

MEMOS to National Leaders

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ACKNOWLEDGEMENTS

We are pleased to present this final set of memoranda to our national leaders, from the National Academy of Public Administration (the Academy), the American Society for Public Administration (ASPA), and George Mason University's Schar School of Policy and Government (the Schar School) and its Centers on the Public Service. This project continues an ongoing tradition of reports outlining major issues facing new leaders following national elections.

The period following the 2016 elections for the President and Congress provided the potential for reflection about the long-term challenges facing leaders across our governing institutions. Unlike previous initiatives, these memos are addressed to both the President and Congress, recognizing the need for joint ownership and action on our major challenges.

There are 25 memos to national leaders summarizing five central themes cutting across the entire initiative. The five areas are:

- Managing Government to Achieve National Objectives;
- Strengthening Policy Leadership and Follow Through;
- Managing Across Boundaries to Achieve National Goals;
- Sharpening the Tools of Government in Action; and
- Increasing Government's Capacity to Manage Complex Policy Issues.

The process began with the establishment of a steering committee coordinated by the Academy Board Chair and former ASPA President, Paul L. Posner. The committee features both Academy Fellows and ASPA members and was assembled specifically to address the five critical management areas at ASPA's conference in March 2016. The steering committee was then expanded to bring in others with a strong history and background on the presidential transition process.

This initiative would not have been possible without the authors of the memos and the managing editor for making this project possible. We especially thank all the reviewers for their insightful comments on the memos. They raised important issues and their feedback was very helpful toward the improvement of the larger document. In addition to this, we would like to give special acknowledgement to the Academy's Transition 2016 initiative (T16) and we are grateful to be able to use their reports as the lead for each of the sections contained herein. We also extend a special thank you to the individuals who were so helpful in the review and formatting of the overall memos book, especially Steve Redburn. We are grateful for their time and contributions.

While this study has benefited from the excellent advice of these individuals, all oversights and recommendations in this book are the sole responsibility of the authors who prepared the respective memos and do not necessarily reflect the position of the Academy, ASPA, or the Schar School.

The Academy, ASPA, or George Mason University does not discriminate on the basis of race, color, religion, sex, national origin, age, disability, or veteran's status.

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FOREWORD

The months leading up to an election are a time for Americans to assess the candidates who have presented themselves for the Presidency, consider their positions on policy matters, evaluate their attributes, and decide for whom to cast their votes. During the campaign season, the candidates, and their respective parties, have promoted their policy positions on issues of critical importance to Americans. They have heard the views, concerns and aspirations of the American people, including a variety of experts on policy and administration.

Yet seemingly overnight, a victorious candidate for U.S. President must turn their attention from rallies, policy statements, get-out-the-vote efforts, and media interviews to leading a complex government comprised of more than 2 million civilian employees, volumes of laws and regulations, and a military deployed across the globe.

The Presidential Transition is a formidable endeavor, but the President-elect is not alone. Despite a rancorous political environment, support for a smooth and effective Transition transcended party lines. This year, the Obama Administration and the Congress joined together in providing a strong start to the effort by naming Transition Coordinators in every agency to prepare the government for the new President and leadership team.

The National Academy of Public Administration (the Academy) and the American Society for Public Administration (ASPA) along with George Mason University's Schar School of Policy and Government (Schar School) also are pleased to contribute to a successful Transition with a set of memoranda to our national leaders – leaders in every branch of government and at every level of government who are charged with making government work for every citizen.

Accomplished practitioners, recognized scholars, and expert thought leaders author the memos. Building on the Academy's Transition 2016 effort, each memo is an encapsulation of extensive knowledge, relevant experience, and timely research, intended to trigger innovation in policy execution and program delivery across government. Our goal is to have these memos make effective management across government a top priority for our new national leaders, as well as to encourage further discussions among policymakers, the Academy, ASPA, the Schar School, and memo authors.

The authors, reviewers, and the editorial team deserve our deep appreciation for their contributions to this publication. They have demonstrated their dedication to our nation by tapping into years of real-world experience, deep expertise, and the latest data and evidence to bring us this volume of sound advice. We also gratefully acknowledge the support provided by the Academy in making the print edition of the Memos to National Leaders possible.

Every American has a stake in a successful Presidential transition. The challenges are real and often daunting. We believe these memos will provide management context, perspective, and insight for newly appointed and elected leaders as they assume their responsibilities for the benefit of all citizens.

Janice R. LACHANCE
President-Elect, ASPA

Dan G. BLAIR
President and CEO, NAPA

OVERVIEW

Election campaigns are a time of promises. Transitions are a time of frantic preparation. And then, perhaps too soon, it is time to govern. Governing – as we know – is the hard work of turning promises into legislation, budgets, actions, and results.

Large portions of the electorate say they are frustrated or disillusioned by what they see as the failure of governing institutions to deliver. Elected leaders themselves have come to share this frustration. Indeed, while Presidents have left positive legacies, recent Administrations of both parties have experienced disheartening failures and shortfalls of execution ranging from disaster response during Hurricane Katrina to the crash of the web site for health care reform.

We hope this work by fellows of the National Academy of Public Administration and members of the American Society of Public Administration, and the experience and knowledge it reflects, will be useful to those who must deliver on promises made and must deal with the many challenges and crises ahead. Decisions will be made soon about which approaches to governing seem to work well and should be kept; which should be discarded or redirected; and what opportunities can be seized to improve the government's ability to execute and to deliver.

Here we pass along some of the public administration profession's best advice as of today. The brief memos in this volume can provide insights and background for an incoming Administration and Congress eager to succeed in meeting the high expectations of the public. The recommendations in each memo also can serve as a checklist against which to measure government performance over time. Later, perhaps, we can return to this list¹ to see what was tried, what worked and what did not, and what lessons should be drawn about the value of giving such advice to those about to take the reins of government.

The Governance Challenge

The Memos depict how government has come under pressure to meet ever higher expectations generated by the growing role of government in our society and by leaders eager to gain public approbation. In fact, we suffer from a profound clash between expectations and institutional realities. As government becomes more central for more of us, many expect government to be like a machine, where we drop the money in and out comes health reform or economic recovery.

At the same time, it has become increasingly difficult for government to deliver. The governmental agenda is filled with responsibilities that are increasingly complex. The government can deliver the mail and ensure that social security checks get to people. But reducing infant mortality, improving schools or ensuring safe drinking water often means grappling with deeply rooted social, economic and cultural forces.

With increasing polarization of views among leaders and the public alike, consensus about the role of government has eroded. How can government agencies navigate when Congress and the White House,

¹ A summary list of all Memo recommendations can be found in the report Appendix.

interest groups and clients are riven by conflicts over priorities and goals for such policies as those for climate change, education reform or even tax administration? Moreover, agencies face a more blame-seeking environment, as divided constituencies deploy weaponized social media to mobilize followers and dramatize differences. Such pressures may discourage the risk taking and innovation many feel are necessary for government to improve performance.

As government's role grows, so does our reliance on nonfederal actors to implement national goals. For the most part, we are in the habit of uploading promises and downloading responsibility to a plethora of states, localities, nonprofits, private businesses and citizens. Revenue losses from tax expenditures have in recent years exceeded spending from discretionary appropriations – a startling shift from direct to indirect government. While such changes in the way government delivers can enhance our collective capacity to achieve national objectives, they also complicate accountability. Delegating the task of governing to others does not relieve federal agencies or Presidents of responsibility or blame.

In this environment, deep-seated policy implementation and management challenges require a long-term strategy to instill the urgency and institute the reforms needed to achieve more ambitious and complex goals. While the media and public often view management problems as being caused by short-term leadership or situational factors, in fact the failures of government programs typically stem from chronic and perennial shortfalls in management capacity, misaligned incentives, poor use of technology, and weak cross-sectoral collaboration – coupled with overly hyped goals and expectations.

Success at governing, as we have seen over and over, involves more than working with Congress to turn campaign promises into legislation. Success requires thinking through how a new initiative would work with or replace the portfolio of existing programs, tax preferences, and regulations – not only at the federal level but at other governing levels. It involves examining the research evidence on what has worked or failed in the past and why. Success also requires detailed work to ensure that resources are applied where needed, with the proper administrative support, through the budget and appropriations processes, so that policies can be adequately resourced and effectively managed. Most critically, success is more likely when the complexities of policy design and implementation are addressed systematically *prior to launch*.

Often these implementation challenges come to our attention in a crisis, a symptom of the collective failure give priority to these important, but not urgent, management issues. Because these problems can deal a crippling blow to an Administration, it is critical that management and implementation challenges be addressed during and following transitions preemptively before they break to the surface in a crisis. A new Administration should act with foresight to resolve management challenges sooner rather than later. This calls for officials who will eschew traditional short-sighted political incentives that may provide greater rewards for creating new policy initiatives than for the effective management of existing programs. Far-sighted actions to derail management problems may accrue more benefits to an Administration's successors than to itself – there is little political credit from paying it forward in our political system.

Yet, recent Administrations have joined with the Congress to enact and implement significant management reforms on performance, financial management, human resource management, and information technology. Remarkable continuity has been exhibited across Administrations of different

parties in pursuing many of these reforms, sending signals to agencies and Congress alike of a long-term bipartisan national commitment to improving public administration.

The Memos: A Roadmap for Action

The 25 memos presented in this report constitute an agenda for incoming leaders to strengthen the performance of the federal government and its many partners in governing the nation, both for the short and longer term. The volume is organized to address five major challenges:

- **Part I: Managing Government to Achieve National Objectives**

What strategies should the President adopt to improve the central leadership of government programs and agencies? How can the Administration better define government-wide objectives and promote better coordination among the various agencies involved in their implementation?

There are four memos addressing this issue:

1. *Strengthening the Center of Government: A Government-Wide Strategy to Improve Performance*, Steve Redburn and Jonathan Breul – Provides a framework for improving the ability of the Executive Office of the President to achieve cross-cutting policy and management objectives and enhance coordination across agencies.
2. *Organizing the White House: Bridging the Executive-Legislative Divide*, Patrick Griffin and James A. Thurber – Recommends a stronger White House Office of Legislative Affairs to achieve more support and collaboration with the Congress.
3. *Staffing the President's Team*, James P. Pfiffner – suggests approaches to orchestrate and streamline the appointments process across the White House, agencies and Congress.
4. *Workforce Management: Human Resource Management and Public Service Motivation*, John Salamone – Provides an agenda for enhancing human capital planning across government, with a focus on improving the talent pipeline and employee engagement.

- **Part II: Strengthening Policy Leadership and Follow Through**

What are the most promising decision-making procedures and strategies the next Administration can use to effectively shape and follow through on its main policy commitments, while responding to unanticipated demands and emergencies? How can resources and programs be better targeted to improve performance and maximize the use of evidence and public engagement?

There are six memos addressing this issue:

1. *Governing with Foresight: Bringing Strategic Foresight to Bear in Planning and Management*, John M. Kamensky – Recommends the promotion of strategic foresight within government to give greater consideration to longer-term implications of policy choices.

2. *Reforming the Federal Budget Process: Budgeting for National Goals*, Paul L. Posner and Steve Redburn – Building on previous reform efforts and drawing on insights from behavioral economics, suggests approaches to reinvent the federal budget process to make it more disciplined, goal-focused, and forward looking, in both the executive branch and Congress.
3. *Performance Accountability, Evidence, and Improvement: Bi-Partisan Reflections and Recommendations to the Next Administration*, Shelley H. Metzenbaum and Robert J. Shea – Reviews recent performance management initiatives to recommend approaches to better integrate performance metrics and evidence with decision-making and management processes across government.
4. *Implementing Policy Initiatives: Successfully Vetting and Strengthening Major Initiatives before Launch*, Paul L. Posner and Steve Redburn – Recommends a process for vetting new initiatives before they are launched, by convening expert reviews organized by policy portfolios, such as those for higher education assistance or for investing in infrastructure.
5. *Expanding the Intelligent Use of Technology: Promoting Innovation, Collaboration and Citizen Engagement*, Beth Simone Noveck – Develops a framework and recommendations for agencies to institutionalize innovation, intelligent technology applications and public engagement.
6. *Broadening and Deepening Ethics Standards and Training for Federal and State Officials*, Stuart Gilman James Svara – Provides a framework for federal agencies to expand the scope of concerns encompassed in efforts to promote government ethics. A comprehensive value-based training program is recommended to deepen the commitment of public organizations and public officials to meet ethical standards in all aspects of their work and increase the organizational and individual capacity to uphold these standards.

- **Part III: Managing Across Boundaries to Achieve National Goals**

How can the next Administration develop new, effective strategies for policy and administrative collaboration across boundaries - between federal agencies, across levels of government, between government and the private and nonprofit sectors, and across global boundaries? What are the emerging fresh and creative strategies that have potential to produce results well beyond the sum of the silos?

There are five memos addressing this issue:

1. *Collaboration Across Boundaries*, Donald F. Kettl – Provides an overview of challenges facing the federal government in managing collaborations, with a detailed agenda of recommendations.
2. *Cross-Agency Collaboration: Building the Ecosystem to Support Cross-Agency Capacity*, Jane E. Fountain – Reviews the recent experience of interagency collaborations, including

those around crosscutting performance goals, to draw conclusions about the potential for and obstacles to interagency collaboration around major cross-cutting objectives.

3. *Managing Across Boundaries: Strengthening Partnerships with State and Local Governments*, Barry L. Van Lare – Provides an agenda for strengthening partnerships between the federal government and states and localities, with a focus on defining new principles to guide federal policy decisions and new institutions to oversee the relationships across governments.
4. *Strengthening Government-Nonprofit Partnerships*, Alan J. Abramson – Provides alternatives to consider for building the capacity of the nonprofit sector to serve appropriately as implementers of federal programs while retaining their independence to promote diverse interests and values. Identifies changes in the tax code, grant programs and other arrangements to promote a stronger third sector.
5. *Improving the Role of Public-Private Partnerships: Creating Public Value*, John D. Donahue – Reviews the experiences with public-private partnerships and harvests lessons learned about managing these initiatives to balance benefits and potential risks.

- **Part IV: Sharpening the Tools of Government Action**

How can government outcomes be achieved effectively when government uses indirect tools of governance.? What are the opportunities and pitfalls that await government when it relies on independent actors through financial, regulatory and contractual strategies?

There are four memos addressing this issue:

1. *Procurement: Focusing on Performance and Results*, Steven Kelman – Provides an agenda to improve accountability for performance under contracts, entailing greater use of pay-for-success models, more transparent information on pricing and more emphasis on post-award monitoring and assessment.
2. *Leveraging the Synergy of Federal-State-Local Partnerships Through Grants: Shared Governance in our Federal System*, Jocelyn M. Johnston – Reviews strategies for linking grants to performance and evidence, based on lessons learned from the federal government's recent history with grants to states for social services and education.
3. *Federal Regulations: An Agenda to Improve Administrative Rulemaking*, Cornelius Kerwin - Treating federal regulatory policy as a key tool expressing Administration priorities, assesses approaches to improving central oversight of proposed federal regulations, priority setting and planning, public input and engagement, and information and analysis.
4. *Tax Expenditures: Improving Design and Oversight*, Lehn M. Benjamin and Paul L. Posner – Now involving more federal resources than discretionary spending, tax expenditures deserve greater scrutiny by both the Administration and Congress. The memo provides an agenda for

reform to achieve better integration in budgeting and evaluation of related spending programs in such areas as housing and higher education assistance.

- **Part V: Increasing Government's Capacity to Manage Complex Policy Issues**

What are the unique policy design and management challenges that are characteristic of some of the most important policy issues of our time?

There are six memos addressing this issue:

1. *Healthcare Access, Quality and Cost: Toward a Better Balance*, Frank J. Thompson – Recommends that the Administration focus attention on results achieved from prior pay for performance and state Medicaid waiver experiments, with the goal of improving research and evidence to inform decisions about their expanded use.
2. *Infrastructure: Building a New Paradigm for Finance and Governance*, Mark Pisano and John Bartle – Recommends a new strategy for financing infrastructure at the federal level to help fill large unmet needs. Specific initiatives include using federal investments to leverage significant private investment, federal strategic funding of investments with major national significance, streamlined intergovernmental partnerships and greater emphasis on maintenance of infrastructure.
3. *Investing in Environmental Protection: Energy and Water*, Daniel J. Fiorino – Develops a strategy to improve national energy and water programs, recognizing their continuing importance to national economic growth and sustainability.
4. *Implementing Successful Strategies: The Need for Effective Homeland Security and Emergency Management*, John J. Kiefer and Tonya T. Neaves – Develops an agenda across levels of government to better meet the multiple threats posed by terrorism and natural disasters, with a focus on increased mitigation, improved training and critical infrastructure protection.
5. *Strengthening Criminal Justice and Law Enforcement: Moving into the Future Requires Looking to the Past*, John Maskaly and Doug Goodman – Provides an overview of the sensitive issues raised by local policing conflicts and law enforcement issues, with suggested alternatives for federal policy.
6. *Promoting Advancements in Science, Technology, and Higher Education: Increasing Government's Capacity to Manage Complex Policy Issues*, Howard E. McCurdy – Drawing on recent leaps of innovation in such areas as the self-driving car, this memo highlights potential gains from technological change as well as the governance challenges arising in its wake. Provides strategies for government to promote greater innovation and governance models that are compatible with innovative technologies.

PART I:
Managing Government to Achieve National Objectives

MEMO #1
STRENGTHENING THE CENTER OF GOVERNMENT:
A Government-Wide Strategy to Improve Performance
Steve Redburn and Jonathan Breul

MEMO #2
ORGANIZING THE WHITE HOUSE:
Bridging the Executive-Legislative Divide
Patrick Griffin and James A. Thurber

MEMO #3
STAFFING THE PRESIDENT'S TEAM
James P. Pfiffner

MEMO #4
WORKFORCE MANAGEMENT:
Human Resource Management and Public Service Motivation
John Salamone

MEMO #1

STRENGTHENING THE CENTER OF GOVERNMENT: A Government-Wide Strategy to Improve Performance

Steve Redburn and Jonathan Breul

Many of the challenges highlighted throughout this volume call for strong policy and management leadership at the center of government. Lack of coordination may lead to policies that work at cross-purposes, lack of clarity about responsibility for policy implementation, and a failure to turn decisions into action. Modern governments need mechanisms to ensure consistency and follow-through, and these require a strong center capable of providing clear direction to far-flung agencies and to coordinate their activities and communications.²

No one runs for president in order to manage the government. Presidents prioritize policy and adoption of their priorities as the essential building blocks to gain and sustain public support. However, whether they focus on it or not, problems and challenges in implementing and managing those programs can come back to haunt them and their political prospects. Implementation failures in responding to Hurricane Katrina, managing the roll out of President Obama's health reform, and responding to the long wait times experienced by veterans seeking health care from the Department of Veterans Affairs show what may happen when the White House is cut off from the realities of governing at the front lines of our system (Kamarck, 2016).

Central Institutions in the U.S. Federal Executive

These policy disappointments and shortfalls do not mean that effective governing institutions are absent at the center of our government. In fact, the federal government has built a premier set of institutions to coordinate development and communication of new policies and to follow through on policies established by the President and Congress. It has led a series of government-wide management initiatives, some mandated by Congress, to direct systematic improvement in the enormously complex tasks of managing a modern government.

Although its work is often unappreciated or misunderstood, the Office of Management and Budget

² Here is the problem as summarized by the World Bank's Center of Government Solutions Group established in 2015: "Few tasks are more important for the effective functioning of government as a whole than coordination at the top of the executive branch. When performed well, collective expertise from across the public sector is mobilized and brought to bear on the most pressing decisions confronting the country. Ministries, agencies and departments with a stake in a particular issue are consulted, and their views and technical knowledge are fully integrated into the decision process. Senior officials have the opportunity to thoroughly weigh and review various options, and to fully understand their legal, financial and policy implications. Once decisions are taken, ministries move forward with a clear set of directives and adequate resources to implement them effectively. See <http://www.worldbank.org/en/topic/governance/brief/center-of-government-global-solution-group>).

(OMB) is the nerve center: preparing the federal budget for the President, but increasingly also overseeing management for a government that has become ever more complex and far flung. OMB plays an essential role in the first initial months of the Administration when the President's agenda is being set. OMB is designed to carry out the President's instructions, if the White House will give orders. The White House staff is too small, too busy, and lacks institutional memory and detailed knowledge of government's operations. As a result, a new Administration especially runs a big risk of re-inventing the wheel. Moreover, in the West Wing "urgent" matters drive out more important matters. By contrast, OMB has the institutional knowledge and institutional memory both to see the issues from the President's viewpoint and to provide sound analysis and vetted options.

For every President, OMB performs many tasks critical to effective performance. OMB's knowledgeable, neutral civil servants work for the President, as opposed to executive agencies, who are tied to specific programs and interest groups. OMB, helps the President coordinate policy and communications within the executive branch, in part to ensure that an Administration 'speaks with one voice' to Congress and the public. OMB's legislative review process coordinates the Administration's policy communications with Congress, and its reviews of draft regulations perform a similar coordinating role.

OMB's work on the President's budget is indispensable to implementing the President's agenda. OMB is the central institution that provides a first-line review of agency requests; and its Director is an internal insulator, so that the President doesn't always have to say no. OMB staff work at nearly at the speed and complexity of the White House. Importantly, OMB organizes and leads annual decisions on resource and policy priorities in preparing the President's Budget. Their central role in the budget process gives OMB critical expertise and leverage in working across the agencies to coordinate policy development and implementation.

OMB shapes and coordinates policies for the government's financial management, agency strategic planning, and other management functions. OMB works with the President's Management Council comprised of agency deputy secretaries and management councils comprised of agency Chief Financial Officers, Chief Information Officers, chief procurement executives, and performance improvement officers. Coordinating policies and guiding government-wide improvement in each of these management functions helps ensure that the government's performance meets expectations of the President and the public.

OMB, like other center of government institutions, is stretched and under strain. OMB has a staff of only 500, fewer than when John Kennedy was President, notwithstanding exponential growth in the size and complexity of the federal government. As the White House staff has grown in both numbers and functions, Presidents increasingly rely on their own policy councils to develop policy and pursue its adoption. While those offices still heavily depend on the unique expertise of OMB, the agency's former primacy as the President's neutral policy advisor has been eclipsed by political staff loyal to the President. At the conclusion of this memo, we offer a number of recommendations to strengthen the central policy development and implementation role of OMB, partly based on a new report by the Partnership for Public Service.

