

# How Will Government Adapt?



NATIONAL ACADEMY OF  
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IBM Center for  
**The Business  
of Government**



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# How Will Government Adapt?

## Foreword

The National Academy of Public Administration's November 2014 annual meeting raised a number of key issues facing public administrators in coming years. The IBM Center for The Business of Government collaborated with the Academy to highlight some key findings and takeaways from that meeting.

The National Academy of Public Administration is an independent, non-profit, non-partisan organization chartered by Congress in 1967 to assist government leaders in building more effective, efficient, accountable, and transparent organizations. Its 800 Fellows—who include former cabinet officers, Members of Congress, governors, mayors, and state legislators, as well as prominent scholars, business executives, and public administrators—meet annually.

The focus of its 2014 meeting was “Public Administration 2025: How Will Government Adapt?” A series of speakers and panel sessions explored how what government does, and how it does it, will be different a decade from now. The goal of the meeting was to prepare public administrators at all levels to adapt to this changing environment.

Speakers from the Obama Administration included:

- **Dan Tangherlini**, Administrator, General Services Administration
- **Beth Cobert**, Deputy Director of Management, Office of Management and Budget
- **Katherine Archuleta**, Director, Office of Personnel Management
- **John Koskinen**, Commissioner, Internal Revenue Service

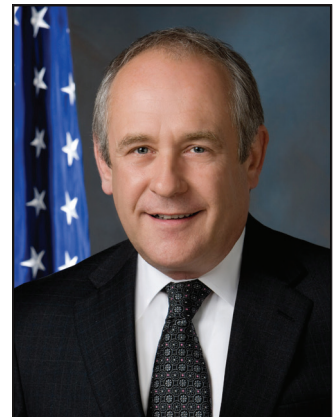
Breakout sessions addressed key issues facing public administrators, including: the changing role of the media, the pervasive effects of technology, the use of evidence to find and fund what works, the expanding use of shared services, and ways to reinvigorate the civil service.



**Dan G. Blair**  
President  
National Academy of Public  
Administration



**Dan Chenok**  
Executive Director  
IBM Center for The Business of  
Government



**Dan G. Blair**



**Dan Chenok**

## Managing for the Future

A discussion at the annual meeting of the National Academy of Public Administration, moderated by Francis Rose, Federal News Radio.

The Academy's annual meeting in mid-November heard from a wide range of discussants. Following are highlights from the opening panel:

### Panelists

- **The Honorable Beth Cobert**, Deputy Director for Management (DDM), Office of Management and Budget
- **The Honorable Dan Tangherlini**, Administrator, General Services Administration

### Highlights

**Opening Remarks.** In her opening remarks, Beth Cobert noted that the Obama Administration's management agenda "focuses on what can we do now, that will have an impact on citizens." The agenda is based on what agencies have learned over the past several years. At this point, they are prioritizing which initiatives they should try to institutionalize, in terms of processes and practices.

As an example, the DDM described the Digital Services Playbook, which is sponsored by the Chief Information Officers Council. The playbook describes 13 strategies and practices that agency CIOs should adopt to ensure effective, customer-centered services. She noted that data are available on what works, and the government needs to empower employees to do benchmarking and improve operations.

In his opening remarks, Dan Tangherlini indicated that the Administration is working across the various cross-agency councils of mission support chiefs (e.g., chief financial officers, chief information officers) around a common set of interests, with a focus on how to make mission support functions (e.g., financial management, personnel, acquisition, technology, building management) more efficient. He said that a key to this objective is to get change to flow up from the front lines in an organization with support from leaders, rather than flowing down from top leadership as a series of directives. If change flows up, then there is a greater likelihood that these initiatives can be sustained over time. He further discussed the use of benchmarking to foster demand, for comparative data on effectiveness.

*A key to this objective is to get change to flow up from the front lines in an organization with support from leaders, rather than flowing down from top leadership as a series of directives.*

**Changing Culture.** Agencies are facing large-scale culture changes. For example, Beth Cobert cited the implementation of shared services (where agencies turn to another agency or a private company to provide a standard administrative service, such as payroll) as an initiative that would, if well-implemented, enable policy-oriented leaders in agencies to focus more on mission and less on administrative operations.

