnover in leadership every 18 months with these agencies, so the agency decides they're just going to wait the leader out. Adds that Commission needs to make sure Congress has a mechanism to really follow up, regardless of a different leader every 2 years.

Rep. Schakowsky

Says that Mr. Bowles is right, that is a big problem for oversight committees. By the time they follow up there's a new person in charge saying they're going to make the changes, but they don't have time.

Mr. Cote

Says that there is no way you can make these changes in 18 months when the agencies are as big as they are.

Sen. Simpson

Remarks on collection of royalties and the problem of bureaucracies.

Mr. Bowles

Says that Mr. Cote's recommendation about looking at GAO recommendation from the past 5 years was terrific, and that is the first place the Commission should look.

Asks for any other comments or questions.

Rep. Hensarling

Remarks about how much money is spent on tax expenditures; says one trillion dollars is a lot of money, even by Washington standards.

CLOSING REMARKS

Mr. Bowles

Thanks everyone for coming. Says when committee members return they will have some tough decisions to make, and asks that they keep their calendars open.

Meeting Adjourned.

Chairman certification of the minutes:

A handwritten signature in blue ink, appearing to read 'Erskine Bowles', written in a cursive style.

Erskine Bowles