Meeting the Challenges to Effective Governance

Recent trends in policy making only accent the importance of having strong central policy management institutions with a consistent, focused approach to delivering improved performance. Some challenges arise from the fragmentation and cross purposes inherent in a large, complex executive bureaucracy with many competing missions and priorities. Another set of challenges arises from the growing complexity and degree of difficulty of both the ‘wicked’ problems government must manage and correspondingly from the complexity of policy responses to those problems. Meeting these challenges requires a strong center of government.

The policy challenges facing the federal government require the combined efforts of multiple agencies within the federal government, effective collaboration with non-federal partners, and sustaining this collaborative work – transcending formal organizational boundaries – over the entire cycle of policy from inspiration through design and resourcing and, after enactment, through delivery.

As noted earlier, recent policy history has been marked by checkered results, including notable failures such as Hurricane Katrina and health reform’s implementation. However, there have been some equally notable success stories. For instance, the formation of the eGov team in OMB following the abortive health reform website launch succeeded in ultimately resolving early problems and in heading off similar problems in other agencies. The temporary partnership across federal agencies and state and local governments led by Vice President Biden’s office was instrumental in expediting the spending of \$800 billion in federal funds to jump start the economy following the Great Recession of 2008 with little fraud and abuse. However, these *ad hoc* partnerships were not sustained or institutionalized to help the nation implement other important program initiatives involving multiple agencies and levels of government.

The challenges of managing the executive branch and addressing the multiple mandates on executive agencies to strengthen particular aspects of administration have multiplied. Congress has hardly neglected the task of overseeing and trying to improve management of the executive branch; a series of congressional acts have worked as intended to remedy previous failures and to strengthen and professionalize particular dimensions of government management.³ While Congress deserves credit for these management reforms, each new statute has created new offices headed by statutory chiefs, new professional standards, and new required procedures and reporting. To counteract the tendency to stovepiping and fragmentation, these newer management functions must themselves be coordinated and then integrated with ongoing core policy and program management processes.

A Framework for Central Governance

The foregoing suggests that policy coordination and management is not easy in our system. As we move into the new Administration, it would be helpful to reconceive the policy responsibilities of the executive as a *continuum* – beginning on the front end with strategic foresight and planning to inform

³ A recent list of such legislation includes the Chief Financial Officers Act of 1990 establishing Chief Financial Officers in the agencies, the Federal Acquisition and Reform Act of 1995, the Federal Financial Management Improvement Act of 1996, the Information Technology Management Reform (Clinger-Cohen) Act of 1996 establishing agency Chief Information Officers, the eGov Act in 2002, the Government Performance and Results Act Modernization Act of 2010 establishing agency Performance Improvement Officers, the Federal Information Technology Acquisition Reform Act of 2014, and the Digital Accountability and Transparency (DATA) Act of 2014 (for a listing of 26 major statutes governing executive branch management see Partnership for Public Service, pp. 34 – 35).

policy development and budgeting, including vetting major new policy ideas prior to launch, and continuing after policies are enacted through law or regulation with an integrated approach to organization, management, and delivery. Often this will involve coordinating the actions of multiple programs and agencies at the federal level and fostering effective collaboration with intergovernmental and third sector partners (see Abramson essay and Van Lare and Conlan essay in this volume). The central institutions of our government – the West Wing, its policy councils, and especially OMB – must orchestrate the collective execution of policy all along the continuum.

The framework we have in mind would be based on the statutorily defined and well-established processes of the Government Performance and Results Act Modernization Act (GPRAMA) already used by the agencies and OMB to set policy and performance goals.

On the front end, the new Administration, led by OMB's Deputy Director and consulting with Congress, should use the statutory tools provided by the GPRAMA to set cross-agency performance (CAP) *outcome* goals that align with the Administration's major national policy objectives. These will establish targets for improved policy outcomes, along with specific policies and strategies for their achievement. These goals and targets should become the central units of analysis for budget formulation and planning:

- The government-wide outcome goals should be used to inform the development of the President's budget which is now largely organized by agency and budget account. The crosscutting goals should be used as the basis for a portfolio budget where all agency policies and programs are reviewed based on how well they contribute to effective performance in achieving these national priority policies (see Posner and Redburn essay in this volume).
- As agencies prepare their new strategic plans during the first year of the Administration, OMB should work with them to ensure that their strategic objectives are consistent with the government-wide goals that are set by central policymakers. Collectively, these strategic objectives will constitute the bottom line expectations for what the federal government will deliver over the next four years.

On the back end, each Administration should establish a set of cross-cutting management support functions and drive their implementation from the center, identifying these as the President's management agenda, to be set in place in the first months of the Administration and pursued relentlessly. As in the Obama Administration, CAP goals should include cross cutting management initiatives such as improving customer service, addressing hiring and other key human resource management problems, and enhancing the management of IT resources.

- This agenda should be championed from the White House and led internally by an OMB with the capacity and focus, through its Deputy Director for Management and using the budget process, to effectively guide and resource agencies' execution of the agenda. Formulation of the President's budget can galvanize attention from the agencies and the White House to management and implementation challenges. Efforts have been made in recent Administrations to promote greater attention to management issues in the budget process.
- To monitor and drive agency performance, OMB should continue the process begun in the past

several years to orchestrate agency reviews of their strategic objectives. Such reviews should be guided by central criteria articulated by OMB through the President's Management Council. OMB should work with agencies to ensure that their reviews encompass the influence of other agencies and crosscutting policies on the efficacy of agency performance.

Internally, the consultative role of the Performance Improvement Council (PIC) of agency PIOs in helping agencies plan and think strategically should be strengthened with additional responsibility and staff capacity. OMB can be bolstered to more effectively lead on the cross-cutting elements of the President's management agenda, but it cannot do so alone. To deliver on policies that cut across organizational boundaries, the Administration must replicate successful interagency collaborations, such as those that have over the past two Administrations sustained a national effort to reduce and end chronic homelessness, nearly cutting homelessness among veterans in half. Such successes depend on a combination of carefully executed, centrally driven actions that include establishing a clear strategy based on evidence of what is cost-effective, setting an achievable goal matched with adequate resources, and communicating that goal and strategy to federal partners at the state and local levels. To amplify and translate its management guidance, it should consider empowering the President's Management Council, made up of department and agency deputy secretaries, to take ownership and responsibility for government-wide initiatives to improve performance and to integrate each agency's internal management improvement and program execution functions as it finds best.

Externally, the Administration's policy priorities should be presented in terms that allow the public and Congress to assess whether national policy objectives are being met, thereby aiding the large task of restoring public understanding and trust in government's ability to deliver for the nation on its commitments. Performance must be tracked and reported in real time in a more visible and meaningful way, using today's technology to transform sites like *performance.gov* so they provide useable windows into government's progress in delivering promised results. Innovative methods to tap and make visible the public's collective wisdom and expert advice should be led from the center (cite Noveck piece in this volume).

Significant pieces of this framework have been developed and implemented by recent Administrations. For instance, the Obama Administration has stood up reviews of agencies' strategic objectives, building on lessons learned from the Program Assessment Rating Tool developed under the Bush Administration. The Obama Administration has also developed a set of crosscutting program and management goals following the enactment of the GPRAMA of 2010, and has succeeded in gaining support for high-level executive staff to help manage achievement of these goals. The framework we have in mind would build on these elements by using them as central features for budget formulation and management oversight by OMB and the Administration.

Recommendations

Our analysis suggests the following actions be taken by a new Administration to strengthen the center of government and thereby improve government's performance and chances for successful delivery on its promises:

1. In the first few months, set cross-agency performance goals corresponding to the major policy and management improvement priorities of the new President, and use these CAP goals to

inform both substantive policies and management initiatives constituting the President's management agenda.

2. In the first year, work with agencies preparing new strategic plans that specify strategic objectives laying out in measurable terms the Administration's policy priorities and the outcomes they plan to achieve in the coming four years.
3. Use the cross-agency goals as a basis for conducting portfolio reviews when formulating the President's budget.
4. From the outset of the new Administration, relentlessly pursue a clearly defined Presidential management agenda focused on improved delivery.
5. Strengthen OMB by integrating budget and management functions and by focusing on policy design, budgeting, and implementation as a continuum.
6. Integrate policy processes and management initiatives by strengthening the President's Management Council and other integrative bodies and having them take ownership of the President's management agenda.
7. Engage Congress more effectively to help support and its oversight responsibilities, and work with it to streamline and integrate legislative initiatives to improve management functions.

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MEMO #2

ORGANIZING THE WHITE HOUSE: Bridging the Executive-Legislative Divide

Patrick Griffin and James A. Thurber

A new Administration will be faced with the continuation of divided government – a pattern that has persisted for much of the postwar period in American government. Recent decades have witnessed the deepening of conflict between the White House and Congress as the parties have become more polarized than at any time in our modern political history. The deepening ideological schism has eroded the willingness to compromise to make government work, as the numbers of centrists in government has withered to new lows.

As one author says, “partisan polarization is like the cell phone of American politics--ubiquitous, occasionally annoying, and often the cause of public policy pileups when distracted lawmakers swerve into oncoming legislative traffic, and like the omnipresent technological device, partisanship has become one of the most dominant features of contemporary American Politics” (Andres 2005).

These trends have manifested themselves in hardened resistance to Presidential initiatives within the Congress, prompting Presidents to resort to executive actions to achieve at least partially what Congress has refused to do legislatively. It has jeopardized actions that must be taken to keep the government open for business by threatening the approval of appropriations and debt ceiling extensions, causing periodic government shutdowns and threatening the standing of the federal government with global credit markets.

The roots of sharp conflicts between Congress and the President are deep and difficult to reverse, reflecting the sorting of the American electorate into different geographic areas and districts. Nonetheless, Presidents must find a way to manage the Congress as they find it, not the one they may wish for.

The new President and Congress need an efficient and effective White House Office of Legislative Affairs (OLA) to help bridge the partisan gap and polarization that has brought gridlock to Washington. In this memo, we propose the kind of organization and leadership that would help the President and congressional leaders translate promises into action and help achieve what is in the public interest. We then suggest specific steps that would help the new administration improve its relationship with Congress.

Political Polarization and Goals of the White House Office of Legislative Affairs

No matter the extent of polarization among voters, activists, the media, and among Members of Congress and a divisive campaign, the President must organize to effectively work with the House and Senate. Officially, the White House states that the Office of Legislative Affairs (OLA) is responsible for advancing the president's legislative agenda on Capitol Hill. "Every day, the White House Office of Legislative Affairs team is on the front lines, working with senators, representatives, and their staffs to promote the president's priorities" (Condon, 2013).

The three principal functions of the OLA are:

- To help shape the overall political, policy and legislative strategy of the President;
- To coordinate and manage the execution of the President's initiatives as well as routine legislative, oversight and regulatory activity; and
- To collect, manage and process political intelligence and relationships with members of Congress.

Creating a better presidential relationship with Congress depends upon a variety of political factors, but it should begin with building an effective OLA that is close to the President and fully integrated into the White House organization.

Recommendation Actions

The new President could begin by taking these major steps toward improving the relationship between the White House and the Hill:

1. Establish appropriate status of OLA director to ensure effectiveness.

The regular senior advisor team for the President usually has three tiers. The first tier will likely initially be comprised of trusted advisors from the recent campaign, long-standing presidential confidants, as well as the spouse and maybe the Vice President. These individuals often meet privately and rarely show on an official schedule.

The second tier is usually comprised of trusted advisors that will have day-to-day responsibility for managing the key functions of the White House. There could be some overlap between the inner circle and the management circle. The configuration of this team varies from White House to White House. Most common members of this group usually would include the Chief of Staff, the Director of the National Security Council, the official spokesman, the Director of the OLA the General Counsel, the Political Director, among others. This tier usually meets with the President of the United States (POTUS) on a regular schedule and on an as needed basis.

The third tier of advisors includes all other senior staff of varying ranks, functions, and areas of expertise. Members of this group meet, if at all, with the president as needed.

The Director of the OLA must be a critical part of the president's senior strategy and management team. His/her participation needs to be involved as far upstream in the policy making and political management process as possible. There is virtually no issue, policy, or activity of the POTUS or White House that would not provoke some aspect of congressional interest.

To ensure the effectiveness of the OLA, the director needs to be functioning in at least the second tier of advisors. He or she should be viewed as a critical member of this advisory team, with regular access to the POTUS and or the White House Chief of Staff.

2. Select an experienced and highly respected director of legislative affairs.

The Director of OLA should be selected for his or her skill and relationships in working with Congress. This individual should have a command of congressional procedure, customs, and the policymaking process. These understandings are critical to efficiently and effectively advancing the President's policy agenda. The Director not only has the responsibility of managing the obvious responsibilities of the OLA office, the responsibility extends to educating senior staff of about the ubiquitous role of the Congress. The Director should help guide the senior advisors as to why and how congress can be an asset or liability, if not managed. Congress is not entitled to ultimate deference, but ignored at one's peril to White House efficiency and success.

3. Effectively manage OLA's primary constituency.

The OLA, like many other White House offices, has a major constituency to manage as part of its daily responsibilities. Office structures within the White House and ranks of the directors may vary from Administration to Administration, however, the constituencies and interests to be broadly managed rarely vary. The OLA's constituency is the entire Congress of the United States. We have mentioned what that job entails as it relates to serving the President and his agenda. What is not always apparent is the responsibility the OLA has to educate and protect, either as individuals or as an institution, the relevance and consideration of their interests in White House deliberations large and trivial. Often, congressional concerns are in direct competition for presidential attention with various White House constituencies. Assuring their concerns are appropriately considered in White House deliberations will likely increase the overall effectiveness of the decision-making and its ability to effectively execute on behalf of the President.

4. The Director of OLA must work toward a process that manages and coordinates the contact and information flow between the Congress and senior advisors of the POTUS.

Often many of the senior advisors to POTUS have relationships with Congress, real and imagined. It is unlikely the director of OLA can or should spend much effort to prevent random contacts with members of Congress by other senior staff. Instead, they should, in coordination, with the White House Chief of Staff, make clear that those contacts are in service of an agreed upon overall strategy directed by OLA. All information gathered needs, regardless of the source, to be shared and processed by OLA and integrated into the larger strategy. Random contacts can produce valuable data but, if not managed, can disrupt the strategy, create costly confusion, and

delays.

5. The Director also needs to strike a balance between times spent on Capitol Hill and in attending high-level internal meetings.

The demands for the time of the Director will be extensive. There will be a daily struggle in determining how the Director will allocate his/her time between scheduled and unanticipated meetings in the White House and interacting with members of Congress. Developing an approach and expectation as to which meetings the Director will likely attend and which will be delegated to the appropriate staff will be essential to ensuring efficient OLA resources and effective representation of its perspective.

6. The Director needs to decide how he wants to organize the OLA office in relationship to the Congress.

The structure of the OLA should be driven by the strategic goals of the White House. This structure would then provide a likely road map for the type of personnel needed and how they will be organized. For example, it could be organized by issue expertise, specific chamber experience, or some combination. The most common structure has a Deputy Assistant to the President for each Chamber with teams of special assistants to work at their direction. Depending on the President's agenda or that of the Congress, there may be a staffer that covers specific issues or Congressional constituencies in both the House and Senate.

7. The Director needs to build an explicit management structure for routine contact with staff both individually and as an organization.

Recognizing the Director's time will be limited, it is nevertheless important to find enough of it to have substantive reliable interactions with OLA staff. Managing staff requests for guidance can be mostly managed through phone, email, or delegated to the principle deputy. However, conducting occasional in person meetings with the group or individuals is essential. Failure to provide timely guidance and general support to staff can create serious inefficiencies in managing the assignments, undermine success, and effect morale.

8. The OLA must keep an obvious presence in each chamber of Congress.

The director must set explicit expectation that the jobs of the deputy assistants for each chamber and is to be conducted primarily in the Capital and not in the White House offices. As discussed, the Director will have significant time constraints on his/her ability for Congressional interactions. The Director's limited presence in Congress must be managed so as not to suggest indifference to the institution's importance. A major strategy for doing that is to ensure that the OLA keeps an obvious physical presence in each chamber of Congress, having regular contact with members and staff of both parties, and or having a physical location where OLA staff can always be found.

9. The Director must make it clear that managing congressional relationships and Intelligence gathering are critical to the two important functions of White House legislative relationships.

The OLA is organized to promote the President's policy agenda. However, it should use its regular access with Congress to deepen relationships on behalf of the President as well as gather political intelligence that might enhance the Administration's effectiveness. Gathering information that is not readily apparent could help anticipate obstacles and or exploit opportunities. There is no magical formula for succeeding in this objective, but it requires engaging members and senior staff with curiosity and attentiveness.

10. The Director should help shape the hiring, firing of directors of legislative affairs office throughout the government.

Managing the relationship to the OLA in each major governmental agency could be crucial to advancing the President's agenda. A clear delineation of responsibilities among the involved agencies along with coordination of resources and consistency of message is essential for promoting or protecting the President's interests. Establishing that the individuals hired to fill these roles were substantially influenced by the Director of OLA should facilitate a constructive and respectful relationship between the White House OLA and those of involved agencies.

The Director should attempt to cultivate these relationships by maintaining regular contact with these offices individually and or as a group. These interactions could impact success by presenting the opportunity to share and gain intelligence, give guidance, and collect feedback.

Conclusions

In sum, the Office of Legislative Affairs is central to the success of the President's legislative priorities in Congress. The White House Office of Legislative Affairs must have an appreciation of the layers and dimensions of polarization and the tradeoffs involved in trying to curb its effects and pursue the president's agenda.

The director's job is key to this. That job is large and complex, but the rewards in the furtherance of the President's policies while working with White House staff, Member of Congress, key constituencies and other government officials, can be great and are essential to building better relations with Congress in an era of polarization.

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MEMO #3

STAFFING THE PRESIDENT'S TEAM

James P. Pfiffner

The foundation for good management in the national government is effective leadership at both the political and career levels. Presidents do not run the government alone, they must work with their political appointees, who must in turn work with career executives who implement the president's policy agenda. This memo addresses the major challenges that face the president-elect's personnel operation and later the White House Office of Presidential Personnel: choosing the best people for presidential appointments requiring Senate confirmation, acting in a timely fashion, and working with the career services to carry out the president's priorities and execute the law.

Choosing the Best People for the Job

The presidential nominee of each party must begin to put together a transition recruitment team in the summer of the election year; it must be operating at full speed immediately after the election. The leadership of this team will form the core of the Office of Presidential Personnel (OPP) once the president is inaugurated.

The criteria for selecting candidates are multiple and demand the balancing of numerous factors, substantive and political. The most important criterion should be: is the person qualified for the position? Effective performance in similar positions is a good indicator of qualifications. These might be previously held PAS positions, or large scale managerial jobs in the private or nonprofit sectors. Policy expertise is crucial for many positions, but managerial experience is essential to others. Recruiters must understand the qualifications necessary for hundreds of cabinet and subcabinet positions. Members of the personnel recruitment operation must know the position descriptions and qualifications necessary for the positions that the president must fill.

One of the first challenges facing the president-elect's recruiters is to deal with the volume of requests for appointments that flood into transition headquarters immediately after the election. Resumes, e-mails and phone-calls will pour in by the tens of thousands. In recent administrations, this flood has reached 1500 per day, and the Obama administration fielded more than 300,000 applications. The best way for a new administration to deal with this volume is to staff the recruitment team early and clarify the process by which each potential nominee will be vetted before taking a short list to the president-elect, and later president, for a final choice of whom to nominate.

From the spoils system of the 19th century to the thousands of political appointments available to today's presidents (including lower level positions), loyal partisans expect to be appointed to positions in the new administration. Requests to appoint specific individuals can be expected from Congress, the political party, friends of the president, and even the family of the president. The Office of Presidential

Personnel must be prepared to deflect the requests for people unqualified for the jobs they seek. The success of a president depends directly on the quality of the administration's top managers, and placing unqualified people in subcabinet positions will hurt the new president and administration.

Overcoming Delays in the Appointments Process

Before a nominee can be formally nominated, he or she must survive vetting by the recruitment operation, the national security investigation by the FBI, the IRS, and financial scrutiny by the Office of Government Ethics. When these vettings are finished in the executive branch, the president sends a formal nomination to the Senate and it is referred to the appropriate committee, which undertakes its own vetting. The vetting process can be vexatious for potential nominees; myriad forms must be filled out, and often counsel must be hired to ensure that financial records are accurately reported.

In addition, Senate hearings can be challenging for the nominee and require careful preparation. Anne Joseph O'Connell has calculated that between 1981 and 2014, the average time for confirmation, was 88.5 days, but it was 127.2 days for the Obama administration. She also calculated that for the same time period, twenty five percent of nominees submitted to the Senate were not confirmed. The average time for failed appointments 179.7 days (O'Connell, 2015).

Causes for delays in nominations, include inadequate pre-election planning, inadequate human resources devoted to personnel, slow recruitment and vetting, multiple information forms to be filled out by candidates, and the flood of applications for jobs after each election. Despite delays in the Senate confirmation process, the more important cause of delays in filling positions is the executive branch vetting and selection process. In the Obama administration, the average number of days it took to nominate appointees was 131 days, but the lag due to Senate confirmation process was 61 days (O'Connell, 2010).

Placing Management Teams in the Departments and Agencies

In order for the president's policy agenda to be effectively carried out and the executive branch to be well managed, teamwork in the departments and agencies must be orchestrated. This goal can be undermined by conflict between departments and agencies and the Office of President Personnel. The White House staff tends to focus on loyalty to the president, and is suspicious of making appointments of people who are sponsored by members of Congress or cabinet secretaries. White House staffers suspect that cabinet secretaries are likely to recruit people who are loyal to the cabinet secretary but not necessarily to the president.

From the perspective of the cabinet secretary, the issue is one of building a management team for the department. Those in the cabinet are suspicious that the White House Office of Presidential Personnel will weigh too heavily the political service of the appointee and will neglect the expertise, managerial ability, and compatibility of the nominee with the other executives in the department.

Former Secretary of Defense, Frank Carlucci, characterized the cabinet secretary perspective: "Spend most of your time at the outset focusing on the personnel system. Get your appointees in place, have your own political personnel person, because the first clash you will have is with the White House

personnel office. And I don't care whether it is a Republican or a Democrat . . . if you don't get your own people in place, you are going to end up being a one-armed paper hanger" (Pfiffner, 1996). So OPP must balance the need for loyalty to the president with the experience and competence of the nominee and the need for the cabinet secretary to recruit his or her management team. The best approach is for both sides to understand the requirements of the other and consult with them. Political appointees play a vital role in American government, since they provide electoral accountability and commitment to the president's policy agenda. Appointees' close connections to administration officials and partisans in Congress provide them a unique perspective on agency tasks and relationships that can facilitate the provision of budget resources and necessary political support for agency programs. In contrast, career executives are more likely to have program and policy expertise based on management experience in the federal government and the agencies in which they work. Their long familiarity with the agency and its budgets and process helps them manage programs effectively.