In addition, the DDM noted that good governance structures, the voice of the customer, greater transparency, and data on performance are all elements for a transition in culture. If agencies want to institutionalize these elements, however, the managers have to see value in them. If they do, then they'll stick with it through a presidential transition in years to come. She envisioned this to be the case of the IT PortfolioStat reviews (note: these reviews were embedded in statute in mid-December).

In terms of the Administration's customer service initiative (where Carolyn Colvin, acting commissioner of the Social Security Administration, is the lead), Beth Cobert also said that "we need to create a demand for data, not push it." The Administration is currently driving this initiative through the use of Communities of Practice around customer service and the statutory GPRA Framework, where customer service is designated as a cross-agency priority.

Dan Tangherlini offered another example of changing administrative culture: creating a bureaucratic "myth-busting" guide, using wiki technology that provides real-world examples of the flexibilities allowed under the Federal Acquisition Regulation (FAR) which is typically viewed as a constraint, not a tool for action.

**End Goals.** Moderator Francis Rose asked each leader: "What is a goal you would like to have achieved by the end of the Obama Administration?" Mr. Tangherlini said: The use of more evidence and evaluation to help



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decisionmakers make better decisions. Ms. Cobert said: To reach a point where the American public would say: “This interaction [with a government agency] works better than before, and I can see an improvement and a difference.”

*(Summary by Dan Chenok, IBM Center for The Business of Government)*

## Technology—Increasingly Everywhere

**Enabling technology will increase expectations and performance, while driving down costs. Technology, which has already had profound impact on government, will continue to be a game changer in the way government operates and interacts with the public. What is the “Internet of Things?”**

This panel was moderated by Karen S. Evans, National Director, Partner, US Cyber Challenge and KE&T Partners LLC (and former head of e-government in the Office of Management and Budget).

### Panelists

- **Mark A. Forman**, Vice President, IT Services and Cloud Initiatives
- **Dan Chenok**, Executive Director, IBM Center for The Business of Government

## Highlights

**Background.** The focus of this session was “the internet of things”—in the very near future, every device will be a “smart” device with the ability to collect and relay data. This data is being collected by both the private sector and the government, raising the issue of privacy—what is being done with this data? Who owns this data?

An additional key issue is the role of the government in digital connectivity, particularly since the private sector often does this faster and better. What should be the role of government, if any, in collecting and utilizing this data, or should the government defer to the private sector for data management?

### Some Key Insights Raised:

- Technology tends to become relevant to the political agenda only when there is a failure, (e.g., the 9/11 terrorist attacks were viewed as a failure in relaying information; the Affordability Care Act’s website did not work properly on launch).
- The government often continues to look at technology, staffing, and related issues in a silo for each agency rather than integrating the delivery channel of government services across agencies
- Even if state and local governments lead on applying technology to service delivery, there can still be a role



for the national government in terms of the internet of all things, but what is this role?

- A “big” issue right now is that the government does not always tell citizens what it is doing with their data, and many citizens do not trust the government to be able to protect their personal data.
- Decisions in the government are often made on principles rather than evidence from data. How can the availability of data get people to make more informed decisions while still respecting their principles?
- How do you create a different privacy balance where people can take advantage of data, but also need to understand that if they opt-in that there might be greater access to personal information?
- There is interest in a more bottoms-up approach—data scientists taking data and analyzing it, and experimentation is occurring at a lower level and then moving up through the organization. For example, the evolution of IVDS—Interactive Visualized Data Systems—is occurring at the grassroots in some organizations, not as a top-down initiative.

(Summary by Allison Brigati, NAPA)

## Finding and Funding What Works

**“Absence of evidence is not evidence of absence” notes scientist Carl Sagan. Has the relatively recent focus on evidence-based decision-making enriched or stalled policy deliberations? What proof do we have that evidence-based decision-making has improved the quality of decision-making and program implementation? This session will explore the role of evidence in enhancing the availability of timely, authoritative and relevant information to policy makers.**

The moderator for this session was Jon Baron, President, Coalition for Evidence-Based Policy.