The contrasting roles and perspectives of career and political executives can provide dynamism and expertise to the executive branch, but it can also lead to conflict; thus, it is essential that the two types of executives understand their roles. The appropriate role of political appointees is to lead the executive branch and formulate policy direction for programs and agencies. Career civil servants, on the other hand, see their roles as faithfully executing the law and carrying out policy directives. Though the boundary between policy and administration is murky, the principle is important to the smooth functioning of the government.

Best practices in the private sector include careful attention to "onboarding" new executives through careful orientation to their new positions, the organization's objectives, and the policy making process. In order for a new administration to hit the ground running, new administrations should have systematic plans to bring new appointees on board. Departments and agencies should prepare orientations specifically designed for the duties and requirements of their new positions. But the new administration should also include appointees as well as career executives in team building meetings across agencies so that the new administration acts as a team, along with career executives, in implementing the policy agenda of the new administration

Recommended Actions

In sum, the lessons learned in recruiting presidential appointees include:

1. Recruit those most qualified for the position and deflect requests for the appointment of candidates who do not have appropriate skills for the job;
2. Begin recruitment efforts well in advance and streamline the appointments process; and
3. The president's recruiters should work cooperatively with cabinet secretaries, and political appointees should work cooperatively with career executives.

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MEMO #4

WORKFORCE MANAGEMENT: Human Resource Management and Public Service Motivation

John Salamone, along with Fellow NAPA T16 Members

Over the years, much has been written about the importance for reforming the current civil service system. In fact, President Barack Obama's FY 2015-2017 budgets referenced the outdated federal personnel system by noting that "an alternative, cost-effective system needs to be developed that will allow the Government to compete for and reward top talent, while rewarding performance, and increase responsibilities of and encourage adequate flexibility to family caregivers, among other factors."

Regardless of whether any legislative changes are on the horizon, agency management officials, including Chief Human Capital Officers can take specific steps to make sure that the federal workforce is aligned and poised to meet mission requirements. The passage of the Chief Human Capital Officers (CHCO) Act in 2002 and the subsequent enactment of the modernization of the Government Performance and Results Act (GPRA-MA) in 2010, provide the necessary framework to facilitate inter- and intra-agency collaboration in the design, development, and implementation of strategic goals and objectives.

Recommended Actions

There are a number of steps an agency's Chief Human Capital Officer can take to help manage an agency's workforce during times of transition. These include:

1. Strengthening the Link Between Strategic Planning and Human Capital Management

The modernization GPRA in 2010 established a well-defined strategic planning timeline for federal agency leaders to follow during the initial stages of a new Administration. Specifically, by law, the head of each agency is required to produce and publish a new strategic plan by the first Monday in February one year after the Presidential inauguration.

In addition to establishing this regular strategic planning cadence, GPRA-MA also solidified the importance of sound management oversight and execution by creating the Chief Operating Officer (COO) position in government. Among other important duties, an agency's COO is responsible for coordinating and collaborating with other C-Suite executives to develop, implement, track, and report progress against strategic planning goals, objectives and outcomes. While these priorities are being established, an agency's Chief Human Capital Officer (CHCO) must provide keen insights to the strategic planning process and ensure that the organization's workforce is aligned to execute its mission.

2. Analyzing Key Workforce Trends

In order to contribute to the strategic planning process, an agency must have the systems and processes in place to capture, let alone, analyze the impact of key trends. Before charging full steam ahead into the world of predictive analytics, it is important to first understand the availability, reliability, and validity of existing data that is being used to drive and inform agency decisions.

Federal Employee Viewpoint Survey (FEVS) data provides one important vantage point to understanding key trends. However, the richness of FEVS data should not be viewed as the ultimate source for basing strategic human capital decisions. Depending on the availability of data and sophistication of the underlying information technology systems, agencies should begin identifying ways to overlay data for a more comprehensive view of the critical trends. For example, mapping employee engagement with customer service data and turnover trends could yield important information about the overall engagement, performance, or developmental needs of a specific functional area, program, or office.

3. Solidifying the Talent Pipeline

On December 15, 2015, President Barack Obama issued an Executive Order designed strengthen and improve the talent management, succession planning, recruitment, and development processes for our government's Senior Executive Service (SES). With over 60 percent of the SES workforce eligible for retirement in 2016, the timing of the President's Executive Order could not be more critical heading into a change in Administration. Although we have yet to experience the much-anticipated retirement wave, agencies that have been planning for the potential loss of talent and institutional knowledge are in a better position to replace key staff when turnover occurs.

Taken in isolation, a retirement wave could have a devastating impact on the government's ability to achieve its mission and manage its workforce. However, a five-year trend analysis of the U.S. Office of Personnel Management's FedScope database yields important information for agencies to consider. Specifically, from FY 2009 – 2014 more employees quit (455,000) federal service compared to those who retired (366,000). An astounding 84 percent of those quitting federal service during this timeframe left before reaching their ten-year service anniversary. So, if you look at these trends as a whole, it would seem that the retirement wave may be compounded by a strong undercurrent of employees quitting federal service.

In short, the President's Executive Order on strengthening the SES workforce is an important first step to ensure that agencies have strategies in place to transition new leaders into executive level positions. However, without the proper succession planning, recruitment, hiring and talent management strategies in place at all levels of the organization, the talent pipeline may run dry long before the well can be replenished.

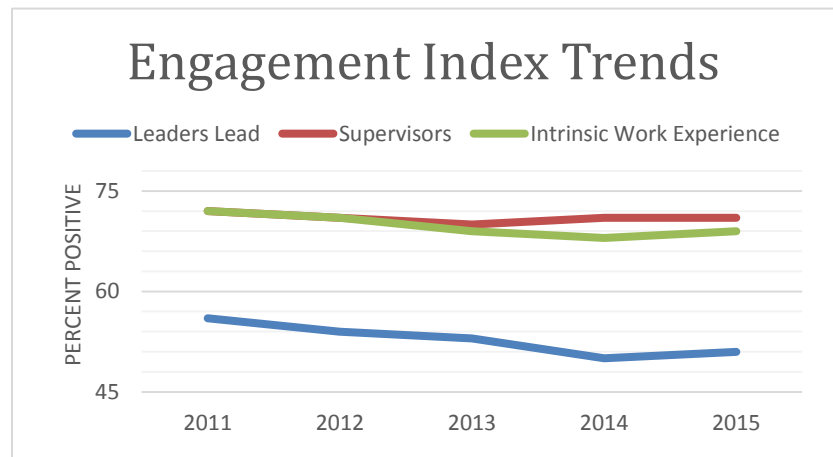
4. Focusing on Employee Engagement

In 2015, just over 421,000 employees responded to the Federal Employee Viewpoint Survey. Multiplying this population by the number of items on the survey (84), gives the Federal Government an impressive 35 million unique responses that can be categorized and organized by agency, organization, and specific demographics means (e.g., gender, ethnicity, tenure, grade level, etc.).

While the survey yields an impressive amount of detail and information, analyzing the survey trend data can be simplified based on the way items are grouped. For instance, OPM organizes similar items into three important indices: (1) Engagement Index; (2) Global Satisfaction Index; and (3) New Inclusion

Quotient (New IQ) Index. The index measures provide an incoming Administration a fast and reliable way of understanding critical trends.

As illustrated in the 5-year trend analysis chart of the FEVS Engagement Index, differing employee perceptions are evident for (1) leadership; (2) supervisors; and (3) work experiences.



While it is important to reinforce the earlier point about layering human capital data for strategic planning purposes, an incoming Administration will undoubtedly ask for an historical analysis of employee engagement trends during their transition briefings. Providing this data with an appropriate level of analysis coupled with key actions needed to improve employee engagement can solidify the value of the Chief Human Capital Officers throughout and beyond the transition process.

5. Underscoring the Importance of Operations

While it is important to focus on the strategic aspects of managing the federal workforce, without good processes in place at the operational level, an agency Chief Human Capital Officer may have difficulty contributing credibly to the strategic planning process.

Over the years, Administrations have attempted to streamline, expedite and improve the federal hiring process. While some improvements have been made, there still appears to be a recognized rift between the human resource office and managers over important indicators including speed and quality of the hiring process. Successful agencies are able to keep an open dialogue and promote collaboration between HR and managers on important aspects of the hiring process, including identifying key competencies by position, designing assessments, writing job announcements, and selecting candidates.

Conclusion

Since the passage of the Chief Human Capital Officers Act in 2002, Federal Departments and agencies have taken steps to improve their strategic human capital practices and human resource operational activities. However, the strengthening and modernization of the Government Performance and Results Act in 2010 reinforced the importance of cross agency collaboration by ensuring that all C-suite functions are involved in the design, development, and implementation of the strategic planning process. As the new Administration embarks on this process, Chief Human Capital Officers will play an important role in establishing goals, strategies and objectives and ultimately be responsible for enabling the federal workforce is poised to meet its mission requirements.

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PART II:

Strengthening Policy Leadership and Follow Through

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MEMO #5

GOVERNING WITH FORESIGHT: Bringing Strategic Foresight to Bear in Policy Planning and Management

John M. Kamensky, along with Fellow NAPA T16 Members

How can a new President assess the risks, challenges, and opportunities of his or her agenda – and more importantly, what actions can be taken now to improve the chances of success or avoid failure?

How can we best ensure that the long term is properly factored into day-to-day policymaking? It has been done it before – just look back at the race to the Moon or the development of the Internet.

Yet today, government leaders repeatedly fail to assess the potential effect of actions today on events tomorrow—or into the more distant future. To be sure, there are a few selected areas within the U.S. federal government that incorporate a future-oriented focus, such as in the financial, defense, intelligence, and health arenas. In the main, however, senior leaders lack an overarching commitment to address the future impact of current decision-making, even in cases when the potential consequences of today's actions are easily foreseeable. As a result of this lack of commitment to understanding the potential impact of future trends has contributed to an increase in large-scale government failures over the last two decades.

But such failures are not inevitable. The next President and his/ her Administration can take steps to ensure they are not tarred by costly shocks or strategic failures by committing now to integrating the use of Strategic Foresight into their decision-making processes.

What Is Strategic Foresight?

Strategic Foresight is a necessary frame for making strategically important decisions in an increasingly complex world so as to reduce the risks of unanticipated consequences. Foresight is both a mindset that keeps future impacts in mind in all decision-making, and a set of activities that aid and improve the planning processes. Foresight's foundational premise is that the precise outcomes of large-scale trends, and the interactions between these trends are unpredictable. The world is complex, interdependent and interconnected.

Foresight differs from traditional strategic planning. Strategic planning is nearer-term and based on predictions formed from known factors, such as demographic trends, budgetary resources available, predictable demands for services. Foresight is longer-term and attempts to take into account alternative scenarios. These scenarios use different premises as to how unknown factors or risks might influence

future actions, such as changes in policy or new technological or biological developments. Both approaches are needed by policy-makers.

Fully grasping the short-term, let alone long-term, potential effects of decisions in a dynamic environment is a difficult task. Foresight offers specific decision support tools and processes that enhance leaders' ability to "...perceive the significance and nature of events before they have occurred," as Foresight expert Daniel Kim has observed. New Zealand Foresight scholar Jonathan Boston further notes that today, excellent governance requires that leaders be able to reflect on "the implications of current decisions, events, and trends," to make the most informed decisions possible.

Foresight is not only a necessary method in the decision-making toolkit, but increasingly a critical component of national competitiveness, as other countries race to include the use of Foresight and risk management in their own long-term calculations.

Why Does It Matter Now?

Why should Strategic Foresight matter to a new President? Looking back at the decision to create the Interstate Highway System in 1956 might be helpful. President Eisenhower set in motion a construction effort that was not completed until 1992. The interstate system serves to tie our country together, but there were other consequences that may not have been envisioned at the time that might have benefited from the use of Strategic Foresight. The system was focused on civil defense and did not properly anticipate the creation of, and flight to, the suburbs; the shift from shipping via rails to trucks; and the division of city neighborhoods by highways.

The nation faces many similar policy impacts in areas such as bioengineering, cybersecurity, nanotechnology, cognitive computing, the internet of things, climate change, and many other technology and non-technology driven fields.

The Government Performance and Results Act (GPRA) Modernization Act of 2010 requires a new Administration to develop four-year strategic plans within each agency for what it intends to accomplish during its term in office. These plans should be developed in the context of broader strategic trends in order to assure that the choices made are based on the best available information.

Where Has It Been Used?

More recently, agencies that have applied Foresight tools – such as scenario planning and the application of systems approaches – have found them to be useful in improving decisions made:

- *The U.S. Coast Guard's* Project Evergreen has used future alternative scenario planning for nearly two decades, and these efforts helped position the Coast Guard for the opening of Cuba, anticipating the advent of non-state actors contributed to its Maritime Domain Awareness strategy, and its assessment of climate change affected its approach to the deployment of its Arctic resources.

- *The Intelligence Community's* Long Range Analysis Unit highlighted the potential national security consequences of climate change more than two decades ago. This helped them position analytic resources to assess related on-the-ground activities.
- *Federal Emergency Management Agency's* Strategic Foresight Initiative set out to understand the factors driving the world of emergency management over a 20-year period, resulting in a report on response and disaster resilience in 2030. The report focuses on capabilities, tools, and partnerships needed to be effective.

Based on these and other examples of the value of Foresight, the Panel offers several recommendations for consideration by the next President-elect's transition team and his/ her Administration.

Recommendations

The Panel recommends that the new President and his/ her Administration frame their strategic decisions in the context of their impact on the future. This incorporation of Strategic Foresight requires creating a systemic capacity to conduct Foresight and the right level of access to decision makers at the right time.

The following actions collectively detail how the next President could incorporate Foresight into executive level decision-making in the White House and agencies.

1. Charter a 100-Day Government-Wide Stress Test Taskforce

The first 100 days of an Administration is a heady, and often chaotic, period of maximum disorganization – and maximum creativity. The Panel recommends that the President-Elect charter a Stress Test Taskforce to begin during the Transition period and conclude no later than 100 days into the new Administration, so its results could help guide the development of agency strategic plans that will formalize the Administration's goals and priorities.

The Taskforce would conduct a Foresight-risk assessment to identify five to 10 future challenges that could derail the new President's key priorities. By identifying these challenges, and tracing them back through the existing budget and planning processes, the President would have more flexibility to develop mitigation strategies now than if he/ she waited until they arose in the future.

The Taskforce should undertake a review and synthesis of existing Foresight activities that have been recently undertaken in both the private and public sectors – including those conducted by other governments. It should conduct its own Foresight exercises and it should engage existing Foresight staffs in federal agencies to assist in its efforts. The Taskforce should also include the results of agency-produced Strategic Risk Profiles, where available.

The Taskforce's final assessment could be either confidential, for the Administration's use in its internal deliberations and serve as input into its planning efforts, or it could be a public document that is widely distributed – or it could have aspects of both.

The Office of Management and Budget (OMB) has directed agencies to prepare profiles of key enterprise-wide risks the new Administration will face, which will be available soon after it takes office. However, there is no mechanism in place to view these in a strategic light. The Task Force could do this. In addition, by law, agencies are required to develop four-year strategic plans, due to Congress in February 2018. Drafts will be due to OMB in the summer of 2017. The new Administration could use the results of the Stress Test Taskforce to quickly put the Administration's strategic mark on how agencies should frame their plans.

2. Systematically Integrate Foresight into Policy Development

Unlike some other countries, the U.S. does not have an institutional mechanism or office at the top of government to methodically scan the horizon or generate alternative future scenarios. The military, the international affairs community, and homeland security each have fairly robust offices to do this for their respective domains, but there is not something like this for the federal government as a whole. Leon Fuerth and Evan Faber, George Washington University, summed up a decade of research on more effective uses of Foresight in the U.S. federal government in a 2012 report, *Anticipatory Governance*. Their recommendations served as a starting point for the Panel's recommendations in integrating Foresight into policy development.

The Panel recommends the creation of a formal, institutional Strategic Foresight capability that has access to the top of government and embedded in agency planning and risk management efforts, but is detached from day-to-day crises. This should consist of several dimensions:

3. Create a White House-Level Capacity for Strategic Foresight to Inform Key Policy Decisions

The new White House chief of staff should designate a White House-level position or create a unit possibly modeled after the Council of Economic Advisors, which would promote the use of macro-Strategic Foresight (e.g., assessing global, long-term forces) in policy decisions.

- a. This function should report to the Chief of Staff's office, with actual staff via detailees from agencies, Federally-Funded Research Development Corporations (e.g., RAND, MITRE), foundations, think tanks, or university affiliations. This function would be in the "line of sight" of decision makers, but not in the "line of fire" and engaged in day-to-day urgent responses to current events. Placing this function in the White House would likely make its results more policy-oriented in nature.
- b. The person leading this function would serve as a neutral convener and broker between the Foresight and risk functions vs. the policy development and decision functions, at the White House. That person's job would be to ensure the questions around next steps get asked; he/she will not be vested with the capacity to develop the answers. Selected agencies have functions like this in place, such as the Defense Department's Office of Net Assessment, which reports directly to the Secretary. Other agencies, such as the Office of Student Aid in the Department of Education have incorporated this role into the responsibilities of their Chief Risk Officer.

4. Create an Expectation that the OMB Deputy Director for Management Champion the Creation and Use of Foresight Capacity

- a. The OMB Deputy Director for Management already oversees the implementation of agency strategic plans, enterprise risk management initiatives, acquisition and grant policy, and human capital initiatives. He/ she would be a logical champion for the systematic development and use of Foresight capacity across the government.
- b. The President's Management Council (PMC), chaired by the OMB Deputy Director for Management, should sponsor government-wide Foresight efforts that would be more mission- and implementation-oriented rather than targeted to the needs of White House policy makers. This would be similar to Canada's Foresight office, Policy Horizons Canada, which provides meta-analyses to its ministries on topics selected by a council similar to our PMC.

5. Leverage Existing Interagency Networks to Help Agencies Develop and Use Foresight in Decision-Making

Policy issues today do not respect traditional organizational boundaries inherent in large bureaucracies. The use of cross-agency collaborative networks – formal or informal – offers an alternative way to organize governance of enterprise-wide activities. This approach is reinforced by a wide range of both national security and domestic policy experts.

When it comes to the development and use of Strategic Foresight, the goal should be to create a culture of long-term thinking and cascade this way of thinking throughout the agencies at the political and career levels.

The Canadian government trains rising leaders to incorporate Foresight and collaborative skills into their professional development by rotating them into their Foresight office, where they learn specific skills, use them, and then can take them back to their home agencies. In the U.S. government, similar efforts were undertaken to create and train informal professional networks around current initiatives related to technology innovations, via the U.S. Digital Service and 18F.

Recommendations

- ***The new Administration should encourage Foresight units in agencies.***
 - Based on the results of an upcoming Toffler Associates survey of existing agency Foresight capacities, the new Administration's Foresight champion should determine the extent to which agencies already have Foresight capabilities and their degree of sophistication, and the use of the results to shape priorities in institutionalizing Foresight into existing decision-making processes.
 - Identify the characteristics for such functions based on existing agency practices (e.g., Department of Veterans Affairs, U.S. Coast Guard, Department of Defense's Office of Net Assessment, Federal Emergency Management Agency).

- ***The new Administration should encourage communities of interest across and within agencies.***
 - Internally within the government, this could be done via the existing Federal Foresight Community of Interest.
 - Externally outside the government, this could be done by establishing continued involvement of those participating in the ongoing NAPA-Booz Allen Hamilton Strategic Foresight exercises as well as a wide range of non-profit and academic resources.
 - Experience shows that the most effective approach is to “promote it by doing it.”

Conclusions

Decision-makers face a difficult environment defined by rapid change, complexity and uncertainty. Moreover, the consequences of failure have increased. Growing interconnectedness magnifies the potential impact of events. Also, the political fallout from events is magnified by 24/7 multimedia news cycles and a polarized political environment. Adverse events can not only derail policy agendas but the political effectiveness of an Administration. In addition, inaction in the face of ongoing system changes, according to a recent report by the Wilson Center, can also reduce the capabilities of institutions to carry out their missions, as well.

It is impossible to anticipate every adverse event, but Strategic Foresight offers a disciplined process for identifying and analyzing uncertainties with the potential to significantly affect policy objectives—negatively *or* positively. Strategic Foresight employs scenarios to consider how different trends and developments may come together in unexpected ways to put policy objectives at risk or create opportunities for more effective action on these objectives. Strategic Foresight can help leaders identify critical weaknesses in policy areas that may not be a priority, but where adverse events could potentially derail effective action in other policy areas.

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MEMO #6

REFORMING THE FEDERAL BUDGET PROCESS: Budgeting for National Goals

Paul L. Posner and Steve Redburn

The new President and Congress need a working budget process to help them put resources behind their policies and govern the Nation effectively. Budgeting, one of the core processes of government, is badly broken. But, in this case a return to the “regular order” is not enough. We need a new order that will help leaders make tough fiscal choices in a complex and turbulent world. Here we prescribe the kind of budget process that would help leaders translate promises into resource allocations aimed at achieving a desired future, anticipating a broad array of complex challenges amidst almost paralyzing uncertainty. We then suggest specific steps that new leaders could take to begin putting such a process in place.

The Goals of Federal Budgeting Reform

Those who have worked in or studied the federal budget process have begun to develop fresh ideas to reform the federal budget process. The authors are part of one such group, the National Budgeting Roundtable [budgetingroundtable.com], which has wrestled with the problem for over two years. Drawing on their work and that of other non-partisan and bipartisan groups of scholars and practitioners, we define the goal of such reforms as giving the federal government a budget process that:

- Is more disciplined, predictable, and institutionalized;
- Facilitates negotiation and compromise;
- Regularly reviews all elements of the budget, including revenue and spending policies;
- Is more forward-looking, giving greater attention to both growth-producing investments and long-term commitments;
- Supports stabilizing public debt at a safe level over the far horizon;
- Is neutral with regard to specific policies, including the balance between revenues and spending; and
- Supports more use of evidence showing how alternative resource uses would improve the government’s performance in achieving national goals.

Recommended Actions

Creating a stronger budget process almost certainly will not be the work of a single Administration and Congress. Still, it is urgent to begin. The new President and congressional leaders could begin by taking these major steps toward a budget process that meets the aims outlined above.

1. Budget for National Goals

The current process for developing the budget is biased toward marginal, short-term changes and familiar policies. It is piecemeal, fragmented, and stove-piped. It is often blind to major shifts in the Nation's economy and social structure. The result: it misses bigger, strategic options that could produce breakthrough gains in how resources could be used to achieve national goals.