### Panelists

- **Grover J. “Russ” Whitehurst**, Director, Brown Center on Education Policy, Brookings Institution; Former Director, Institute of Education Sciences, U.S. Department of Education
- **Naomi Goldstein**, Director, Office of Planning, Research and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services

*Key components of an effective evaluation process include rigor, relevance, transparency, independence, and ethics.*

- **Demetra Nightingale**, Chief Evaluation Officer, Department of Labor

### Highlights

**Background.** This panel explored the efforts to increase government effectiveness through the use of rigorous evidence about what works. In most areas of social policy—such as education, poverty reduction, and crime prevention—government programs often are implemented with little regard to evidence, costing billions of dollars without meeting critical outcomes or addressing serious social challenges. However, studies have identified potential for highly-effective program models and strategies, illustrating that a concerted government effort to integrate these interventions can bring rapid progress to social policy.

The panel discussed the role that evidence-based policy has played in three leading social spending agencies, stressing the importance of not only incorporating the identification of “what works” into the process but to ensure that evidence is a criteria for allocating funds so that those programs that are proven to work get priority. The facilitated discussion addressed concerns that policy decisions are not being made on the basis of evidence and panelists shared some leading practices for how to “move the needle” in this promising area.

### Some Key Insights Raised:

- Tools such as the What Works Clearinghouse and the Top Tier Evidence Initiative have enabled users to improve their ability to achieve desired outcomes and make data-based decisions for funding.
- Key components of an effective evaluation process include rigor, relevance, transparency, independence, and ethics.
- The Random Control Trial methodology is effective but not the only rigorous evaluation—other formats (such as rapid cycle evaluation) should be constantly explored.

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- Discussions about supply and demand of evidence continue—the supply (and quality of the evidence) is increasing but the demand for evidence-based approaches has lagged in certain areas.
- It's important to focus on the questions being asked, the partnerships developed in the process, and the dissemination of the work (availability of data to others.)
- The sophistication of the evaluation process, as well as its integration with Government Performance and Results Modernization Act initiatives vary across agencies and departments.
- Evidence-based initiatives should not be a way to eliminate programs but they should also help to improve program outcomes.
- An open environment that supports risk taking and embraces innovation is essential to effective evidence-based decision making.
- Important to note difference between impact and outcome—there can be a negative impact in an experimental design, but that does not necessarily result in a negative outcome for the citizen.
- Evidence and evaluation offices within federal agencies are becoming more involved in strategic plan development and budget submission processes.

(Summary by Brenna Isman, NAPA)

## Shifting Defense Priorities and Fiscal Realities

**The Department of Defense faces a challenging budget scenario over the coming decades, as it will be tasked with improving its cross-cutting operational effectiveness and mission excellence with constrained financial resources.**

In particular, the Department must focus on mitigating high-risk issues and inefficiencies, including data security and accessibility, base realignment, and cost of employee benefits. The Department has already made progress in employing a change management approach, but further effort is needed. In light of these challenges, the Department can seize the current opportunity to maximize its resources and cultivate more strategic enterprise-level leadership.

*DoD traditionally receives high marks for its mission accomplishments. It is viewed as a model for addressing international crises and executing the jobs that it is asked to execute.*

### Panel Members

- **William R. Phillips**, Charter Member, U.S. Department of Defense Business Board; Principal-in-Charge, KPMG Federal Advisory
- **The Honorable Robert F. Hale**, Former Under Secretary (Comptroller) and Chief Financial Officer, Office of the Under Secretary of Defense, U.S. Department of Defense
- **William C. Greenwalt**, Fellow, American Enterprise Institute
- **The Honorable Elizabeth A. McGrath**, Former Deputy Chief Management Office, U.S. Department of Defense; Director, Federal Government and Commercial Clients, Deloitte Consulting LLP

### Highlights

- DoD traditionally receives high marks for its mission accomplishments. It is viewed as a model for addressing international crises and executing the jobs that it is asked to execute.
- The Department has made significant headway in terms of focusing on cost-cutting initiatives. They have taken efforts to tackle many of its GAO-designated high-risk areas, as well. In the past, many of the cost-cutting decisions were made locally at the installation-level. The local-level cost-cutting strategy did not allow a focus on opportunities for inter-operability and cost savings at the enterprise-level.
- The current fiscal environment of long-term austerity and uncertainty regarding the continuation of the sequester has become a compelling reason for action. In the past, the incentive to change was minimized because there were sufficient resources. However, because of the lack of money for the foreseeable future, Defense agencies are increasingly considering use of a shared service model. In situations where there is a trust-based relationship among key



stakeholders, they are more inclined to think of how this could be implemented. Defense agencies are just barely tapping into this kind of arrangement, and there are service providers throughout the Department that should have an enterprise-wide customer service perspective. It is a big shift in how Defense agencies think, and it is not one that is easily done.

- DoD is hamstrung by the “best practices of the past,” which are often codified in legislation. Despite being one of the best-managed departments of the federal government, there has not been a real compelling reason to change due to its robust budget. The last time in which there was a compelling reason to change was in the cutbacks that occurred the post-Cold War era.
- The Department’s congressional oversight community has changed in the last decade, and they are not necessarily looking for best practices; they are looking for savings. However, declining budgets may actually open up the need to look into current-day best practices and ways to improve mission effectiveness. The Department’s current management structure may have been good for the past war efforts, but it is not necessarily appropriate for the information age.
- According to Defense Business Board studies, 40 percent of DoD’s budget is considered to be “overhead.” To make changes in the ratio between overhead and mission delivery spending, you have to get specific, and you have to have an agenda. Since this is substantial amount of money, you have to be able to give specifics to Congress with which they must agree.
- Historically, Congress has been very supportive and helpful to the Department, but continued goodwill depends on working relationships between the leadership on the Hill and in the Department. A shift in congressional oversight seemed to occur during the Iraq War, and bipartisan consensus seemed to dissolve as that campaign has concluded. Moving forward, there is now an opportunity for the Department to re-engage with all of its stakeholders to improve management and operations. To this end, persistence is important. Congress has a need to understand what the Department needs, and Congress will listen if the Secretary or senior officials ask.

(Summary by Daniel Orr, NAPA)

## Sharing Across Stovepipes Is the New Normal

**Managing the cost of government will result in breaking down barriers within and between government agencies and levels of government to improve service delivery and reduce cost.**

Fiscal sustainability continues to drive the impetus to reduce backroom costs, more from necessity than from a desire for government organizations to dramatically change the status quo. OMB is already moving aggressively in this direction through its Federal IT Shared Services Strategy (“Shared First”) and the issuance of its Memorandum to agencies in 2013, *Improving Financial Systems Through Shared Services* (M-13-08). This panel explored how agencies can successfully manage what represents transformational change that cuts across organizational boundaries to move to shared services and break down stovepipes.

### Panelists

- **The Honorable David A. Mader**, Controller, Office of Federal Financial Management, U.S. Office of Management and Budget
- **Elizabeth Angerman**, Director, Office of Financial Innovation and Transformation U.S. Department of Treasury
- **The Honorable Chip Fulghum**, Chief Financial Officer, U.S. Department of Homeland Security
- **The Honorable Brad Huther**, Chief Financial Officer, U.S. Department of Housing and Urban Development

### Highlights

Successfully implementing a shared services initiative isn’t primarily about getting the technology or processes “right,” but about having the will to do it, committed leadership, and culture change. OMB’s guidance to move to shared financial management services creates a new dynamic for action in agencies. Most of the previous financial management-related shared services initiatives focused on creating these services for smaller agencies. Now the emphasis is on migrating the 24 CFO Act Departments and Agencies to shared services platforms. The long-term vision is to move agencies to one of a group of approved shared services financial management centers.

Departments and agencies competed to be the selected providers of one of these four shared financial services.

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OMB eliminated from consideration those applications from agencies who offered to deliver shared services only within their own Department. That resulted in four cross-agency financial management shared services providers being approved: the Departments of Agriculture, Treasury, Interior, and Transportation.

With the designation of these four financial management shared services providers, other departments and agencies are now focusing on governance issues for these centers, for example: what is the weight of my vote on the governing board for my center? Who manages the overall market place to ensure a level playing field? And, how will service level agreements (SLAs) be structured and monitored? After all, the SLAs define customer-provider relationships; true “shared services” arrangements are not just a consolidation or centralization of services.