The authors have described a 'portfolio budgeting' approach to selected major policy goals that we believe should be added to the current process (Redburn & Posner 2015). Each year, for a few major national policy objectives, the full portfolio of spending, tax provisions, and other policies addressed to each goal would be compared with alternative strategies that use resources very differently with the aim of finding a new strategy to achieve a better result at lower cost. This approach is designed to identify breakthrough gains in the productive use of resources. Budget savings could be reinvested in the same or other policy priorities that promise higher long-term returns.

2. Strengthen the Budget Committees

The 1974 reform act that created today's congressional process was a compromise that limited the ability of the new budget committees to shape a coherent congressional budget resolution and to enforce its targets and priorities. As a result, the new process has been used only erratically and to limited effect.

To make Congress an effective partner with the President in shaping budget priorities, the House and Senate budget committees must have a stronger role in shaping budgets and directing the work of other committees. If they are reconstituted as leadership committees – for example, by including the chairs of the appropriations and tax-writing committees – they can become a forum for negotiating the outlines of the budget at the beginning of the process, giving specific policy instruction to other committees to hit savings targets. Later in the process, they can use a robust reconciliation process to ensure compliance with the resolution.

3. Establish a Multi-Year Budget Framework and Process

One of the great weaknesses of the current budget process is its myopia. The Nation cannot meet its long-term commitments and invest in future economic growth if its focus is only short-term and it fails to align spending with expected revenues. Other countries have learned to budget within a multi-year framework that sets and enforces spending and revenue targets within which more detailed budget choices are to be made.

To stabilize its fiscal future and promote long-term economic growth, the federal government should budget within a multi-year budget framework with enforceable targets for budget savings consistent with long-term fiscal sustainability. Having negotiated a bipartisan agreement on broad fiscal goals, the multi-year framework would include annual targets for budget savings and investment that put the budget on a trajectory toward eventual sustainability.

4. Budget for Tax Expenditures and Mandatory Programs

The largest programs, including the major entitlements, and tax expenditures (provisions of the tax code that function much like spending programs) are not subject to the same scrutiny, regular review, or degree of control as are discretionary (annually appropriated) programs.

The process should be revised to put all parts of the budget on the table and to ensure regular review of tax expenditures and mandatory spending. Budget resolutions could require such reviews. Evidence of the effectiveness of tax expenditures should be developed and used in the process. Tax expenditures should be added to both revenue and spending totals to more accurately represent the true size of the budget. Consideration should be given to the best way of controlling or capping the growth of so-called mandatory programs, as is done in many other countries, while providing flexibility to meet any growth caps without harm to vulnerable recipients.

5. Revisit the Use of Budget Concepts

Basic concepts used in constructing the federal budget are in disarray. The last comprehensive revision of basic concepts and their use was made in response to recommendations of the 1967 President's Commission on Budget Concepts. Seemingly dry and technical, decisions about the way the budget is organized and presented shape decisions and public understanding of how much money government raises and spends.

It is time to consider creating a new bipartisan process – this time including Congress – to review and recommend changes in the use of budget concepts. The rationale and agenda for such a commission has been presented by two veterans of the process, Barry Anderson and Rudy Penner (2016). Without recommending specific changes, they list a series of unresolved issues about how budget concepts should be applied to improve the way budgets are shaped and presented. Their proposed agenda includes questions about the scope of the budget – why some programs are ‘on budget’ and others ‘off budget’, why some federally sponsored entities are included and others are not. Their list also includes questions about how to define spending and revenue, including the treatment of tax expenditures and ‘offsetting collections.’ Finally, they would review ways of recording the economic impacts of such government actions as purchases of securities, trust funds, capital investments, and loans or guarantees.

Conclusion

Of necessity, process reform steps such as these must be the product of agreement between the Administration and Congress. Finding areas of agreement will require rebuilding channels of dialogue and negotiation that have attenuated in recent years. Budget process may be an easier focus for

rebuilding such connections and finding consensus than more substantive policy areas, where positions are polarized. Because negotiation and compromise are the essentials of a healthy budget process, efforts to reach broad agreement on budget process reforms may contribute directly to the conditions for better budgeting. And, a stronger budget process is one precondition for realizing the promises of a new Administration and Congress.

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MEMO #7

PERFORMANCE ACCOUNTABILITY, EVIDENCE, AND IMPROVEMENT: Bi-Partisan Reflections and Recommendations to the Next Administration

Shelley H. Metzenbaum and Robert J. Shea, along with Fellow NAPA T16 Members

In the last few decades, we have learned a lot about what works and what does not in the quest to improve government performance. We have learned not only from the experience of the U.S. federal government, but also from that of state and local governments, the private sector, and foreign governments. Based on those lessons and our experience as two former Associate Directors at the U.S. Office of Management and Budget (OMB) responsible for federal performance measurement and management policy, one during the Obama Administration and one during the George W. Bush Administration, we offer here a roadmap for the next administration.⁴ Rather than starting anew, we suggest building on the solid foundation that exists. At the same time, we urge avoidance of past missteps.

Overview

Government can and should benefit people's lives. About this, we hope there is little debate.

The question is: does it? Does government advance the beneficial impacts it pursues and does it do so with minimal unwanted side effects? Beyond that, does it do so in ways that are not only effective but also efficient, fair, understandable, reasonably predictable, courteous, honest, and trusted? Moreover, does it apply the lessons of experience to find ways to improve?

Every government organization should strive to be effective and to improve, continually, on multiple dimensions. Toward that end, government should employ a common set of practices that, when used wisely, have worked remarkably well:

- Setting outcomes-focused goals;
- Collecting and analyzing performance information, both quantitative and qualitative;

⁴ This memo is informed by conversations with the bi-partisan "Transition 16" group of the National Academy of Public Administration, but the observations and recommendations are those of the co-authors. We would also like to thank Seth Harris, Ted McMann, Sharon Kershbaum, Kate Josephs, Jeff Porter, Matt Faulkner, John Kamensky, Harry Hatry, Joe Wholey, Hal Steinberg, Josh Gotbaum, Ned Holland, Steve Redburn, and OMB officials for their suggestions.

- Using data-rich reviews to identify what is working well and what needs attention, and to decide strategy, action, and knowledge gaps to fill;
- Complementing routinely collected data with independent, rigorous evaluations and other studies; and
- Using effective communication strategies for a wide variety of purposes aimed at a wide variety of stakeholders.

Common sense, backed by a robust body of evidence, calls for widespread government adoption of these performance improvement and evidence-based management practices. Failure to use these five practices leads to aimless operations. It leaves government and its partners carrying out activities they hope will work without knowing whether they, in fact, do. Moreover, it lacks the means to inform and encourage continual improvement once effective practices are identified.

Consider the alternative: government unclear about what it wants to accomplish; lacking objective means to gauge progress; failing to look for increasingly effective practices and emerging problems; introducing new programs, practices, and technologies without assessing whether they work better than past ones; and failing to communicate government priorities, strategies, progress, problems, and trade-offs in easy-to-find, easy-to-understand ways.

Experience and research make clear that unless government pairs these five practices with effective accountability and motivational mechanisms, it can easily lead to a culture of compliance, fear, or even worse, falsification. Government leaders (in both the executive and legislative branches) often call for linking measures and rewards or penalties (monetary or otherwise) despite experience suggesting the exercise of great caution before embracing explicit (and sometimes, implicit) pay-for-performance regimes (whether for individuals or for organizations). Too often, ill-structured incentive systems backfire, triggering dysfunctional responses such as measurement manipulation, adoption of timid targets that impede discovery and undermine trust, fear of testing and assessing new practices lest they fail, implosion of measurement systems, and a compliance culture where the “scaffolding” of the performance and evidence-informed management framework impedes rather than encourages innovation and adaptation.⁵ Government can avoid many of these problems, experience shows, when it embraces a sixth practice along with the first five:

This memo briefly reviews recent U.S. federal government experience using these practices and offers recommendations for the next Administration. Our bottom line recommendation is:

Aggressively accelerate wide adoption of a performance and evidence-informed management agenda across and at every level of government.

⁵ Pink, Daniel (2011) *Drive*. New York: Riverhead. This book provides a good overview for the non-researcher on research findings about motivation and incentives affecting individuals. See also, the chapter on Building Block 5, in Metzenbaum, Shelley H. (2006) “Performance Accountability Expectations: The Five Building Blocks and Six Essential Practices,” Washington, DC: IBM Center for the Business of Government. (<http://www.businessofgovernment.org/sites/default/files/Performance%20Accountability.pdf>) Historically, those feeling threatened by measurements or pressured by ill-designed incentives have organized to dismantle the measurement system. See Gormley, William T. and David L. Weimer (1999) *Organizational Report Cards*. Cambridge, MA: Harvard University Press. Arguably, what Gormley and Weimer document occurred again with the No Child Left Behind law. Incentive problems arise in both private sector companies (consider Wells Fargo and Enron), and in the public sector, as with the doctor scheduling problems for veterans that came to light in 2014.

More specifically, we recommend:

- Pushing more aggressively for adoption of the current outcomes-focused performance improvement framework across government;
- Expanding and enhancing the collection, analysis, visualization and dissemination of performance information to make it more useful to more people;
- Strengthening capacity and understanding;
- Developing, testing, and adopting effective accountability mechanisms; and
- Keep it simple to support use, communication and improvement of performance.

Experience and Lessons Learned

Goal-setting and measurement are hardly controversial. Many parts of government do it remarkably well, especially when Congress authorizes, requires, and funds measurement and analysis in policy-specific laws. Too many parts of government, however, do not.

To spur greater adoption of effective performance management practices, the federal government in 1993 adopted the Government Performance and Results Act (GPRA), requiring federal agencies to set goals, measure and report progress, and conduct and use evaluations. Agencies were required to publish strategic plans, annual performance plans, and annual performance reports. Strategic plans were expected to include information about strategies being used, resources needed to accomplish the strategies, key factors external to an agency that could significantly affect achievement of the goals, evaluations used to set goals and objectives, and a schedule of future evaluations.

As the Clinton Administration entered its second term, most federal agencies had begun producing five-year strategic plans, annual performance plans, and annual performance reports. Few, however, used goals to communicate priorities, coordinate across organizations, or tap the inspirational value of a specific, challenging goal. While most agencies included measures in their annual performance reports, few analyzed the data to find ways to improve. Nor did many use evaluation findings to set or revise goals as the law required, commission other studies to inform priority-setting and treatment design, or lay out a schedule for future evaluations and other studies.

The Bush Administration attempted to drive greater use of performance information – goals, measurement, and evaluations – in decision-making. In addition to focusing agency leadership on a regular review of a limited set of management objectives and trying to integrate performance with personnel management, the Bush management agenda incorporated a tool to produce program performance information with the intent that it be used in budget decision-making.⁶ Called the Program

⁶ The annual President's Budgets, including the Analytical Perspectives, provide a good overview of the Bush and Obama Administration's evolution in performance and evidence-based management practices for each budget year starting in FY2003. These can be found at: <http://www.gpo.gov/fdsys/browse/collectionGPO.action?collectionCode=BUDGET>. The Bush Administration introduced its budget and performance integration approach in Chapter III of the FY2002 President's Budget (<https://www.gpo.gov/fdsys/pkg/BUDGET-2002-BUD/pdf/BUDGET-2002-BUD.pdf>) and laid out the key elements of the PART in the President's FY2004 budget (<https://www.gpo.gov/fdsys/pkg/BUDGET-2004-PMA/pdf/BUDGET-2004-PMA.pdf>).

Assessment Rating Tool (PART), agency officials and U.S. Office of Management and Budget (OMB) budget examiners used the tool to assess whether government programs were working. They assessed the quality of program design and outcome changes. The results, both the Bush Administration scorecard tracking adoption of mandated management practices as well as the PART ratings and the evidence on which they were based, were made available on the first government-wide website facilitating access to federal agency performance information, ExpectMore.gov. Site visitors could sort PART reviews by agency and program type, such as regulatory, credit, research and development, and grant programs, enabling programs of similar types to benchmark and learn from each other. The Bush Administration also issued an Executive Order requiring every agency to name a senior executive as its Performance Improvement Officer (PIO). PIOs were charged with coordinating the agency's performance management activities and served on the newly created Performance Improvement Council (PIC).⁷

PART asked many of the right questions, but disagreements invariably arose from the reviews. Programs were sometimes scored poorly for problems beyond an agency's control, while no mechanism existed to motivate high-scoring programs to continue to improve. Sometimes, emphasis was improperly placed on individual programs when program objectives required cross-program attention. And a five-year review cycle for all but low-rated programs did not exactly motivate action. Perhaps the biggest problem was that agencies paid more attention to getting a good PART score or meeting a higher percentage of their targets than to making meaningful performance improvements.⁸

In short, while progress was made, a strong compliance culture persisted. Agencies' attention was directed to whether their programs were rated as successful or unsuccessful and to getting to green on the management scorecards, while a proliferation of goals and measurement in many agencies often rendered them meaningless. Exacerbating the problem, PIOs assumed most of the responsibility for satisfying the letter of the law, while program managers too often failed to engage and viewed measurement and evaluation as irritating burdens rather than helpful tools.

The Obama Administration sought to address shortcomings in the Clinton and Bush initiatives, increasing attention to *using* performance information to find ways to improve on multiple dimensions, including effectiveness and efficiency.⁹ It also sought to *communicate* goals, trends, strategies, and planned actions to the public and other parts of government in ways that made them easier to find and understand, that supported collaboration and learning across organizational boundaries, and that motivated continual improvement.

Congress codified many of the best elements of Bush and Obama performance management practices in the GPRA Modernization Act of 2010 (Modernization Act). In addition to codifying the position of PIO and the role of the PIC, the Modernization Act required several new practices. Agencies were required to set a small number of ambitious priority goals they would try to accomplish within two years. These

⁷ Executive Order 13450. https://www.whitehouse.gov/sites/default/files/omb/assets/performance_pdfs/eo13450.pdf; for more detail on how the PART worked, see FY2009 Analytical Perspectives of the Budget Chapter 2. (<https://www.gpo.gov/fdsys/pkg/BUDGET-2009-PER/pdf/BUDGET-2009-PER-3-1.pdf>).

⁸ Metzenbaum, Shelley H. (2009) "Performance Management Recommendations for the New Administration," Washington, D.C.: IBM Center for the Business of Government. <http://www.businessofgovernment.org/sites/default/files/PerformanceManagement.pdf>

⁹ The Obama Administration introduced its performance improvement approach in Chapter 2 in the Analytical Perspectives of the President's FY2010 budget (<https://www.gpo.gov/fdsys/pkg/BUDGET-2010-PER/pdf/BUDGET-2010-PER.pdf>) and laid out the key elements of its performance improvement strategy in Chapters 7 to 9 of the Analytical Perspectives of the President's FY2011 budget (<https://www.gpo.gov/fdsys/pkg/BUDGET-2011-PER/pdf/BUDGET-2011-PER.pdf>). The FY 2011 budget also introduced a new Social Indicators chapter, AP Chapter 31; subsequent President's budgets appropriately moved it to the front of the performance improvement discussion.

goals do not replace the fuller set of departments' and agencies' longer-term strategic goals and annual performance objectives; rather, they complement them and underscore the need for priority setting and immediate and continuing action. In addition, the law instructs the OMB Director, coordinating across government, to set a small number of cross-agency priority goals, some mission-focused and some for significant management issues.

Simultaneously, OMB directed agencies to increase the volume of high quality evaluations, both retrospective and prospective, to ferret out whether measured changes in outcomes would likely have been different in the absence of government action or if future adjustments to program design would likely accomplish more with the same or a lower budget.

In addition to changing some practices, the law introduced slight shifts in timing to bring the goals, measurements, and evaluations to life. The timing for setting strategic goals and objectives was aligned to Presidential elections, giving new administrations a chance to set new priorities.

Another significant change is the designation of deputy secretaries or their equivalent as chief operating officers (COOs), charged with running progress reviews on agency priority goals at least every quarter. These reviews are intended to stimulate analysis and discussion of performance information and other evidence to gauge progress, inform priorities and action design, and encourage discovery of increasingly effective, cost-effective actions. A number of deputy secretaries expanded the scope of these quarterly reviews beyond Cabinet-level priority goals to discuss and brainstorm progress on component and cross-component goals, as well. Performance Improvement Officers are given expanded roles and responsibilities, including supporting the COO in preparation for and follow up on the data-rich quarterly progress and annual strategic reviews.

Goal leaders accountable for managing progress on each priority goal, including cross-agency goals, are publicly identified on a new central performance reporting website, Performance.gov. Goal leaders are required to report progress on their priority goals every quarter on the site and explain to the public not only how well they are doing but also what adjustments are being made to previously announced planned actions, whether because of problems or higher-than-expected rates of progress.

The Modernization Act and the Obama Administration in its implementation of the Act also increased emphasis on building the capacity of and using the Performance Improvement Council, PIC sub-groups, and evaluation offices to function as continuous learning and improvement networks. OMB and the PIC designed and provided training on evolving practices, reaching across government to help agencies, for example, with effective goal-setting, strategic reviews, and evaluation methods. A behavioral insights office was established to help interested parts of government design, test, assess and adjust iterative, measured trials to find increasingly effective, cost-effective government practices.¹⁰ To build capacity and more fully engage people in program offices and other parts of agencies, the Obama Administration created two additional learning-and-improvement networks during its second term: the Leaders Delivery Network and the White House Leadership Development Fellows.¹¹ In FY2016, Congress authorized

¹⁰ The Social and Behavioral Sciences Team (SBST) is a subcommittee of the National Science and Technology Council (NSTC), which coordinates science and technology policy across the diverse entities that make up the Federal research and development (R&D) enterprise. SBST coordinates the application of social and behavioral science research to help Federal agencies advance their policy and program goals and better serve the nation. The SBST annual report <https://sbst.gov/2016-annual-report/> describes some of the evaluations it has helped agencies do.

¹¹ The Leaders Delivery Network is a subset of the agency priority goal leaders who come together regularly to learn from and brainstorm with each other and outside experts how to drive progress on their priority goals. The White House Leadership Development Fellows is a group of individuals competitively selected from across government to support implementation of cross-agency priority goals and other cross-agency initiatives.

appropriated funds to be reallocated from across government to support work on cross-agency priority goals.¹²

The Obama Administration adjusted accountability expectations to recognize that, by definition, stretch targets that stimulate innovation cannot all be met and the innovation process – testing, assessing, and adjusting to discover better practices – necessarily involves failed trials. To recognize this, the Administration encouraged the application of accountability expectations attributed to William Bratton, the New York City Police Commissioner who established CompStat, the frequent data-rich meetings to find better ways to reduce crime in New York City. “No one got in trouble if the crime rate went up,” Bratton’s right-hand man, Jack Maple, explained. “Trouble arose only if the commanders didn’t know why the numbers were up or didn’t have a plan to address the problems.”¹³

To reinforce the notion that accountability was not about meeting targets but about making progress at a good pace based on available knowledge and to inform goal setting, strategy selection, agency action, and budget decisions, agencies were required to conduct annual strategic reviews of progress related to every agency strategic objective. These reviews, and subsequent OMB review, identify for the public and Congress which objectives show noteworthy progress, which face significant challenges, and what the agency plans to do about it.¹⁴ Agencies report their strategies, progress, problems, and adjustment plans for every agency strategic objective annually on Performance.gov.

So, how well are these changes working? According to a survey conducted by the U.S. Government Accountability Office in late 2012 and early 2013 and other evaluations, great progress has been made using agency and cross-agency priority goals (see illustrative examples in the following outline), especially in agencies that embraced established principles of well-run, data-rich reviews.¹⁵

Performance Trends for Selected Priority Goals and Strategic Objectives

Improving patient safety. The U.S. Department of Health and Human Services (HHS) chose improving patient safety as a priority goal to reduce the problem that over 1 million healthcare-associated infections (HAI) were occurring every year across the U.S., affecting one in 25 hospitalized patients and costing tens of thousands of lives while adding large costs to the healthcare system. It identified catheter-associated urinary tract infections (CAUTI) as among the most common and preventable HAI. With leadership by the Agency for Health Care Research and Quality, HHS launched the Partnership for Patients to recruit 1000 hospitals and 1600 hospital units across the United States willing to test a comprehensive unit-based safety program. Preliminary results are good. Fourteen months after more than 700 participating organizations initiated recommended safety

¹² P.L. 114-113, Consolidated Appropriations Act of 2016, Division E, Title VII, Section 721 (p.129 Stat 2478) <https://www.congress.gov/bill/114th-congress/house-bill/2029/text>.

¹³ Maple, Jack and Chris Mitchell (1999) *The Crime Fighter: Putting the Bad Guys out of Business*. New York: Doubleday, 33.

¹⁴ The law requires agencies and OMB to identify goals where targets have not been met and describe plans and the senior officials responsible for managing progress on unmet goals. (U.S.C. Chapter 11, title 31, section 1116; GPRA Modernization Act Section 4.) OMB guidance on strategic reviews can be found at https://www.whitehouse.gov/sites/default/files/omb/assets/a11_current_year/s270.pdf. The full set of OMB guidance on the GPRA Modernization Act can be found at https://www.whitehouse.gov/sites/default/files/omb/assets/a11_current_year/s200.pdf. For sections 210-290 of the guidance, replace the number 200 with other section numbers.