Not all departments and agencies are ready to move to one of the four centers. Some are creating their own, interim, shared services within their own department and will determine their long-term migration to a government-wide center down the road.

For example, Brad Huther indicated that the Department of Housing and Urban Development is in the early stages of moving to the use of shared financial services within the department. He is relatively new in his role as HUD’s assistant secretary/CFO and observed that HUD is among the most siloed Departments he’s seen in his

long federal career. He said that each bureau has its own accounting system and their own accounting standards, and it would be almost impossible to move to a governmentwide platform from where they are now. For Huther, Step One is rationalizing the business imperative to move these bureaus to a common platform within the department.

Similarly, Chip Fulgham, CFO at the Department of Homeland Security, said that his department will also be transitioning some of its components to a shared financial management environment in coming months, within the department.

OMB’s David Mader said the goal is to bring shared services initiatives together in the next six months and to have the right funding systems to make the initiatives work. He said that OMB is open to exploring what optimal designs look like. An assessment of the maturity levels of the different ongoing shared services efforts is underway. Mader sees a need to ensure more system/backend standardization as a step toward a level playing field for competition between the different shared services centers. This will be necessary, he believes, to ensure a long-term sustainability of the shared services concept.

*(Summary by John Kamensky, IBM Center for The Business of Government)*



## Reinvigorating the Civil Service

The federal government faces a critical juncture as Baby Boomers, who made government service a high calling for five decades, complete their professional journeys, with the last wave turning age 65 in 2029. This long-predicted retirement wave presents challenges, as well as opportunities.

Surveys of college seniors show that only 6 percent would consider entering public service as a career, with only 2.3 percent willing to consider Federal service. What plans and strategies will federal departments and agencies employ to attract Millennials and Gen-Xers to public service over the next decade? What skill sets will employees need? Are departments and agencies prepared for this challenge? What actions will be needed to overcome these obstacles, seize opportunities and reinvigorate the public service?

### Panelists

- **The Honorable Dan G. Blair**, President and CEO, National Academy of Public Administration
- **Robert M. Tobias**, Professor, Public Sector Executive Education, American University
- **Max Stier**, President and CEO, Partnership for Public Service
- **John C. Salamone**, Vice President, Federal Management Partners
- **Angela Evans**, Clinical Professor in Public Policy Practice, LBJ School of Public Affairs, University of Texas

### Highlights

This panel of federal human capital experts examined the grave state the Federal civil service is in and what might be done to reinvigorate it. This complex challenge has many causes and exacerbating factors -- and many possible creative solutions. Out of the many possible causes and many possible solutions discussed, a few key insights stand out:

- If every organization has a vision and mission statement, what should their federal human capital vision be?
- The President, in his role as Chief Executive Officer of the federal government, can and should lead the way.
- The Senior Executive Service needs a thorough reassessment.

*There are a lot of bright, enthusiastic people who want to work for the government. We have to make sure the government is doing a good job at getting them in and keeping them.*

- Policy implementation is critical and civil servants, the implementers of the policy, can enrich and inform the policy discussions.
- Who speaks for the civil servants? Political champions of the civil servants need to be more vocal and effective.
- The retirement wave (Baby Boomers eligible to retire) is threatening the capacity of the entire federal civil service system and needs to be systemically addressed.
- The government is at crisis level in its ability to address its management challenges. The government as an institution is more isolated from the public than ever before. The challenges are becoming more difficult to address and the public's trust in the federal government to address those challenges is lower than it has ever been.
- A more nimble, innovative, and resourceful federal civil service is called for.
- Several programs created to provide a career path for top entry-level talent, like the Pathways and Presidential Management Program, have not performed up to the designed expectations.
- There are a lot of bright, enthusiastic people who want to work for the government. We have to make sure the government is doing a good job at getting them in and keeping them.
- The Government Accountability Office's internship program was discussed as a potential model to attract and retain workers in other parts of the government.
- Clearing out the unnecessary "underbrush" in the federal human capital system, especially in Title 5, which governs the federal personnel system, will make addressing these problems easier.