¹⁵ Moynihan, Donald P. and Alexander Kroll (March/April 2016) “Performance Management Routines That Work? An Early Assessment of the GPRA Modernization Act,” *Public Administration Review*, Volume 76, Issue 2, 314–323. U.S. General Accountability Office (2013) *MANAGING FOR RESULTS: Executive Branch Should More Fully Implement the GPRA Modernization Act to Address Pressing Governance Challenges*, GAO-13-518: Jun 26, 2013. <http://www.gao.gov/products/GAO-13-518>.

practices, CAUTI rates fell 13.5%, with a 23.4% relative reduction in non-ICUs and a 5.9% reduction in ICUs.¹⁶

Reducing patent processing times. Patents advance economic prosperity, so processing them in a quality and timely manner directly affects the nation's economic health. To reduce the patent backlog, the U.S Department of Commerce made patent timeliness and quality a priority goal. The Patent and Trade Organization has reduced the patent application backlog from a high of over 764,000 in January 2009 to just over 558,000 in October 2015, a 27 percent reduction. Time for first action on an application (first-action pendency) has decreased by 8.8 months and total pendency, the time from filing until an application is either issued as a patent or abandoned, fell by eight months between the end of fiscal year 2009 and the end of October 2015. Also, from an all-time high near 112,000 in February 2013, the backlog of Requests for Continued Examination has dropped 68.2 percent. These improvements occurred despite unexpected growth in the number of filings, projected to be about 1 percent but actually exceeding 5 percent.¹⁷

Improving the accuracy and timeliness of Veterans' disability benefit claims. The Department of Veterans Affairs aims to VA's provide disability benefits to eligible Veterans in a timely, accurate, and compassionate manner. From a peak backlog in March 2013 of over 610,000 backlogged claims, the claims backlog (defined as claims pending over 125 days) declined to under 72,000, an 88.3-percent drop. Total claims inventory dropped 58.9 percent from the peak of 883,930 in July 2012 to 363,034 on September 30, 2015, with claim-based accuracy at 89.0 percent and issue-based accuracy at 96.0 percent as of September 2015.¹⁸

Reducing greenhouse gas emissions by increasing federal agency energy efficiency and renewable energy consumption. To reduce greenhouse gas emissions by at least 40 percent from a 2008 baseline, a cross-agency priority goal was set to increase federal government consumption of electricity from renewable sources to 30% by 2025 and improve energy efficiency at federal facilities, including \$4 billion in energy performance contracts awarded by the end of 2016. By the end of FY 2015, direct GHG emissions declined 17.6% and estimated Indirect GHG emissions decreased 17.5% from an FY2008 baseline; renewable electricity reached a level of 8.3% of total electricity use, and as of June 2016, agencies had awarded performance contracts valued at \$3.171 billion with agency identified projects (awarded + pipeline) totaling \$6.39 billion.¹⁹

Progress was made on many other goals, as well. Agricultural exports climbed as did federal technology transfer; over 100,000 miles of broadband were installed in previously low-served areas serving more than 700,000 new households and businesses; 4.4 million borrowers/subscribers in rural areas received new or improved electric services and 2.2 million more rural residents have access to clean drinking water and better waste water disposal, some for the first time. Homelessness, too, is down from 2010: 36 percent for

¹⁶ <https://www.performance.gov/node/374?view=public>

¹⁷ <https://www.performance.gov/node/40362?view=public>

¹⁸ <https://www.performance.gov/node/1027?view=public>. For more detail, see: http://benefits.va.gov/reports/detailed_claims_data.asp

¹⁹ <https://www.performance.gov/node/3406?view=public>

Veterans, 22 percent for individuals, and 19 percent for families.²⁰ As expected, progress on a few priority goals has been more challenging, as, for example, on the goal to reduce foodborne Salmonella illnesses.²¹

At the same time, a compliance attitude and mindless measurement clearly persist in many places. GAO's 2013 survey found that federal managers not working on priority goals did not report an increase in their use of performance information to make decisions. This inattention may be due, in part, to the absence of constructive external drivers similar to the pressure of competition that keeps most private companies continually looking for better ways to do business. Few in Congress or the media, for example, pay attention to agency goals, strategies, and progress. Whether the annual strategic reviews that began in 2015 increase the span and depth of agency interest in and use of performance information beyond priority goals has not yet been assessed.

So, based on what we've learned in the last several decades, where do we go from here?

Where to From Here?

Goal-setting, progress measurement, and using data and evidence to figure out how to do better! It sounds like motherhood and apple pie. These practices, in truth, are easier said than done. Hard decisions about what the goals should be – informed by data, values, politics, and competing objectives – need to be made. Skill must then be exercised to frame goals in ways that are resonant, relevant, motivating, and actionable. Developing meaningful, practical, and affordable measurements that capture not only progress on objectives but also warn of unwanted side effects can be hard, too, as can objective evaluation. When goals are poorly framed or otherwise mis-specified, when measurements do not make sense, or when evaluations are poorly designed or naively applied, enormous frustration arises. Yet without good performance information, government runs a high risk of acting without knowing what its actions accomplish or having the means to learn, objectively, how to do better.

Our bottom line recommendation therefore is: aggressively accelerate wide adoption of an outcomes-emphasizing, data-informed, evidence-based management agenda across and at every level of government. The worst thing the next Administration could do is start from scratch. To make even more progress and address known gaps, we offer the following five recommendations:

1. Push more aggressively for adoption of the current outcomes-focused performance improvement framework across government.

- Continue and expand uptake of the six practices listed above (outcomes-focused, priority-based goal-setting; routine measurement and analysis; occasional evaluations and other studies; data-rich reviews; well-designed communication; and well-structured incentives) across every aspect of government and with stakeholders. Expand Cabinet-level quarterly reviews on priority goals to include discussion of progress on component and cross-component goals, and require major components across the federal government – agencies, bureaus, large field offices – to begin using these six practices.

²⁰ For more detail on the historic indicators, see: <https://www.performance.gov/content/end-veterans-homelessness?view=public#indicators>

²¹ See also <https://www.performance.gov/content/protect-public-health-ensuring-food-safe?view=public>

- Better integrate efforts across program managers, performance improvement offices, program evaluators, strategic planners, futures forecasters, budget shops, grant and contract managers, data scientists, and IT offices to set goals, measure relevant indicators, and find ways to improve.
- Continue agency and OMB annual strategic reviews to accelerate progress on all strategic objectives.
- Increase use of rigorous, independent, and relevant evaluations and other studies to improve the effectiveness and cost-effectiveness of government programs and practices. Encourage more rapid testing, assessing, and adjusting using sufficiently rigorous evaluation methods to allow practice to evolve as experience is gained and to adapt to different circumstances.
- Build a continuous learning and improvement culture in federal grant programs, with the federal government working with state and local governments, non-profit organizations, and other partners and stakeholders to discover and adopt increasingly effective, cost-effective, and fair practices, supported by ready access to easily understood data, multi-stakeholder collaborations, and well-structured incentives.
- Establish a performance management knowledge exchange network that enables the federal government, state and local governments, non-profit organizations, and other partners and stakeholders to adopt the most effective outcomes-focused performance and evidence-based management practices to address shared problems and pursue opportunities.

2. Expand and enhance the collection, analysis, visualization, and dissemination of performance information to make it more useful to more people.

- Improve the accessibility, transparency, and usefulness of Performance.gov as a learning, benchmarking, coordination, motivational, improvement, and accountability tool. Post data in structured formats and make it easier to find relevant data and evaluations, as well as promising practices worth testing in other locations that, if successful, warrant promoting for broader adoption.
- Make it easier to discern performance trends with “spark lines” and other visualization tools, especially in the context of social indicators (currently posted in the Analytical Perspectives of the President’s Budget) and agency and cross-agency goals. Create links to relevant data sets, evaluations, and other studies. Create and share “learning agendas” for agencies and operating units indicating plans for future evaluations, studies, and data improvement.
- Enable sorting across goals by program type (e.g., credit, competitive grants, benefit processing, regulatory), geographic area, and demographic characteristics to facilitate cross-agency learning and collaboration, tapping evolving digital technologies.
- Test, assess, and adjust to find better ways to communicate results and strengthen accountability, inform decision-making, stimulate discovery, and encourage innovation. Test the use of on-line crowd sourcing and feedback via Performance.gov and other platforms to

get constructive feedback on goals, measures, evidence, and strategies. Test the use of Performance.gov and complementary online platforms to identify and support collaboration with others working to advance the same goals and learn from others' experience. Test to find ways to present and share the information that aids individual and delivery partner decisions in a timely manner.

- Strengthen the credibility of federal performance information and the ability to learn from experience by showing trend lines for longer periods on Performance.gov, and by re-posting and linking to archived information, including earlier rounds of priority goals and information from ExpectMore.gov (with PART scores for 1000 programs).
- Tap mobile and other technologies that make it less costly and more feasible to collect, analyze, disseminate, and visualize information to make data and other information (e.g., photographs) more useful to more people across the policy-making and delivery chain.

3. Strengthen capacity and understanding.

- Appoint agency deputies/Chief Operating Officers and other political appointees with a strong capacity and commitment to use data and other evidence to improve performance.
- Give Performance Improvement Officers adequate resources to support Deputies/Chief Operating Officers and increase resources to enable the PIC to provide more support to agencies; where Performance Improvement Officers have other duties, ensure there is a strong Deputy Performance Improvement Officer and team devoted to analyzing data and other evidence and structuring reviews and other conversations that drive continual improvement.
- Strengthen capacity to conduct studies that inform priority setting and program design, including futures analysis, scenario testing, role-playing, epidemiology-like incident analyses, simulations, and surveys. Build appreciation that strategic planning is not just about continuing current approaches, but also looking for, and analyzing, alternatives. Integrate and strengthen government capacity to tap the vast array of analytic tools (e.g., outlier and anomaly identification, pattern and relationship detection, quality control) that can be used to inform priorities, design of agency practices, and identification of causal factors government may be able to influence.
- Ensure every department has a robust evaluation and data analytics capacity that works with agency leadership and program offices to implement a strategic, rigorous retrospective and prospective evaluation program. Ensure that evaluation and analytics teams work with the PIO team to conduct successful quarterly performance and annual strategic reviews and to conduct *ad hoc* “deep dives” to find root causes of performance shortfalls or choose among competing problems and opportunities.
- Regularly get feedback and develop and test ideas to improve outcomes, cost-effectiveness, fairness, and understanding from those on agency front lines and working in delivery partners.

- Especially in light of the transparency requirements under the DATA Act, work with IT, contract, and grant offices to structure data systems and reporting requirements that will enable analytics more useful to a wider variety of people, including the central office, the field, delivery partners, and researchers. Incorporate user-centered design principles into agency programs, practices, and information management.
- Build or support continuous learning networks across the delivery chain that share and analyze data to find and apply lessons learned and that collaborate on iterative testing and assessment to find better practices.
- Expand knowledge of proven performance and evidence-based management practices by offering agency officials and others in the delivery chain relevant courses and other learning materials.

4. Develop, test, and adopt effective accountability mechanisms.

- Embrace and promote the Bratton accountability principle, while making sure to measure and manage not only primary objectives but also unwanted side effects. Communicate the expectation that failed trials and missed stretch targets are expected, not a problem, provided the trials are well-designed, targets ambitious, and progress quickly assessed and adjusted as needed.²² Strengthen and publicize guidance language that conveys this message across government, preferably with a similar message coming from Congress.
- Continually test, assess, adjust, and adopt increasingly effective motivational mechanisms such as peer benchmarking, transparency, constructive feedback, contests, challenges, and well-structured incentives that encourage continuous improvement. In addition, identify ineffective practices. Broadly communicate and encourage uptake of evidence about effective and ineffective motivational mechanisms.
- Appoint leaders to the Office of Management and Budget committed to driving the development, adoption, and implementation of cross-agency priority goals; and identify a lead person in each of the White House policy councils and the White House Chief of Staff's office to work on agency and cross-agency priority goals. Test designating each OMB Resource Management Office Program Associate Director as a goal leader responsible for managing progress on a mission-focused cross-agency priority goal.
- Collaborate with Congress (i.e., authorizers, appropriators, and overseers) more closely at every stage of the performance management process to facilitate more debate about the performance of programs and successful adoption of the performance management framework. Urge agencies to collaborate with their Congressional authorizing and

²² To avoid agency temptation to “game” the system by picking timid targets that can be easily met but that fail to encourage innovation, current OMB guidance makes clear that OMB will consider it a problem when an agency *meets* all of its stretch targets. OMB guidance states, “Agencies are expected to set ambitious goals in a limited number of areas that push them to achieve significant performance improvements beyond current levels.... OMB generally expects agencies to make progress on all of their ambitious goals and achieve most of them, but at the same time will work with an agency that consistently meets a very high percentage of its ambitious goals to assure it is setting sufficiently ambitious goals.” Section 200.5 of OMB Circular A-11. (https://www.whitehouse.gov/sites/default/files/omb/assets/a11_current_year/s200.pdf) See also FN 11.

appropriation committees and incorporate their feedback on current agency goals and objectives, strategies, why they were chosen, progress to date, and challenges.

- Create a culture that encourages employees to raise and focus on problems and pain points experienced by people interacting with the federal government without fear of punishment.

5. Keep it simple to support use, communication, and improvement of performance.

- Implement these ideas with easily understood tools, not as a framework checklist. In this spirit, we offer in the following figure a set of suggested questions to share with all new appointees and career officials, urging them to use these questions as they approach their work to accelerate adoption of the six practices and, ultimately, improve government's performance.

Eight Questions to Drive Performance Improvement

1. *What problem are we trying to solve?*
-Why?
-How important is this problem or opportunity compared to others we could pursue?
2. *What strategies and tactics should we use and why?*
-What have we or others done in the past and how well did it work: what is the relevant past performance, past evaluations, peer performance (benchmarks)?
-What are the key drivers/causal factors we can influence?
-What cultural constraints do we need to consider?
3. *How will we know if we are making progress and making it fast enough?*
-What are we measuring regularly and is it meaningful, measurable, and moveable? Are we using that information and how is it helping us make better decisions? Are there other measures we should be collecting and any we could drop?
-Who is analyzing the data, who gets the analysis, and what are we learning? Is it complete and accurate enough to be reliable? Can we identify the strongest performers and the weakest ones so we can learn from the former and help the latter?

Eight Questions to Drive Performance Improvement, Continued

4. *What other information do we have that should inform our priorities and program design and what should we start to gather?*
 - What additional data or studies are needed?
 - What does our data and evaluation plan look like and does it need updating?
 - What does it cost to implement our programs and achieve our goals? If we don't know, how can we better estimate the cost? Are there new approaches we can test to try to reduce costs without compromising impact?
5. *Do we have the right people in the discussions about the data and other evidence to find ways to improve?*
6. *How are we helping the field and our delivery partners use data and evaluations to find ways to improve?*
7. *What training is needed and for whom? Where should our priorities be?*
8. *How do we motivate people to want to look for and find ways to improve and hold them accountable for doing that, not fearful or just compliant with planning, evaluation, and reporting requirements?*

Conclusion

In the last several decades, we've learned a lot about what works and what doesn't in the quest to improve government performance. Not only do we have the experiences of the federal government, but of state and local governments, the private sector, and foreign governments, as well. The insights here offer a roadmap for a new administration to use to ensure we build on the lessons of the past rather than start anew. If our new leaders, both appointees and career, take our advice, it will accelerate adoption of outcomes-improving, data-informed, evidence-based management practices across every level of government and in multiple dimensions. Results on the ground should improve, too.

MEMO #8

IMPLEMENTING POLICY INITIATIVES: Successfully Vetting and Strengthening Major Initiatives before Launch

Paul L. Posner and Steven Redburn

Presidential candidates make many promises. These typically are in the form new policy ideas, often not very detailed, that add to the array of current policies in place to address a major policy objective. When Presidents are elected, they must govern. The record of recent Presidents illustrates how Administrations suffer when complex policy interventions are launched without first being vetted and further refined based on a careful assessment of potential risks, implementation challenges, and other roadblocks to policy success.

Whether it be the Obama health reform or the Bush Administration's response to Hurricane Katrina, Presidencies can be tarnished by failures in policy design and execution. Success at governing, as we have seen over and over, involves more than working with Congress to turn campaign promises into legislation. Success requires thinking through how a new initiative would work with or replace the portfolio of existing programs, tax preferences, and regulations – not only at the federal level but at other governing levels. It involves examining the research evidence on what has worked or failed in the past and why. Success also requires detailed work to ensure that resources are applied where needed, with the proper administrative support, through the budget and appropriations processes, so that policies can be adequately resourced and effectively managed. Most critically, success is more likely when the complexities of policy design and implementation are addressed systematically *prior to launch*.

The potential risks of policy failure have increased exponentially as public policy has become more complex. Advancing more ambitious policy goals requires multiple interventions and collaboration with a wide range of actors outside the federal government. The government's work has changed from relatively straightforward administrative tasks like delivering mail or social security benefits to changing social behavior and economic outcomes by means of complex social and educational programs.

Using higher education policy as an example, success is increasingly defined as government working with partners – universities, states, parents, and financial institutions, among others – to expand educational opportunity while minimizing financial burdens and pursuing other important policy objectives, such as increasing the Nation's economic competitiveness. Accordingly, an Administration needs not only sophisticated public officials, but also the right analytic tools and processes to help protect against downside risks and policy disappointments (Kamarch, 2016).

To some extent, every candidate is a prisoner of his or her campaign promises, but following the election, any campaign proposal must be reconsidered in light of the electoral calculus of a rough and

tumble campaign. It also may need to be reconsidered after the election in light of budget and political constraints that are not in focus during the campaign. Careful analysis then can offer a new Administration a fresh chance to improve and reshape its policy ideas before it launches an ambitious proposal.

Look Before You Launch: A Test and Demonstration

The next presidential administration should employ a policy vetting approach to give early proper attention to the details of policy design and implementation. This approach, if replicated for each major policy initiative, could increase chances for successful implementation of the Administration's policies and thereby ensure that promised results are achieved. Evidence presented to Congress that the initiative has been properly vetted and refined prior to the transmittal of any required legislation also might improve chances for the legislation's enactment.

The vetting approach could be piloted for a major policy initiative of the new Administration – for higher education access or another policy objective – during the transition period following the November election or immediately after the Inauguration. To test the approach, a small group of experts could be assembled to deliberate: analyzing the initiative's components on the basis of the available evidence, which we would help them assemble and review beforehand; addressing a set of questions (outlined below) designed to assess, further define, and help refine the initiative; and then, based on this analysis, recommending ways of dealing with threats to the initiative's successful implementation.

The group could include those who know the evidence on what works, understand the relevant policy portfolio from a variety of perspectives, and understand the challenges of implementing complex policies. The group would systematically address a series of pointed questions about the initiative, such as the following:

1. How do these initiatives build on, complement, or displace the portfolio of existing programs, tax policies, and regulations?
2. If enacted, how would their introduction affect the behavior of other governments, private actors, recipients, and others that will partner with the federal government or receive benefits and services?
3. What resources would be required for specific administrative activities to support effective management, including collaboration with other actors?
4. How could details of policy design, or introduction of complementary policy changes such as modification or termination of existing federal efforts, affect the results achieved and minimize their cost or possibly yield budget savings?

Answering questions such as these requires a review of the existing portfolio of spending, tax policies, regulations, and other policies aimed at the same policy goals. It requires a systematic review of the research on how and why current policies – at the federal level or elsewhere – have succeeded or failed. It involves a careful prior assessment of the risks at all stages to effective management and oversight.

Below is a brief illustrative case, showing some of the problems identified with one candidate's proposals for higher education access as presently described and how proper vetting prior to launch might increase chances of successful implementation and thereby the achievement of its aims.

An Illustration – Candidate Clinton's Proposals for Student Aid

Like others, we were watching on July 6 when Hillary Clinton proposed an expansive new program of tuition assistance for students at state public universities, designed to reduce debt and increase the enrollment of students in in state universities, and other initiatives for higher education financing.

Some proposals rest on incremental footings, which limit ambition and reach to relatively well known parameters. This proposal, on the other hand, constitutes a major policy departure that would transfer power and financing to states whose higher education policy commitment and financial capacity have proven inconsistent at best in recent years.

Analysis and vetting would raise pesky but necessary policy analytic questions that must be answered by an Administration ready to make such a major policy commitment. For example, the process we have in mind could test and compare the current portfolio of federal incentives and tools – including the full range of programs and tax policies – with a state-based model along the lines of the new Clinton proposal. The process would help policymakers more explicitly understand the implications of undertaking such a major shift in power in our federal system over who does what, where, when and how.

The review we have in mind for the Clinton tuition proposal would address some of the following concerns that have undermined and limited comparable transfers of power from national to state levels of government for major policy initiatives:

- Growing polarization between many states and national governmental constituencies has been shown to constrain and undermine national policies that rest on state participation for their impact. Whether it be Medicaid expansion, Race to the Top, or Real ID, some polarized states march in different directions, often drawing in the courts as potential allies in resisting national policies and power. While the proposed Clinton initiative would offer generous federal grants to entice the states, if Medicaid's overwhelming financial incentives failed to lure over 20 states to expand that program, it is not clear that this proposal will stand any better prospects.
- National policymakers desiring to impose a more uniform set of subsidies across the states can, ironically, serve to exacerbate those differences. Raising all states up to a national minimum can create a windfall for states with significant prior investment in higher education subsidies for parents. To correct this, the Clinton proposal might incorporate a maintenance-of-effort provision that would lock in the higher funding that these states have already been providing. Yet such a provision would guarantee continued disparities in tuition subsidies between those states ahead of the innovation curve and those near the bottom of the policy commitment scale.
- There is a high likelihood that the proposal might come to exacerbate equity issues across the states. First, the proposal's maximum threshold of \$125,000 for families to benefit from free tuition would have very different effects in different states. Thus, such a formula might cover a far greater share of families in West Virginia than in California. Moreover, differences across states in their fiscal capacities and policy priorities could be expected to lead to substantial differences in the willingness and ability of states to generate the additional matching funds required by the proposal.

An Illustration – Candidate Clinton’s Proposals for Student Aid (continued)

- University price and cost responses – our health care system has already shown us how enriching funding from a third party can increase the costs of services. Once universities learn that they are guaranteed a larger demand from a universalistic government subsidy program, it is likely that their costs and prices will rise, not fall. We have already learned much from existing subsidies such as federal loans and tax credits, where research suggests that the introduction of subsidies reduces the price sensitivity of prospective students and families, paving the way for tuition increases. The consequences could be to increase pressure on federal and state budgets, pressed to fund higher costs than would otherwise occur. Alternatively, states might decide to limit subsidies, thereby reigniting the equity issues that the Clinton proposal is designed to solve.
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- Most broadly, the efficacy of higher education subsidies with thresholds of \$125,000 endorsed by the proposal raises economic questions that research can help answer. Parents well below this level of income will experience a potential windfall in many cases, enabling them to, in effect, supplant private resources devoted to university tuition to other economic activity. While many families are likely to be stimulated to invest more in higher education with its higher social rate of return, others are likely to go in reverse. The shift from a more targeted to more universalistic financing model for higher education will have many implications but none more important than how it leverages private choices across competing economic goods.

A vetting analysis could raise and consider implementation issues. For instance, the lines of authority within states differ across states, with some states giving the Governor authority to manage such a program while others assigning the responsibility to an independent board. There are differences across states in the independence that universities enjoy in determining their own fees, charges and cost structures. Such “details” could have significant impacts on the roll out and ultimate impact of these proposals.