*(Summary by Matt Gripp, NAPA)*



## The State of State Finances

What is the state of State government finances as states grapple with their own short and long-term fiscal challenges and the prospects of the continuing “trickle down” impact of tighter federal budgets given the interdependency of the levels of government on one another? And how can States best address the difficult road ahead?

### Presenters

- **John R. Bartle**, Dean, College of Public Affairs and Community Service, University of Nebraska-Omaha
- **Merl M. Hackbart**, Provost Distinguished Service Professor & Interim Director, Martin School of Public Policy & Administration, University of Kentucky
- **Marilyn M. Rubin**, Professor of Public Administration and Economics and Director of MPA Program, John Jay College of Criminal Justice, City University of New York
- **Katherine G. Willoughby**, Professor, Department of Public Management and Policy, Andrew Young School of Policy Studies, Georgia State University

### Highlights

This session examined the fiscal challenges facing State governments, particularly in the aftermath of the economic recession that began in 2008. In addition to current and future fiscal challenges, the session identified major revenue streams, expenditures, and fiscal trends that will effect State governments at present and moving forward.

**Four Converging Challenges.** Panelists identified four converging challenges that will frame State government finance over the next decade. These include:

- Increasing vulnerability of state and local fiscal systems to economic recessions and a slow-growing national economy;
- Continued fiscal austerity at the Federal level;
- Increasing obsolescence of existing state revenue structures; and
- Continued movement toward “coercive federalism” by the federal government.

In light of these challenges, States have begun to implement appropriate financial management processes. States have managed their debt responsibly—approximately 96 percent of debt at the State level is long-term debt—allowing States to better manage their long-term

fiscal positions. However, infrastructure costs (i.e., transportation systems), a declining tax base, and decreasing support from the Federal government are trends that will continue to affect the health of State finances.

Citing a paper by Drs. Paul Posner and Tim Conlan, George Mason University, “State and local budgets are on an unsustainable course” with long-term structural deficits that will exceed 3 percent of GDP by 2050 (equivalent to \$526 billion in today’s dollars). Achieving balance would require cutting costs or raising revenues by about 14 percent per year.

### Other Points of Interest from the Session:

- **Transportation:** Highways are the most important mode of transportation in the US. States provide 50% of the funding for highways—mainly through the motor vehicle fuel tax. From 1960-2010 the US population increased by 20%, while the number of registered vehicles on the road more than tripled during this same time period.
- **Tax Revenue:** The growth in e-commerce is a challenging issue and would be a tremendous source of state sales tax revenue—presuming that states were able to collect taxes on e-commerce at some point in the future. The estimated revenue lost from states’ inability to tax goods and services sold via e-commerce increased from \$2.7 billion in 2000 to more than \$10 billion in 2012.
- **Tax Revenue and Demographic Trends:** If taken together, the individual income tax and general sales tax account for two-thirds of state revenues. However, the personal income tax will become increasingly obsolete if states do not reform the tax base to account for demographic trends (i.e., aging population).
- **Pensions:** On average, 3-5 percent of state budgets are allocated to pension fund support.
- **Debt:** The growth of state government debt is still relatively modest when considering fiscal trends, writ large.
- A book titled: *Sustaining the States: The Fiscal Viability of American State Governments* (2014, CRC Press), was referred to by various session participants. Several of the session speakers contributed to the book, either as authors or as editors.

(Summary by Eric Christiansen, NAPA staff, with excerpts from NAPA Fellow Tim Clark’s article in *Government Executive* magazine)



## Positioning the IRS for the Next Decade

**How does a new leader of an organization in crisis take on the task of restoring trust by citizens, stakeholders, and employees, while transforming the agency to meet the challenges of the next decade?**

Internal Revenue Service Commissioner John Koskinen shared his insights on his experiences to date in the closing session of the annual meeting of the National Academy of Public Administration in mid-November.

Koskinen was confirmed as IRS Commissioner in December 2013. The position had been vacant for over a year, and during that interim, allegations of improprieties led to the dismissal of an interim commissioner along with other staff. Extensive congressional hearings ensued, and a number of reforms were launched by a new interim commissioner, pending Koskinen's selection and confirmation. Koskinen has a career of successful turnarounds in both the private and public sectors. His leadership in the Y2K computer software changeover and 2008 financial crisis recovery efforts were seen as exemplary.