For any policy initiative selected for vetting, these and other issues should receive attention in the analysis. Its use would allow the Administration to assess and mitigate threats to the successful implementation of initiatives such as this proposed during the campaign. It would help identify ways to mitigate these threats to success through variations in policy design, through the budget process, and through proper administrative support. In our view, such analysis would provide the kind of comprehensive and insightful review by officials and staff needed before introducing any major new policy initiative.²³

The proposed approach to vetting new policy initiatives also could reinforce and inform the work of a task force that NAPA’s Transition 2016 Strategic Foresight Panel recommends be formed by the president-elect’s transition team (see Kamensky essay in this volume). That panel has proposed conducting foresight-risk assessment of the top 5 to 10 future challenges that could derail a new Administration’s top priorities. It would apply the results of foresight analysis and risk assessments to 5 to 10 key policy commitments to inform the development of agency strategic reviews, leading to revised strategic plans and budgets.

²³ The proposed approach builds on previous and ongoing work by its authors. In previous writing and congressional testimony, they have suggested a portfolio approach to budgeting. Building on growing executive branch experience with strategic analysis and reviews, this approach would use policy makers’ time more efficiently by helping them focus on the biggest opportunities to adjust policies and resources to accelerate the achievement of major national goals and identifying breakthrough gains in productive use of resources. For a selected policy objective, budgeting would begin by identifying the set of federal policies, spending programs, regulations, tax preferences, and other activities that constitutes the relevant *policy portfolio* for analysis and budgeting. The relevant portfolio would cut across agency boundaries, policy tools (spending, tax provisions, and regulations) and congressional committee jurisdictions. This idea is described in a recent Brookings policy brief by Redburn and Posner at <http://www.brookings.edu/research/papers/2015/09/30-portfolio-budgeting-new-approach-redburn-posner> and in more detail in the National Budgeting Roundtable working paper on budgeting for national goals at <http://psc.gmu.edu/wp-content/uploads/New-Ideas-for-Federal-Budget-Working-Paper-No.-2.pdf>.

Recommendations

We have seen how Presidents' initiatives can be thwarted or even doomed by failure to do implementation analysis and management assessments to stress test proposals before roll out. Based on our analysis, we recommend that a new Administration take the following actions:

- Pilot the proposed approach to vetting major policy initiatives prior to launch, starting either during the transition or immediately after January 20, 2017;
- Conduct a foresight-risk assessment of the top future challenges to success of the Administration's top priorities, and use the results of this assessment when vetting major policy initiatives; and
- Routinely employ internal teams of experts to vet major policy initiatives prior to launch, and use the results of these assessments to adjust the details of the proposed policies and to identify resource and management requirements for their success.

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MEMO #9

EXPANDING THE INTELLIGENT USE OF TECHNOLOGY: Promoting Innovation, Collaboration and Citizen Engagement

Beth Simone Noveck

The ideal of open government – government of the people, by the people, with the people – resonates in all democracies. Yet poll after poll reveals deep distrust of institutions that seem to have left “the people” out of the governing equation and that are also deficient in their ability to act quickly and to implement the latest innovations. At the same time advances in science and technology and a deeper understanding of individual and organizational behavior offer the potential for improving the effectiveness and legitimacy of our institutions of governance and how they make decisions and solve problems in the 21st century.

Re-designing and improving how government works – not the political questions of the choice between two policies but improving overall how we make policy and deliver services – will have to be a key a priority for any new administration. The failures of Healthcare.gov in 2014 enabled everyone to understand why having tested tools and strategies for dealing with myriad and rapidly evolving public challenges is essential. The central question facing the next Administration – and every leader – is thus how to scale and institutionalize the tech-driven innovation that results in making government work better and cost less.

A Changing Technological Landscape

Three technologies – big data, collaboration platforms, and the technologies of expertise – offer the potential to do better at governing. Advances in technology provide a unique opportunity to redesign our public institutions to become more data-driven, open and collaborative.

This emerging paradigm of data-driven and collaborative innovation is often called “opening governance” because it stresses the use of digital communications tools to make public organizations more open to information and ideas outside their institutional boundaries.

First, the diffusion of sensors to collect large quantities of data – so-called Big Data – creates the potential to give those who manage a more accurate and evidence-based picture of on the ground conditions of the economy, society, and infrastructure. Over the last two decades, we have learned how to create and store new kinds of content in vast quantities. Thanks to new sensor-rich devices including mobile phones and other wearables and data-rich services like social media and the clickstreams from online transactions, we are generating over 2.5 quintillion bytes of so-called “big data” every day. The availability of more data has the potential to create tremendous value for policymakers and the public by creating transparency, exposing variability, enabling delivery of customized solutions and services, and informing decision-making with greater evidence.

In addition to the tools for collecting, storing, transmitting, processing, and visualizing large quantities of data about individuals and whole populations, the second major technological trend enabling more open and innovative governance is the advent of new collective intelligence tools to gather input – both of ideas and of actions -- from citizens. These contributions are not limited to asking people for their opinions, but increasingly also involve soliciting expertise. For example, the federal government’s Challenge.gov website has hosted seven hundred prize-backed challenges – requests from federal agencies to the public to supply information to help solve hard problems such as reducing the salt in saltwater to improve agricultural productivity or designing a next-generation combat vehicle. This “crowdsourcing” activity also includes asking people to perform tasks, such as Amnesty International’s Decoders network, where more than 8,000 volunteers from 150 countries participate in projects to identify human rights violations from satellite photographs.

With so much information coming from sensors and people, there is also a desperate need to curate what we know by accessing people with the right expertise to make sense of all the information. The large-scale availability of digital traces of knowledge-related activities (think of the digital certificates you get for taking a course online, as one example), now make it possible to automate the process of expressing and locating expertise. These technologies of expertise – expert networks that make it possible to search for what people know, such as LinkedIn or Google Scholar – are making it easier to identify the skills and experiences people possess and match them to opportunities to participate in governing or civic life.

From prize-backed challenges to spur open innovation, to open data portals that share reusable government-held information with the business and academic community, to expert networks that help to match the supply of expertise among citizens and civil servants with the demands for it in government, technology is spawning a variety of innovations in how institutions make decisions and solve problems. This shift from top-down, closed government to decentralized, open and data-driven governance may be the major social innovation of the 21st century.

The Goals of a Tech and Innovation Agenda for Government

Twenty-five years into the evolution of the World Wide Web, any governance innovation strategy will inevitably build upon work done in the Clinton, Bush and Obama Administrations to use technology to improve government efficiency and effectiveness. With a well-established understanding that technology matters as a force for social good, the next Administration will have to develop new approaches to answer three questions:

- **How to scale current data-driven and collaborative experiments?**

With the federal government already having published close to 200,000 datasets in free, downloadable and reusable formats, the new Administration will need an approach that enables it maximize the potential value of that open data for making government and society work better.

- **How to create a government-wide culture of innovation, experimentation and customer service?**

With the establishment by every agency of an open government initiative and the embrace of innovations such as prize-backed challenges, the new Administration will need a strategy for

ensuring that the four million strong federal service -- and not just a few people in a White House Office -- know how to use technology to serve the public interest and how to steward new kinds of conversations between government and the public. This will also require addressing whether we have the right institutional arrangements and human resource skills to foster innovation.

- **How to be more evidence-based in using technology to solve problems?**

Despite the fact that previous administrations have seen significant uptake of tech-enabled ways of working, we need to measure the impacts of these innovations on public policy outcomes. How do we assess which innovations measurably improve people's lives? The new Administration will need more agile strategies for conducting evaluation of governance innovations and be able to respond to what we learn by changing how government works.

Recommended Actions

When the next president takes office in 2017, a new Administration will have the opportunity to embark on its own innovation agenda, building upon past efforts and setting new goals. To scale data driven and collaborative governance, strengthen a culture of innovation across the federal government, and develop an evidence base about what innovation works, the new Administration should take the following urgent steps:

Scaling Data Driven Governance

When government has the ability to use the data it collects, it can make policies and deliver services backed by evidence.

1. Creating a What Works Agency

The President should direct the Office of Management and Budget to overhaul its Office of Information and Regulatory Affairs to take account of the distributed statistical and data science capacity across the agencies, and to redesign the Office of the Chief Statistician accordingly to support and foster the growth of an analytic capacity across the federal government. At present, statistical analysis of legislation and regulations are conducted centrally by the Office of Information and Regulatory Affairs, which lacks the access to data and the capacity to make use of new data science techniques, such as the ability to analyze large scale datasets using predictive analytics or the ability to understand what people do or do not understand about a social problem by analyzing social media patterns using sentiment analysis. A revamped OIRA – supported by research efforts from the Administrative Conference (ACUS), which has the ability to collaborate more easily with outside academics – can expand its analytic and data science capacity and become the driver of more innovative, information-based, and human-centered design practices across the government. A particular focus area would be on efforts to enable the identification and the responsible publication of more administrative data from agencies with safeguards for privacy and research into that data (in collaboration with universities and the private sector) to improve how policy is developed. For example, the work of economists Raj Chetty, Nathaniel Hendren, and Lawrence Katz on tracking the long-term outcomes of families who participated the housing choice voucher program enabled the Department of Housing &

Urban Development overhauled the formula it had been using for four decades to calculate rental assistance and increase opportunities for families to move to low-poverty areas. In addition, OIRA should establish a data lab to enable other agencies and social service providers to request queries of sensitive administrative data in an effort to determine better what works.

Scaling Collaborative Governance: Creating a Learning and Listening Government

When institutions know how to leverage the expertise of citizens and civil servants, public decision-making can become more effective and legitimate. Imagine if creative individuals across sectors could speak directly to institutions with the power and responsibility for delivering policies and services. Imagine if public institutions had the agile ability to tap the intelligence and expertise of citizens and civil servants.

1. With, For, and By the People

Whether the topic is paying taxes to the IRS, delivering services to Veterans, or helping states apply for grants or small businesses get contracts, every agency can improve how it does its work by consulting with those people most affected by that service. Those include front-line workers in the agency serving the intended audience; the public who use those services, be they citizens or local offices; and the professionals in the private sector who help them (e.g. accountants who help people file their taxes). For example, to improve children's access to healthy meals at school, the Food and Nutrition Service and the Office of Personnel Management reviewed existing applications, regulations, and guidance documents, conducted in-depth interviews and observations in U.S. schools and integrated these insights into new design prototypes that they rapidly tested with parents and children. In addition to using such ethnographic and human-centered design approaches designed to align innovation and interventions to meet the needs of citizens who are impacted by government services, processes, and policies, more agencies should use prize-backed challenges to improve how government serves the public, as the IRS did when it invited information visualization and design professionals to redesign IRS forms, and crowdsourcing techniques to get ideas from the civil service and citizens to make government work better. The White House should also introduce a new executive order or legislation to overhaul impediments created by the Paperwork Reduction Act that impede strategies to getting expertise into government faster. Right now, agencies are limited in their ability to consult with the public because of ambiguities arising from the need to clear all information collection requests with the Office of Management and Budget in a process that can take months if not years. Finally, this recommendation includes a proposal to collaborate with the private sector and universities to design the best training materials and toolkits to train government officials in using these innovative ways of working. Priority in implementation of the guidance could be focused on the 10-20 most public-facing agencies in government to make rapid progress such as Social Security, IRS and Veterans Affairs.

2. Tapping into What People Know and Can Do

The fire department of San Ramon, California has created a nonprofit software application called PulsePoint to enable citizens to assist with first response in medical emergencies. Each year, 424,000 people in the United States suffer sudden cardiac arrest, and roughly a thousand die each

day. Effective CPR administered immediately after a cardiac arrest can double or triple the victim's chance of survival, but less than half of victims receive that immediate help. A bystander can do three things to improve a victim's chances for survival: call 911, start chest compressions, and/or use a defibrillator. If a bystander who knows how to do these things arrives on the scene of an emergency in the first few minutes, the odds of death go down 50 percent. According to the American Heart Association, bystander CPR is performed only one-quarter of the time. PulsePoint aims to change this by enabling each of us to find our inner hero and help save the lives of our neighbors. By tapping into a feed of the 911 calls, PulsePoint sends a text message "CPR Needed!" to those registered members of the public – off-duty doctors, nurses, police and trained amateurs – near the victim. Using new technology to match over 36,000 CPR-trained volunteers to those who need it, Pulsepoint has already saved 13,000 lives. We need Pulsepoint in every community both to save lives but also to demonstrate the power of citizen engagement projects that tap into what people know and can do to help their neighbors. Whether it's performing CPR, helping others to start businesses, teaching computer science in and after school, or doing more citizen science to keep our communities clean and safe, a new administration should invest in the use of technology to unlock the potential of citizen engagement to make America's communities stronger.

Creating a Culture of Flexible, Permission-Free Innovation

In order to take advantage of all that technology has to offer to improve governing, the government has to do more to institutionalize a culture of innovation and attract talented people into government who know how to work in a data-driven, open and collaborative fashion.

1. Building a 21st Century Civil Service

The President will hire for the White House and direct every agency and department to create a Chief Innovation Officer role, who will report directly to the Cabinet Secretary and have responsibility for overcoming "compliance culture" and improving the effectiveness of the agency at achieving its core priorities using 21st century tools and techniques. The responsibilities of the Chief Innovation Officer are not focused on technology per se (hence the need to redefine the role) but on how to use the agency's and other data to help the agency realize operational improvements, to deliver results, and to measure those improvements. The Chief Innovation Officer will also ensure that the necessary personnel and systems are in place to create an innovation culture within the legal team in each agency, ensuring that the lawyers do not become a roadblock to innovation and know how to safeguard the public interest while enabling experimentation and innovation. Lawyers need to develop a clear understanding of the necessity of using innovative technology and methods, such as A/B testing, whereby agencies run experiments to compare two versions of a policy or service. The aim is to achieve core priorities and to transform the culture of the General Counsel's office from that of naysayers to innovators. The Chief Innovation Officer will also work with the HR and personnel managers in the agency to explore how to use personnel data, other analytics, and new technology to help the agency identify the skills and skills gaps within its workforce; help employees identify projects on which they might work and to which they can contribute their skills; expand open innovation efforts to crowdsource good ideas from employees; and develop more effective ways to organize teams to break down silos and solve problems faster and more effectively. The Chief Innovation

Officers will be able to partner with 18F – the government’s digital services agency – to accomplish new projects quickly and replicate and scale the diffusion of what works across the federal government.

2. Recruiting Top Talent to Tackle Hard Problems

The President should direct the new Chief Innovation Officer and Office of Personnel Management to take the necessary steps to ensure that every agency has the authority and ability to hire the best and brightest talent from the private sector, universities, and nonprofits to improve the effectiveness of government. To attract those people, OPM needs to bring down the time required to bring people into government – and to promote people already in government – to under a month. It needs to provide training to agencies in problem and project definition to help agencies craft new job descriptions for such hires that describe problems to be solved and the skills needed to solve them rather than merely posting opaque and bureaucratic job titles. As part of this effort, the President should craft new legislation overhauling the Federal Advisory Committee Act, which impedes the government’s ability to use new technology to recruit more people from across the nation to serve on federal advisory committees, and to move the work of such committees online to ensure that they bring in more innovative thinking from more diverse people outside government more quickly than in-person committees in Washington can do today. Such legislation could also allow for one or two year rotations within government for focused innovation – perhaps part of SES rotation program – laying the foundation for what some Roundtable participants called for: a Peace Corps for government.

Conclusion

The central question facing the *next* Administration – and every leader – is thus how to scale and institutionalize more tech-driven innovation to change how we govern to the end of improving people’s lives. Government needs to solve increasingly complex problems for growing populations with fewer resources. To do more with less, governments needs to become more agile, data-driven and, above all, more open in how they identify *and* implement effective policies and services.

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MEMO #10

BROADENING AND DEEPENING ETHICS STANDARDS AND TRAINING FOR FEDERAL AND STATE OFFICIALS

Stuart Gilman and James Svava

On the surface, there appears to be a great deal of attention to ethics by government administrators. Ethics laws are fairly universal at all levels of government, and presumably there are orientations and training activities that reinforce the content of these laws. In the federal, which are the focus of this memo, however, there is evidence that the scope of the ethics standards varies widely. They may represent narrow standards of conduct that specify how administrators should behave and what rules they should follow. Codes based on ethical principles, on the other hand, also identify the ethical principles to which public officials should be committed and aspire to attain. Similarly, training may emphasize observing ethics laws and complying with rules rather than understanding and learning how to implement ethical principles as public servants. The legal approach should not be dismissed because as Earl Warren said, “law floats on a sea of ethics.” It would be useful, however, to give more attention to how ethics upholds the law and extends beyond it.

In some respects, the need for this broadened approach is longstanding. There might not a particular scandal or specific changed circumstances that call for action now. Still, the increased intensity of conflict between candidates for electoral office make it important for newly appointed administrators to understand that they should advance the public interest—not just the interests of the official who appointed them to their position. The proposed changes in ethics training reflect the increased recognition that the steps taken to promote the ethical behavior of public officials in the past forty years should be expanded. Current federal and state ethics requirements focus primarily on meeting standards of conduct, not engaging in activities or relationships that could compromise the official’s integrity, and not benefitting personally from public office. The intensive vetting process that new appointees have experienced reinforces the attention to personal interests and relationships. A broader view of ethics is needed. The orientation to public service ethics that high-ranking officials receive should be expanded beyond knowledge of ethics laws and keeping officials out of trouble.

Ethics training should examine the full range of ethical responsibilities that officials have. Such training will expand the ethical awareness of officials and strengthen their capability to set a positive ethical tone for their organization and be a positive example for the staff that report to them. The goal is to have government leaders who not only avoid ethical lapses but also provide ethical leadership. This memo elaborates the scope of these ethical principles and suggests how they can be conveyed through training.

The Development of Ethical Standards in Government

The near universality of ethics codes in government may lead to the conclusion that codes have long been present and that these official codes provide an appropriate and complete set of standards that

public officials should uphold. With only a few exceptions, government-endorsed ethics statements were rare until the 1960s.

Furthermore, the overall tone of the approaches to promoting ethics led some public administration scholars to conclude that codes represented the “low road” to ethics. This approach stresses specific but narrow instructions about acceptable behavior and conveyed a negative orientation that stressed what officials should not do. There was a great upsurge in developing ethics codes in the 1970s spurred by the Watergate crisis as well as other ethical scandals in government and business. In 1978, the Congress passed the Ethics in Government Act, and a Presidential Executive Order established the Standards of Ethical Conduct for Employees of the Executive Branch. The Office of Government Ethics was given the responsibility to interpret and provide guidance on the Standards, although the exact standards varied by department. Standardization did not occur until 1988 when the Ethics in Government Act was reauthorized, and Presidential Executive Order 12674 established the 14 General Principles of Ethical Conduct. The principles were subsequently issued in the Standards of Ethical Conduct for Employees of the Executive Branch at 5 C.F.R. § 2635.101(b). These standards have strengths and limitations. A key positive provision in the Standards of Ethical Conduct is recognizing public service as a “public trust.” In the introduction to the standards, this “basic obligation of public service” is enunciated.

Public service is a public trust. Each employee has a responsibility to the United States Government and its citizens to place loyalty to the Constitution, laws and ethical principles above private gain.

Although reference is made to the Constitution and ethical principles, these are not fully developed in the Standards. There is little attention given to the responsibilities of the government official as a “trustee,” but rather a focus on the official’s qualities and conduct as a person working for the federal government. It is certainly appropriate to expect public officials to respect the public as the owners of the government’s assets and to act in their interests rather than advancing their own professional or personal interests. Still, rather than elaborating the full range of ethical responsibilities that public officials have, the Standards elaborate their personal characteristics and the kinds of conduct that should be displayed or avoided in order to be a public official.

To illustrate the difference in perspective about what is expected of ethical public officials, the Standards can be compared to the Code of Ethics of the American Society of Public Administration (ASPA). The ASPA Code has evolved since the first version in 1983 through the current version approved in 2013. It enunciates the ethical standards that members are expected to meet, but it is intended to express the standards that should apply to all professionals who serve the public. Not all public agencies will have the same interaction with the public, and not all administrators will have the full range of responsibilities covered by the Code in their position. For example, not all administrators directly interact with elected officials in making policy recommendations, although many administrators provide information that is ultimately the basis for recommendations. Still, the ASPA Code provides a benchmark that can be used by government agencies at all levels of government to examine the orientation and scope of their ethics training. A workbook and assessment guide assists individual administrators to identify what aspects of the Code relate most closely to their position and how they can strengthen the ethical commitments relevant to their responsibilities.²⁴

²⁴ http://www.aspanet.org/PUBLIC/ASPADocs/Membership/Ethics_Assessment_Guide.pdf

When examining the 14 Standards of Ethical Conduct for Employees of the Executive Branch,²⁵ most of the standards correspond with two of the ASPA principles—demonstrate personal integrity and promote ethical organizations. There are no standards that address advancing the public interest and serving the public, being transparent and engaging the public, acting as a counsel who fully informs and advises superiors and peers, and being committed to professional excellence. The standards partially match two other principles—upholding the law and advancing social equity. However, whereas the ASPA Code calls for administrators to make efforts through elected officials to strengthen the law, the Standards refer only to compliance in official activities and private life. Similarly, public officials should “adhere to all laws and regulations that provide equal opportunity” whereas as the ASPA Code calls on administrators to not only “treat all persons with fairness, justice, and equality” but also to take action to “reduce unfairness, injustice, and inequality in society.” Furthermore, expanding diversity and inclusion are part of promoting ethical organizations and advancing professional excellence applies to all subordinates as well as to oneself.

With the few exceptions just noted, the Standards of Ethical Conduct focus on the personal characteristics of the honorable trustee and on preventing the abuse of organizational resources. These are important expectations but limited in scope. When the Federal Code that elaborates and illustrates the Standards is examined, the focus is even narrower. The Office of Government Ethics has examined certain aspects of the Standards in seven subparts. Most of these subparts deal with certain aspects of personal integrity and a couple elaborate the proper use of organizational resources. It should be recognized that this compilation does not necessarily include the content of more than 2000 informal advisory opinions issued by the Office of Government Ethics.²⁶ Still, with no detailed examination of what is meant by “public service is a public trust” in this codification of the standards of ethical conduct, it is not surprising that many discussions of this potentially far-reaching standard focus narrowly on the kinds of behavior needed to secure the trust of the public without considering what it means to be a trustee for the public.

Examples of Narrow and Broad Scope of Ethics Standards

The Department of Defense has assembled an extensive *Encyclopedia of Ethical Failure* with real examples of conduct that violates of the “standards of conduct” by officials from all parts of the federal government. The categories of violations generally match those in the Standards of Conduct with additional detailed sections on bribery, endorsements, fraud, gambling, morale/welfare/recreation issues, political activity violations, and travel violations. Despite annual updates through 2015, the *Encyclopedia* provides no examples of unethical conduct in the Veterans Affairs regarding the coverup of shortcomings in patient care. Although numerous examples are provided of misconduct by VA staff members, e.g., hiring a friend, getting kickbacks, misusing credit cards, conflict of interest, exorbitant charges for a conference, etc., there is no mention of service problems in VA hospitals and manipulation of patient lists to hide the problems. Nor is there mention of the many cases of retaliation directed at staff members who filed whistleblower complaints revealing the service problems and coverup even though the Office of Special Counsel has announced settlements with some of the employees who suffered retaliation. The omissions might be explained by the fact that coverup and retaliation are improper or illegal under other federal laws and regulations. Furthermore, these kinds of conduct are not addressed explicitly by “Federal ethics statutes and regulations”—the focus of the *Encyclopedia*. It is

²⁵ <https://www.oge.gov/Web/oge.nsf/Resources/Standards+of+Ethical+Conduct+for+Employees+of+the+Executive+Branch>

²⁶ <https://www.oge.gov/>

inappropriate, however, to segment the definition of ethics and use the term to refer primarily to aspects of personal integrity.

This approach to training emphasizes what officials should not do in order to avoid be unethical and violate the law. Our objective in orienting public officials to ethics should be more than seeking to keep them from discrediting themselves and their organization. An excellent example of the broader view is the conclusion of the head of the Office of Government Ethics in its 1988 report regarding the conduct of Edwin Meese as Attorney General:

A major purpose of this memorandum is to remind and inform that simply avoiding criminal conduct is not the mark of public service. The duties imposed by noncriminal standards are far harder to discharge.

Officials should “make every effort to adhere to the high ethical standards the public has a right to expect from them and that they expect from themselves.”²⁷ Government officials should not just seek to comply with laws and regulations but also should examine for themselves, their position, and their organization what it means to adhere to “high ethical standards.”

The Recommended Approach to Training

The orientation and training of new high level officials in the federal and state governments could usefully provide this broad view of what it means to be an ethical public administrator. Expanding the scope of ethical principles that are considered in the training will deepen the understanding of and commitment to these principles. Further, it will increase the likelihood that public officials will act according to these ethical principles. Furthermore, ethical capacity is increased by identifying and working to remove obstacles to ethical conduct within the organization. This approach continues and broadens the consideration of personal integrity in public office, and also addresses other broad duties of public officials to advance the public interest, serve the public, uphold and strengthen the law, advance social equity, and promote professional excellence. It examines what is expected of public officials in their relationship to the public, to superiors, and to peers and how they can contribute to building organizations that are accountable, committed to stewardship, open, supportive, diverse, and inclusive. A recent GAO report (<http://www.gao.gov/assets/680/672291.pdf>) illustrates the kind of approach that is needed. It recommends a shift from “compliance-based” ethics training programs to “values-based” programs. The compliance-based approach focuses “primarily on ensuring adherence to rules and regulations related to financial disclosure, gift receipt, outside employment activities, and conflicts of interest, among other things.” It would emphasize the Standards of Conduct and stress following the rules contained in the Federal Code. The values-based ethics approach refers to ethics programs that “focus on upholding a set of ethical principles in order to achieve high standards of conduct.” It includes understanding the “guiding principles” in public affairs “such as values to help foster an ethical culture.” Thus, this approach helps public officials deepen their own ethical commitment and leadership to strengthen the ethical culture.

The recommended approach to ethics training promotes the advancement of ethical behavior by staff members and the strengthening of values, standards, and practices to reinforce ethics in the organization. This broad approach links ethics to consideration of the organization’s purpose, performance, and

²⁷ [https://www.oge.gov/Web/OGE.nsf/Legal%20Advisories/C81CBBCD9E25EB8485257E96005FBC72/\\$FILE/da472afb087c4a379c99ca6f92a75ad01.pdf](https://www.oge.gov/Web/OGE.nsf/Legal%20Advisories/C81CBBCD9E25EB8485257E96005FBC72/$FILE/da472afb087c4a379c99ca6f92a75ad01.pdf)

relationships and the engagement of staff members in achieving the mission of the organization. The training should be grounded in a more comprehensive set of ethical principles such as those found in the ASPA Code of Ethics. The purpose of the training is both to reduce unethical behavior and to promote ethical behavior by public servants.

For example, as part of the principle to inform and involve the public in the governmental process, administrators should be committed to transparency and informing the public. The federal government has the Freedom of Information Act and states have laws governing open records. The federal Standards of Ethical Conduct do not make specific reference to informing the public but of course the Freedom of Information Act would be encompassed by the comprehensive standard to be loyal to the Constitution and laws. It would be unethical to lie to the public or to withhold records that can be released when requested by a member of the public. A compliance orientation would include disclosing requested information and following the FOIA requirement to proactively post online certain categories of information, including frequently requested records. A commitment to the ethical principle to inform and involve the public would go farther. The organization would consider what information is important for the public to know that has not been requested as well as meaningful efforts to engage the public in developing proposals and assessing programs. Obviously, the scope of the commitment to informing and involving the public needs to be balanced with other needs and reflect resource constraints. Still, under the current approach to ethics, it may not even be considered as an ethical responsibility.

The recommended training stresses leadership and individual responsibility for setting and upholding ethical standards. Throughout the training, participants would complete self-assessment questions that examine how they can expand their own ethical commitment and strengthen the organization's support for ethics. The training would incorporate the organization's ethics standards and code, if any, as well as its employee development training material.

The proposed model for training for new high-level appointees has these elements:

- Overview of the organization's code, the ASPA Code to raise awareness of scope of ethical principles, and another professional code if relevant to the professions in and/or the work of the organization.
- Examination of ethical standards. The presentation of each standard will include examination of cases and identification of behaviors that fall short of the standard, on the one hand, and that advance the standard, on the other. Participants will examine how they can meet ethical standards and contribute to the organization's performance in each area.
 1. How does the work of the organization contribute to the public interest? Are the long-term interests of population as a whole being advanced?
 2. What are the services provided to the public and how well are these services being provided?
 3. What is the legal framework for the work of the organizations and how can it be strengthened?

4. What is the organization's performance regarding openness, transparency, and engaging citizens?
5. How does the organization assess and promote social equity and what more could be done?
6. Do staff members provide accurate, honest, comprehensive, and timely information and advice to superiors and peers in the organization?
7. Do staff members demonstrate integrity and act as a trustee for the public?
8. Are staff members committed to professional excellence, and is the organization committed to the development of all staff?
9. Is the organization accountable, committed to stewardship, open to new ideas and identification of problems, supportive, diverse, and inclusive?
10. Do staff members at all levels of the organization display ethical leadership and accept their individual responsibility for setting and upholding ethical standards?

Concluding Assessment

- What changes that could be made in organizational standards and practices to reinforce ethical behavior?
- What steps can participants take to display ethical leadership and promote individual responsibility throughout the organization?

Follow-up activities would include assessing how recommended steps are carried out, a survey of ethical culture in the organization, and exploration of new training activities for groups of staff in the organization to address important ethical concerns.

In conclusion, this approach to defining ethical standards will expand the scope of ethical concerns that are encompassed in efforts to promote government ethics. The comprehensive value-based training will deepen the commitment of public organizations and public officials to meet ethical standards in all aspects of their work and increase the organizational and individual capacity to uphold these standards.

PART III:
Managing Across Boundaries to Achieve National Goals

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MEMO #11

COLLABORATION ACROSS BOUNDARIES

Donald F. Kettl, along with Fellow NAPA T16 Members

The next President will enter office with ambitious visions to execute and many promises to keep. No problem that matters fits any longer within individual government agencies or, for that matter, any single level of government. Therefore, the Administration will need a fresh approach to collaboration across boundaries—between federal agencies, across levels of government, between government and the private and nonprofit sectors, and across global boundaries. Collaboration across boundaries will help the new Administration implement policies and results well beyond the power of any one agency (Kettl, 2016).

At a minimum, the failure to collaborate across boundaries would limit what the new administration could accomplish (DeSeve, 2013). At worst, the new Administration would risk falling into catastrophic traps like those that captured past Administrations from both parties: the George W. Bush Administration's struggles with Hurricane Katrina; and the Obama Administration's difficulties with the launch of the Affordable Care Act. In both cases, the failure to collaborate across boundaries brought enormous costs in dollars, lives, time, political capital, and trust in America's governing institutions. The lessons are clear: success depends on building strong alliances; and treating those partners as genuine collaborators, instead merely as subcontractors.

The new Administration faces legislative imperatives it can transform into collaboration opportunities. In particular, the Government Performance and Results Act of 2003 (GPRA) and the Government Performance and Results Modernization Act of 2013 require that the new Administration *must* identify its most important strategic goals; define a limited number of cross-agency priority goals and individual agency priority goals; and regularly report on progress toward those goals. The new executive budget, the congressional budget resolution, and the Budget Reconciliation Act provide other opportunities for strengthening collaboration across boundaries and achieving Administration priorities.

There are many examples of how effective collaboration can improve policy implementation and government performance. There are just as many examples of how failed collaboration can cripple it. The new Administration will face unprecedented challenges, with constrained resources and ever-rising expectations. It also has a set of legislative mandates that give it unmatched opportunity.

The upside of more collaboration is better use and allocation of resources and better results. The downside? Missed opportunities and failed attempts at reaching the goals set out by the Administration at its onset.

The recommendations below draw from experiences in various arenas in which collaboration has been successful and offer suggestions on how to build upon those successes, in addition to outlining opportunities for implementing collaboration across government.

Advancing the President's Highest Priority Goals:

1. Use the GPRA Modernization Act to Promote Collaboration

Several aspects of the GPRA Modernization Act foster collaboration, including the Cross-Agency Priority Goals (CAP Goals) and the Performance Improvement Council, which consists of the Deputy Director for Management as chair and Chief Improvement Officers from each agency.

2. Propose a Revised FY18 Budget

The new President should propose a revised FY18 budget and use FY18 Budget Resolution, the FY18 Budget Reconciliation Act, and the FY18 appropriations bills to promote collaboration and help achieve the Administration's highest priority goals. Passage of the Budget Reconciliation Act could change existing laws and create new performance partnerships.

Administrative Collaboration:

3. Establish Collaborative Approaches

Establish approaches whereby multiple agencies or sectors contribute to a cause (in dollars, ideas, staffing, facilities) to improve the chances of success. When more entities have a stake in the game, more "resources" are incentivized to ensure the success of their respective investment. Some program designers build efforts requiring grant or contract recipients to provide matching funds to trigger federal participation. Others, who miss the point, think an unfunded mandate will produce the desired results, which not only is far from collaborative, but can be seen as an act of mere coercion.

4. Fully Utilize the Experience of Civil Servants

It is imperative that each transition team spend some time understanding the federal system and preparing appointees to work effectively with civil servants, particularly in high-grade positions. These federal employees have spent decades learning how to make a large bureaucracy work and how to further the mission of their particular agency, department, division, or cause and will provide valuable insight to the new Administration.

5. Build Cross-Unit Collaboration as a Criteria for Annual Bonuses

OPM should build cross-unit collaboration into criteria for annual bonuses for all high-grade employees and should build cross-sector, cross-division, and cross-department collaboration into the qualification criteria (ECQs) for the Senior Executive Service (SES).

6. Assign a Pool of Funds as a Resource

OMB should assign a pool of funds to provide resources to cross-agency collaborations on significant national issues involving three or more federal agencies or single federal agencies with multiple state, county, and local agencies.

7. Publicize the Action Tracker

GAO should more widely publicize its Action Tracker. The Action Tracker identifies areas of fragmentation, overlap, and duplication, and publicizing this would lead federal employees to take more corrective actions and general citizens to insist on more accountability.

Accountability and Collaboration:

8. Reinforce Formal Accountability Systems

Reinforce formal accountability systems (reporting and oversight) by instituting informal dynamics such as shared norms, trust, and facilitative behaviors. These can include reports of interactions, facilitative information sharing, and mutual feedback among collaborators about progress toward goals. This has the potential to reduce competition, turf battles, and staff turnover. Additionally, these actions build trust, which reduces the cost of operating in collaboration.

Lessons from the Recovery Act:

9. Utilize Past Lessons

When dealing with large-scale spending efforts that span multiple states and counties, utilize lessons from the Recovery Accountability and Transparency Board (RATB) to ensure effective collaboration.

The actions and strategy of the Recovery Accountability and Transparency Board (RATB) helped codify a new vision for future administrations on how government spending should be reported on, displayed, and overseen in order to maximize transparency and accountability for the public. Collaboration between federal, state, and local governments, as well as between federal agencies themselves, allowed for the effective implementation of two complex systems that maximized transparency on government spending.

FederalReporting.gov, an inbound site for recipients of Recovery Act contracts and grants, and Recovery.gov, a public-facing site that utilized geospatial technology to allow citizens to see exactly where government funds were being spent in their own neighborhoods, served the dual benefit of promoting collaboration across governments and establishing a system of accountability amongst those governments. Each state and federal agency named a Recovery Czar, who reported directly to the Governor or the Agency Head and communicated weekly with the Vice President's office, OMB, and the RATB.

In broad spending efforts similar to those of the Recovery Act, the government must evolve and make greater use of new tools like geospatial mapping, which will in turn promote collaboration within the federal government and across federal, state, and local governments.

Environmental Policy Collaboration:

10. Utilize E-Enterprise as a More Efficient Method of Environmental Enforcement

There has been a growing recognition that traditional methods of environmental enforcement through on-site inspections, fragmented approval of permits across environmental media, and spot checks to test compliance tend to waste scarce resources and leave sizable gaps in environmental protection. E-Enterprise options make greater use of modern technology and new techniques such as remote sensing, continuous emissions monitoring, and geographic information systems. The National Environmental Information Exchange Network was established in the 1990s to explore these possibilities, and has gained momentum through a robust partnership between the Environmental Council of the States (ECOS) and the U.S. Environmental Protection Agency (EPA), and has evolved into a formal collaborative partnership between these organizations and other intergovernmental partners, guided by a Charter for State and EPA E-Enterprise Leadership Council.

11. Leverage E-Enterprise

Leverage E-Enterprise to revitalize environmental performance partnership programs of the 1990s and 2000s. These programs featured federal incentives for state, tribal, and local partners to introduce ways in which they could achieve environmental performance outcomes superior to those that would be expected through adherence to existing routines. The federal government can then approve and support the proposals through more flexible oversight and use of grants to state and local governments.

Additional Recommendations for Enhancing Collaboration:

12. Develop a Robust Engagement Strategy

While state and local governments don't always agree on issues, involving them early will improve both the development of policy and reduce the risk of implementation failures. Engagement between federal partners and state & local governments is often paternal, directive, without shared goals, and one way. Some lessons for success in developing strong relationships with the intergovernmental partners include:

- Focus on what to achieve, not how;
- Develop options for flexibility on the how;
- Agree up front on the metrics of success; and
- Leverage the resources of the national associations representing state and local governments,

such as NGA, NCSL, CSG, USCM, NLC, NACo, ICMA and GFOA.

13. Create Institutional Capacity to Work with Intergovernmental Partners

There is no longer any institutional capacity to judge the “health” of the intergovernmental system or to understand the complexity of the federal, state, local, and nonprofit interaction in delivering national policy. Developing an advisory panel of state and local experts within the Domestic Policy Council and recruiting staff to OMB who have significant experience across the intergovernmental system would be helpful steps.

14. Realize that if Results Count, Management Matters

Regardless of the domestic policy, most of the risk is not about bad policy but poorly executed implementation. Investing in the capacity of federal agencies and the intergovernmental partners to manage complex, multi-disciplinary and multi-sector strategies is an important investment. These skills can be developed and should be recognized as the new administration thinks about appointees and the Senior Executive Service.

Collaboration is a powerful antidote to stagnation. When government collaborates with other organizations – within or outside of government – the payoffs can be invaluable. But like any payoff, collaboration needs early investments. Spending time and other resources on clarifying expectations of roles and responsibilities in advance and subsequent investments in relationship-building, laying a foundation of trust, and finding ways to celebrate individual and collective achievements early on, will almost certainly pay off during the transition to the next Administration.

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MEMO #12

CROSS-AGENCY COLLABORATION: Building the Ecosystem to Support Cross-Agency Capacity

Jane E. Fountain

The incoming administration must translate governing priorities into clear goals. Many priority goals inherently require cross-agency collaboration. How can new leaders leverage available processes to develop and support effective collaboration? The Government Performance and Results Act Modernization Act of 2010 directs the Office of Management and Budget (OMB) to develop government wide priorities in the form of cross-agency priority (CAP) goals. What lessons have been learned from the experience of interagency collaboration? What are the most promising models for networked collaboration within the executive branch?

This paper outlines key steps to align the many institutions within the federal government that must act with greater coherence and coordination to make cross-agency collaboration sustainable and effective. Based on previous research and roundtable discussions convened as part of the Management Roadmap initiative organized by the Partnership for Public Service and the IBM Center for the Business of Government (<http://presidentialtransition.org/ready-to-govern/management-roadmap.php>) this paper suggests specific recommendations for new leaders.

The Goals of Cross-Agency Collaboration

Contemporary policy problems are increasingly cross-boundary in nature and require cross-boundary responses. Moreover, imperatives for cost reduction, efficiency, effectiveness and streamlined services move cross-agency collaboration to the fore.

The goals in an increasingly interdependent federal government include:

- Strategic attention to cross-agency collaboration beginning with the transition teams;
- Political appointees in executive roles with the capacity to manage cross-agency, complex initiatives;
- Strong alignment from the White House to operating levels to ensure coherence between policy and implementation;
- Sustained focus on cross-agency priority projects even when crises and unanticipated events threaten to derail the president's priorities;

- Making evident the emerging ecosystem of institutions, roles, councils, and tools that constitute a supportive environment for cross-agency collaboration; and
- Clear understanding of differences between mission-oriented cross-agency collaboration, which brings together expertise across boundaries, and mission-support cross-agency collaboration which tends to focus more on streamlining and reducing redundancies.

Recommended Actions

1. Focus on Cross-Agency Management and Implementation

Create a group within the transition team to focus on cross-agency management and implementation.

Transition teams should include a group focused on cross-agency goals and the related policy and management objectives to support them. This group should identify which new administration priorities are government wide, cross-agency or single-agency and establish the appropriate management capacity required for their achievement. This team could foster planning to use management tools and systems already in practice--for example, the interagency councils--to support cross-agency goals.

By making top management appointments quickly and with an eye toward expertise in cross-boundary management, the new administration will increase the likelihood that cross-agency initiatives will be implemented successfully during the first term. The next administration should build on existing initiatives, best practices and governance structures rather than embarking on new, untested measures.

2. Appoint a White House Chief Operating Officer

Appoint a White House chief operating officer to oversee the portfolio of mission-focused cross-agency priority initiatives.

Select a chief operating officer (COO), working for the president and reporting to the chief of staff, to ensure sustained attention and greater coherence to administration priorities that are cross-agency in nature. This individual would coordinate White House offices and federal agencies required for such initiatives while working with Congress to build support for cross-agency initiatives. The role requires a seasoned executive with federal government experience and demonstrated capacity to successfully manage complex initiatives. The COO should work closely with the OMB deputy director for management to align cross-agency goals with existing cross-agency councils as well as evolving resource priorities.

3. Leverage Existing Ecosystem of Cross-Agency Institutions

Leverage the existing ecosystem of cross-agency institutions to support cross-agency collaboration.

An ecosystem of cross-agency institutions has evolved to support cross-agency collaboration. The next administration should strengthen the coherence of this ecosystem. New executive appointees should receive a directory or map of cross-agency institutions that support enterprise government; in 2008, OMB provided such an overview.

Key connections that require stronger alignment between policy and implementation include those between the policy councils, the President's Management Council (PMC), and the cross-agency councils. The deputy director for management within OMB should be given responsibility to link the PMC more closely with cross-agency councils perhaps by designating a PMC liaison to each cross-agency council in an ex-officio capacity and for each of the cross-agency councils to establish a liaison to the PMC.

The next administration should strengthen the role of agency chief operating officers (typically deputy secretaries and deputy administrators) by recruiting and selecting political appointees with expertise and experience in complex management operations. Similarly, agency COOs require strong career executives to work with them. The GSA Office of Executive Councils, including the Performance Improvement Council, play critical support roles for agencies and OMB.

The OMB can strengthen cross-cutting initiatives on the budget side by selecting an OMB examiner to coordinate program dollars. For example, the STEM cross-agency initiative includes several agencies and appropriate accounts for each. The budget examiner could produce greater coherence in funding through stronger coordination across these accounts.

In addition, better tracking of funds, perhaps with the help of the Digital Accountability and Transparency Act of 2014, would increase agency confidence in sharing funds for cross-agency projects by enhancing data visibility and transparency. For each cross-agency goal project, a goal leader might have a counterpart at OMB assigned, perhaps a program associate director or deputy associate director, with a branch chief tracking programmatic dollars across agencies tied to a given cross-agency project.

4. Advance Mission-Focused Outcomes by Proactively Coordinating Cross-Agency Activities

In tackling complex problems such as veteran homelessness, federal permitting, and sustainable communities, federal executives and their teams have demonstrated that effectively coordinating activities across agencies delivers strong mission outcomes. Yet there is less experience with cross-agency mission focused projects than with cross-cutting administrative support functions. Mission-focused cross-agency goals are qualitatively different from mission-support cross-agency projects because they require coordinating expertise and capacity that lies across agencies and departments whereas mission-support cross-agency projects focus on integration and standardization across boundaries.

Each mission-focused CAP goal has distinctive features related to mission characteristics. But in addition to distinct dimensions that must be considered, such initiatives nevertheless often provide opportunities for integration across agencies such as increasing standardization and harmonization of practices, data standards, metrics and terminology.

For more than 15 years, cross-agency projects have helped public managers build considerable knowledge base for how to work effectively across agency boundaries. The next administration has a unique opportunity to leverage lessons learned from the 2014-2017 mission-focused CAP goal projects to deepen the government's capacity to solve complex, highly interdependent, cross-boundary problems. The next administration will inherit a set of seven mission-focused CAP goals. These initiatives should be reaching maturation and should yield demonstrable results and "lessons learned". It will be imperative to distill lessons learned from these cross-agency executive teams to inform the next set of CAP goals to be launched in 2018 as well as other mission-focused cross-boundary initiatives.

5. Set Ambitious Enterprise Level Goals

Set ambitious enterprise level mission-support goals to drive efficiency, innovation and customer satisfaction. The next administration has an opportunity to harvest the substantial benefits of shared services, building upon the results of sustained work by federal officials for more than two decades. During the past decade alone several lines of business have matured to shared services models making further integration and streamlining possible. Several agencies are migrating to shared solutions with financial management and human resources shared services currently at the forefront (OMB 2015).