### Highlights

"I've always believed that the people who know the most about an organization are the frontline employees and their managers," says John Koskinen. So shortly after

he was confirmed, he went out into IRS field offices and talk. So far, he has visited 35 of the largest IRS offices and talked with more than 12,000 (of its 90,000) employees. He says it is amazing "to see the level of enthusiasm and energy that our employees continue to have." He says the biggest concern they expressed to him was not morale but that they lack the resources to "provide the level of taxpayer service that our employees want to offer and feel taxpayers deserve." He's gotten more than 400 improvement suggestions in person and another 500 via email.

**Where is IRS Today?** The IRS typically processes 150 million tax returns each filing season. However, this year things will be different for several reasons.

First, the IRS is facing its most complicated filing season ever, with the implementation of the new healthcare reform law's requirements to show proof of insurance. This will affect about 20 percent of taxpayers. In addition, over 100,000 foreign accounts are being reported for the first time, under recent legislative changes.

Second, the IRS is under severe budget constraints. Its FY2014 budget was \$11.3 billion, nearly \$1 billion less than in 2010 (even though there are 7 million more taxpayers and 13,000 fewer IRS employees). The Commissioner has publicly warned that, because of the increased tax complexities, there will be more



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phone calls and fewer people to answer them than in normal tax seasons, so a large number of taxpayers may not be able to have their questions answered. In addition, the budget constraints could lead to furloughs, if not resolved. Koskinen says this is problematic because the IRS loses about \$30 billion in revenues for every 1 percent decline in compliance rates.

Mr. Koskinen recognizes the importance of information technology in today's society but notes "we have some applications that were running when John F. Kennedy was President." He says that it is imperative that the IRS adapt to meet these IT-related needs and that the "Model-T" information technology infrastructure that the IRS depends on is insufficient. Thus, Mr. Koskinen noted that the IRS has some catching-up to do. Mr. Koskinen offered that the IRS has taken some positive steps when it comes to addressing present and future technology challenges, but that Congress has provided no funding in its current budget for IT infrastructure needs.

**What Is the IRS of the Future?** What should the tax filing experience look like in the future? Koskinen says that in the next decade:

- There will be more web-based interaction, and less person-to-person contact. 85 percent of tax returns are now filed electronically. It is now the norm, and no longer an innovation. Taxpayers viewed IRS.gov web pages more than one billion times last year.
- He wants taxpayers to see their experience as fast, secure, and transparent—just like it is when they deal with their financial institutions.
- He wants to expand communication via social media and mobile—that's what Millennials expect.
- He sees the need to deal with the generation gap among IRS employees (e.g., provide telework opportunities).
- And finally, since the IRS can't predict how things will be ten years down the road, the agency's leadership realizes they need to be able to develop an agency that can adapt to the technological, economic, and policy changes that can't be predicted today.

*Since the IRS can't predict how things will be ten years down the road, the agency's leadership realizes they need to be able to develop an agency that can adapt to the technological, economic, and policy changes that can't be predicted today.*

"The bottom line is that technology is changing so quickly," he noted, "there is no way to guarantee or even know what the world will look like in 2025. . . . Organizations can, however, still develop effective approaches for continuing to identify and make needed changes. In that way, they can effectively and appropriately respond and adapt when technology changes, when economies change, and when expectations change. And that, I believe, is how an organization can remain viable in 2025 and beyond."

NOTE: *Commissioner Koskinen's observations were delivered in the context of his delivery of the Academy's annual James E. Webb Lecture. This lecture program honors James E. Webb, whose career, capped by his exemplary contributions as director of the Bureau of the Budget and Administrator of the National Aeronautics and Space Administration, serves as a standard for those who want to improve and strengthen the capacities and performance of government. The Lecture Program is sponsored by the Academy's Fund for Excellence in Public Administration, through a generous grant from the Kerr Foundation.*

*(Prepared by John Kamensky NAPA Fellow, and Eric Christiansen, NAPA staff)*



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