In 2015, the shared services leadership community moved to consolidate and formalize gains under development for several years. In October 2015, OMB and GSA announced the first government-wide shared services management and oversight operating model for mission support functions. The next administration should continue to develop the governance and management structures that provide support and migration paths as agencies transition to shared services. GSA should continue to support its Unified Shared Services Management Office to further implementation of cross administrative functions (Cordell 2015).

Conclusion

The next president will enter office with a long list of campaign promises and a strong desire to accomplish them. But implementation will rely increasingly on an ability to use complex management systems, many of which lie across agency boundaries. By taking a cross-boundary approach to governing, the administration can deliver faster, more effective results and solve problems that cannot be addressed through single agency approaches.

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MEMO #13

MANAGING ACROSS BOUNDARIES: Strengthening Partnerships with State and Local Governments

Barry L. Van Lare

The new President and Congress need to forge a new partnership with state and local governments in order to restore public trust in the federal government and to mobilize the resources needed to address critical domestic issues in a comprehensive and coordinated manner. For much of its history the federal system could be seen as a layer cake with each level of government responsible for a relatively clearly defined set of responsibilities. As the federal government began to expand its role in domestic policy the system became more of a marble cake with roles and responsibilities becoming more intermixed. Most recently the federal system has come to resemble more a crumb cake as the lines between federal, state and local governments have been blurred even further. Such a fragmented system is ill suited to address a wide range of domestic issues

The Goals of a Stronger Intergovernmental Partnership

Policy makers and administrators tend to view the government's proper role from the perspective of their own positions in the federal system. However, addressing pressing public priorities requires coordinated action by all levels of government. Challenges such as affordable health care, quality education, climate change, income inequality, homeland security, civil rights, deteriorating infrastructure, etc. will require a strong federal role, but a federal role alone will be insufficient. Significant progress will require the coordinated actions of state and local governments as well. It is critical that a new administration and a new Congress work together to establish a new paradigm that substitutes collaboration and cooperation for command and control. Such a paradigm allows states and localities to participate in policy development and implementation as full partners and facilitates and supports a robust and comprehensive approach to the development of national policy within an intergovernmental framework. The new paradigm:

- Recognizes the importance of a coordinated intergovernmental response to critical issues;
- Provides ready access to the data and analysis needed to develop that response;
- Supports open consultation and involvement of state and local governments in both policy development and rulemaking; and
- Recognizes state and local governments as enterprises rather than solely as silos for federal funding.

Recommended Actions

Addressing the pressing challenges and opportunities confronting the nation requires more than a collection of crumbs. We must create the culture, tools, and resources that will enable the three levels of government to work collaboratively to address those problems and opportunities in a more comprehensive and coordinated manner.

1. Consider Saying No – Focus on National Issues

Not every problem requires a federal solution. The Congress and the new administration should focus their attention on issues that are truly national in scope and avoid the tendency to further complicate an overly complex intergovernmental system with a growing number of small and often uncoordinated or duplicative new programs.

2. Make Intergovernmental Collaboration a Priority

Collaboration is an unnatural act performed by unconsenting adults. Developing and maintaining a collaborative intergovernmental capacity to address critical issues requires a significant shift in organizational culture as well as changes in structures and processes to support that collaboration. Both the President and Congressional leadership should move quickly to signal that a renewed focus on intergovernmental collaboration is a clear priority. A strong, early, and public commitment to strengthening intergovernmental collaboration provides vital guidance on a variety of issues such as the need for the state and local involvement in the policy making process, the selection of key personnel, and the roles and responsibilities of intergovernmental staff.

3. Recognize State and Local Governments as Partners – Not Constituents

State and local officials have become viewed as merely another constituent group. Their participation in the development of rules and regulations is often constrained. The new administration should give priority to a review of the Administrative Procedures Act in order to identify changes that would facilitate the collaboration and consultation needed to identify and address issues critical to the effective implementation of its priorities.

4. Foster a Continuing Intergovernmental Dialogue

Finding comprehensive solutions to critical problems will begin with consultation among the three levels of government. In the past, federal, state, and local policy makers have had collaborative discussions to address major policy such as block grants, welfare reform, new federalism and education. While results have varied, the process has almost always led to a better understanding of both the problem and potential solutions. In many cases it has also led to broad-based, non-partisan support for an intergovernmental action agenda.

The new administration should begin this process by articulating key policy challenges, identifying the key intergovernmental players and by inviting those players to actively engage in

the policy making process. Congress can continue that process by assuring states and localities an opportunity to actively engage with members and staff as legislation is considered.

5. Strengthen and Reorient the President's Office of Intergovernmental Affairs and its Department Counterparts

The vast majority of intergovernmental communications takes place at the program level with state and local program administrators talking to their federal counterparts. At times, however, there are issues that require attention on a cross program basis or the involvement of a higher-level decision-maker.

The new administration should create strong intergovernmental affairs staffs in the Office of the President and at the Department level that are actively involved in the policy process and that can play a vital role in keeping intergovernmental issues and concerns before key decision makers. Their focus should be on policy and implementation rather than politics and constituent services. These offices might also be tasked with coordinating cross agency efforts to work collaboratively with states and localities.

6. Build and Maintain an Intergovernmental Database

Better intergovernmental data will help all three levels of government better understand the scope and scale of the issues to be addressed and the resources available at each level of government. Policy makers need a big picture view of the fiscal demands on state and local governments and the variances in fiscal capacity from jurisdiction to jurisdiction. They also need to more clearly understand the fiscal impact of federal policies on the capacity of state and local governments to meet their own responsibilities. In the past much of this information was collected and analyzed by the Advisory Commission on Intergovernmental Relations. While OMB and GAO have attempted to fill some of the gaps left by the demise of that organization, the new administration should undertake, in consultation with state and local officials, a comprehensive review of critical information needs and develop a plan for collecting and disseminating relevant data on a timely basis.

In addition, there is a growing body of empirical research available to support decision making. However, efforts to identify and evaluate effective programs is widely dispersed among the three levels of government and the foundation and academic community. Similarly, the administrative data that could help inform the decision making currently exists in silos and is not readily shared. The new administration should establish a cross agency initiative to facilitate the collection and dissemination of timely research and identify the steps needed to make meta data more readily available.

7. Consider States and Localities as Government Enterprises – Not Silos for Federal Funding

The federal government has begun to recognize that many of its administrative challenges can no longer be addressed within agency silos and is increasingly looking to enterprise level solutions. States and localities face many of the same challenges and also need to address them on an enterprise level. Unfortunately, doing so is made difficult, if not impossible, by the proliferation

of uncoordinated administrative requirements imposed by the myriad of federal programs. The new administration should examine how closer coordination among the programs, agencies and departments at the federal level might allow states and localities to produce a more integrated and efficient delivery system.

8. Support Accountability and Transparency

Performance data is playing an increasingly important role in the management of programs at all levels of government. At the Federal level, the Government Performance and Accountability Act plays an important role in focusing agency and cross-agency attention on the administration's priorities and in holding responsible agencies and officials accountable for achieving them. A new administration should build on this experience consider how a similar approach might be applied to high priority intergovernmental initiatives. In addition, a new administration might consider convening federal, state and local officials to explore the potential for the better integration of cross-cutting state systems and individual program level performance measurement systems so as to better serve all three levels of government.

9. Provide Flexibility and Encourage Innovation

States and localities have a long been seen as the laboratories of democracy. As such they are constantly testing new policies and innovative administrative practices. While the federal government will of necessity set program objectives and define target populations, a number of federal agencies have experimented with mechanisms to couple increased flexibility with clear accountability for result. The new administration should continue and expand federal efforts to allow states both to test new policies and more effective and efficient delivery systems.

MEMO #14

STRENGTHENING GOVERNMENT-NONPROFIT PARTNERSHIPS

Alan J. Abramson

Nonprofit organizations deliver a substantial portion of this country's health, education, and human services. Through nonprofit community, religious, arts, and advocacy organizations, we help our neighbors in need, express our faith and creativity, and speak up for causes we care about. Nonprofits account for more than 5 percent of the Gross Domestic Product; and employ roughly 10 percent of private sector workers, not including volunteers.²⁸

Nonprofits are critical partners with government in the effective delivery of a broad range of services. About one-third of nonprofit income comes from government grants and payments for services.²⁹ Besides supporting nonprofit service delivery, government facilitates – and constrains – nonprofit activity through a variety of laws and regulations. For example, government laws incentivize private donations to 501(c)(3) charities by providing donors a tax break for their contributions. At the same time, government regulations limit 501(c)(3) nonprofits' ability to lobby for specific legislation and forbid their involvement in partisan political activities.

Government relies heavily on nonprofits to provide needed services in communities. Rather than station armies of government workers in neighborhoods to dispense needed services, government turns regularly to nonprofits to provide services that they have the experience, specialized training, local knowledge, and community support to deliver effectively. Today, government payments to nonprofit service providers total approximately \$560 billion.³⁰ By partnering with nonprofits, government also leverages the philanthropic and other resources that nonprofits raise to supplement the funding they receive from government.

Challenges

While there is much that is currently working well with regard to government-nonprofit partnerships, there is also significant opportunity for improvement. In particular, these partnerships face the following challenges:

²⁸ For statistics on the size and scope of the nonprofit sector, see: Roeger et al. 2012 and McKeever 2015.

²⁹ According to McKeever 2015, in 2013 reporting public charities received 47.5 percent of their income from fees for services and goods from private sources; 32.5 percent from government grants and fees for services and goods from public sources; 13.3 percent from private contributions; 4.8 percent from investment income; and 1.9 percent from other sources.

³⁰ Calculated from McKeever 2015 as 32.5 percent of total revenue of \$1.73 trillion.

1. Lack of Nonprofit Voice in Government

While most major interests in our society have an office within government that speaks up for their concerns, it is surprising – and problematic – that the nonprofit sector as a whole does not have this kind of representation in government.³¹ At the federal level, the Department of Labor represents workers, the Department of Commerce speaks up for business, and the Department of Agriculture is a voice for farmers. However, within the federal government it is now largely the Internal Revenue Service that relates to the nonprofit sector as a whole, with the IRS mostly involved in regulating rather than speaking up in a positive way for nonprofits. To be sure, particular nonprofit subsectors link to different executive branch departments – nonprofit hospitals and nursing homes have a home in the Department of Health and Human Services, and universities have a voice in the Department of Education. But at the same time, there is no federal office that actively represents the nonprofit sector as a whole.

With no federal office focused on broad, nonprofit sector-wide issues, the interests and capacities of this important sector are often overlooked or misunderstood in policymaking. For example, policymakers tend to overestimate the capacity of foundations and philanthropy generally to offset sizeable government budget cuts.³² Policymakers are also apt to be blind to the problems that new legislation and regulation may cause for nonprofits, as with health care reform and recently enacted overtime regulations. At the same time, policymakers may overlook the capacity that nonprofits have to help address critical national needs, like their ability to put people back to work in the Great Recession. Nonprofit service providers and foundations should have a voice within government to ensure their needs and capacities are taken into account.³³

2. Weak Organizational Capacity of Many Nonprofits

While many nonprofits are strong organizations that deliver high-quality services, many others are fragile entities with relatively weak organizational capacity for information technology, human resources management, accounting and finance systems, evaluation and outcome data, and other management functions. The increased emphasis on performance measurement and performance management in the nonprofit sector in recent decades has highlighted the organizational deficiencies of many nonprofits.

Especially relevant for government are the challenges many nonprofits face in complying with new federal mandates. For example, new federal regulations regarding overtime pay for employees, including nonprofit workers, go into effect on December 1, 2016, and will require adjustments by many nonprofits who are not familiar with the regulations or do not have the know-how or resources to adhere to the overtime pay requirements. Similarly, many nonprofits – and government agencies – are not fully aware of or appropriately implementing the new Uniform Guidance rules that require federal, state, and local governments to pay nonprofits at

³¹ For a more in depth analysis of the need for a new government office on the nonprofit sector, see Abramson 2016.

³² A classic example of policymakers' overestimation of the capacity of philanthropy to make up for sizable government budget cuts occurred at the start of the Reagan administration. See Salamon and Abramson 1982 for a full account.

³³ See Abramson 2016 for a discussion of the problems resulting from policymakers' failure to take into account the impact on nonprofits of changes in laws and regulations.

least 10 percent of their (modified total) direct costs to cover nonprofits' indirect – or overhead and administrative – expenses when the work is funded in whole or in part by federal funds.³⁴

3. Resource Strains on Nonprofits and Philanthropy from the Government

Recent decades have seen a change in the implicit social compact between government and the nonprofit sector. Rather than simply partnering with nonprofits to improve performance, government has turned over increased responsibility for meeting some social needs to nonprofits and philanthropy. Unfortunately, however, the scale of resources that can be devoted to the public good is vastly different between the sectors, with combined federal, state, and local government spending accounting for 32 percent of GDP, dwarfing the nonprofit sector's 5 percent of GDP, or private philanthropy's 2 percent of GDP.³⁵ Reduced government support for nonprofit service delivery puts new strains on nonprofit organizations and philanthropy seeking to offset the government cuts.³⁶

Moreover, there is a real question about whether the best use of private philanthropy is simply to fill in where government cuts back. Traditionally, philanthropy has been more of a complement to government, funding different kinds of services than government or funding similar services in a different way (e.g., through a faith-based approach). Government cutbacks pressure nonprofits and philanthropy to play unfamiliar and perhaps inappropriate roles.

Recommendations

What can be done to address these challenges and strengthen the important partnership between government and nonprofits? Following are four recommendations for action by a new administration:

1. Create a New Government Office to Represent Nonprofits and Philanthropy

To give nonprofits an appropriate voice inside government, a new government office on the nonprofit sector should be created. In particular, what is needed is not a massive new bureaucracy but rather a modest-sized office that would bring together relevant information on the nonprofit sector collected by government agencies and others, and also be a voice for the sector in policy debates within and outside government. The new office would not regulate nonprofits but would leave this function to the IRS and other government agencies.

A critical question is what kind of office to create and where in the executive branch to locate a new office for the nonprofit sector. Several years ago, policy expert Shirley Sagawa recommended establishing a Small Business Administration-type entity for the nonprofit sector.³⁷ Just as the SBA provides support for and advocates on behalf of small business, including through SBA's Office of Advocacy, a new agency could work with nonprofits in

³⁴ On the implications of the new overtime rules for nonprofits see Independent Sector 2016 and National Council of Nonprofits 2016. On the Uniform Guidance for nonprofits, see Delaney 2015.

³⁵ See U.S. Office of Management and Budget 2016; McKeever 2015; Giving Institute 2016. Note that the 5 percent of the economy that the nonprofit sector comprises reflects funding that nonprofits receive from both government and philanthropy.

³⁶ Urban Institute studies of government contracting with nonprofit human service agencies in 2009 and 2012 identified significant negative effects of government cuts on nonprofits, especially in 2009. See Pettijohn and Boris, 2014.

³⁷ See Sagawa 2008.

similar ways. Another option is to create an agency like the National Endowments for the Arts or Humanities, perhaps a National Endowment for the Nonprofit Sector and Philanthropy (or a National Endowment for Civil Society). In recent decades, the closest approximations to a nonprofit office in government have been the various White House offices presidents have established to work on nonprofit-related issues, including some with a special interest in faith-based nonprofits. President George W. Bush's White House included an Office of Faith-based and Community Initiatives. President Barack Obama has worked with nonprofits through both an Office of Faith-based and Neighborhood Partnerships and an Office of Social Innovation and Civic Participation.

Establishing a White House office focused specifically on the nonprofit sector and philanthropy seems like the most feasible and sensible short-run option. Creating such an office would not require new legislation, with the down side that it would not be permanent. In addition to bringing together information about the nonprofit sector and being a voice for nonprofit concerns in intra-governmental policy discussions, a new White House office could convene the various foundation liaisons that have been established in federal departments by the Obama Administration.³⁸ In an era of concern about scarce government resources and unnecessary duplication of effort, a new nonprofit office should exist in place of, and not in addition to, similar entities that have been created by previous administrations.

Besides establishing a new office to represent nonprofits, a new administration should beef up of the capacity of the IRS to monitor nonprofits. The IRS office that oversees nonprofits is woefully understaffed, and strengthening the IRS's capacity would help protect the reputation of law-abiding nonprofits.³⁹

2. Expand Capacity-Building Support for Nonprofits

One of the responsibilities of a new nonprofit office in the federal government would be to arrange for needed capacity-building assistance for nonprofits. This would require Congress and the president to fund a grant program of sufficient size to pay for the help many nonprofits need in strengthening their organizational infrastructure. Unfortunately, previous, occasional, federal capacity-building efforts have been funded at relatively modest levels, except for the Strengthening Communities Fund which was allocated \$50 million in the 2009 Recovery Act.⁴⁰ Capacity-building efforts should inform nonprofits about and help equip them to follow the requirements of the new federal overtime and other regulations.

Of course, given federal budget constraints, significant new funding for nonprofit capacity building may be hard to find. Ensuring that federal, state, and local governments follow the new Uniform Guidance rules regarding fuller reimbursement of nonprofits' indirect costs would help nonprofits to better cover their overhead and administrative expenses and thereby strengthen nonprofits' organizational infrastructure. Government agencies could also include capacity-

³⁸ On foundation liaison offices, see Abramson, Soskis, and Toepler 2012; and Ferris and Williams 2014.

³⁹ On the shortcomings of the IRS's oversight of nonprofits, see Owens 2013.

⁴⁰ For an evaluation of the Strengthening Communities Fund (SCF), see De Vita and Morley, 2013. The Urban Institute's evaluation found, "a large number of [nonprofit] grantees ... believed that the assistance received through the SCF program helped build their organizational capacity in a relatively short time." At the same time, the evaluation recognized the challenges of assessing the impact of capacity-building on nonprofit service delivery and nonprofit clients' outcomes, especially in a short time frame (p. xi).

building support for nonprofits as part of their contracts with these organizations, although this might take away funding for services to clients.

To be sure, through competitive processes government typically contracts with high-performing nonprofits to deliver services, and these nonprofits have somewhat less need than others for capacity-building assistance. However, the public – and the government – have a stake in the effective performance of both nonprofits with and without government contracts, and government should help to provide capacity-building assistance to both kinds of nonprofits where possible.

3. Increase Incentives for Charitable Giving

With new responsibilities being thrust on nonprofits and philanthropy, it is important that public policy support their strengthening. Tax policy, in particular, could increase philanthropy by extending the charitable deduction to non-itemizers as was done in the early 1980s. The foundation excise tax should also be set, in a revenue neutral way, at a fixed rate of roughly 1.25 percent of net investment income rather than varying with foundation payout.⁴¹

Federal policy should take note of the increased interest and energy around hybrid activity that mixes nonprofit and for-profit activity in double-bottom-line pursuits that seek both to “do good” and “make money.” Some argue that a hybrid Fourth Sector is emerging, and government should consider policies that would appropriately encourage for-benefit activity that has the potential to leverage significantly greater resources for the public good, an important consideration in a time of government fiscal constraint.⁴²

4. Examining the Changing Roles of the Government and Nonprofit Sectors

The reordering of sectoral roles, with government cutting back and the nonprofit and business sectors taking on new responsibilities for meeting social needs, requires further study and discussion outside of the partisan arena. In prior times, we might have created a commission to tackle this kind of issue, but commissions seem out of favor these days. In any case, what we need is a study group to address questions related to the role of nonprofits and philanthropy vis-à-vis government and how well equipped each of the sectors is to address needs in the U.S. and around the world. The Filer Commission was an important, hybrid, public-private effort in the 1970s that addressed significant issues related to the role of the nonprofit sector and its relationship to government.⁴³ With much having changed over the past 40 years, now is the time for a new look at some of these critical questions.

Government has too much at stake in the effective performance of the nonprofit sector to continue to neglect this vital part of our society. The modest steps outlined above will help to make for more effective partnerships between government and nonprofits that will better serve government, nonprofits, and most importantly the American people.

⁴¹ On the foundation excise tax, see Council on Foundations 2016.

⁴² On the Fourth Sector, see Sabeti 2011.

⁴³ On the Filer Commission, see Brilliant 2000.

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MEMO #15

IMPROVING THE ROLE OF PUBLIC-PRIVATE PARTNERSHIPS: Creating Public Value

John D. Donahue

The sprawling literature on public-private partnerships includes everything from contracts to collect solid waste to compacts to end global poverty (Koppenjan and Enserink, 2009; Nelson, 2002 and 2013). Few terms display such unruly imprecision. To say anything coherent about the role of public-private partnership it is first necessary to impose some discipline on the definition: A public-private partnership features the enlistment of private entities (whether for-profit or non-profit) in the pursuit of public missions on terms of shared discretion—that is, neither party is fully in control, and neither is simply the agent of the other. Thus, partnership is distinguishable from both simple contracting (in which government has—or should have—full control) and from philanthropy (where private parties properly dominate discretion) (Donahue and Zeckhauser 2012).⁴⁴

Public-private partnership, so defined, is neither new nor rare. In the long sweep of human history a large share of activities serving collective purposes has been carried out, in whole or in part, by private actors controlled imperfectly, or not it all, but the formal state (Finer, 1999). The British and Dutch East India Companies as well as Lewis and Clark’s Voyage of Discovery featured private agents endowed with discretion pursuing public missions. But partnership has garnered increasing attention in recent years—chiefly for the sound reason that many crucial public tasks can be better pursued with the aid of private partners, but to some extent due to shifting political and academic fashion.

By no means every collective mission—not even all of those that involve private actors—calls for partnership. Some public functions (imposing taxes, engaging in diplomacy, reaching legal judgments) are best done by government on its own. Other functions (such as paving a road, transporting pupils, or arming the military) can benefit from private involvement but by means of discretion-free contracting; there is little to gain and much to lose by ceding a share of control to the private side. Still other public goals can be left to corporations or charities with little governmental involvement at all. But there is a large domain where private discretion is at once productive and can be tolerably well harnessed to public purposes. Here partnership can augment the odds of creating public value.

Examples

Three federal examples—two successful, one more mixed—illustrate public-private partnership.

⁴⁴ This is not a universally employed definition of public-private partnership; there is no such thing. For this reason the term “collaborative governance” has been developed as a less ambiguous substitute.

1. After several failed attempts to use conventional contracting to remediate nuclear contamination at the shuttered Rocky Flats weapons facility, the Energy Department tried a different tack. Instead of tight specifications it set very broad goals for the massive cleanup effort and allowed Kaiser-Hill, its private partner, broad discretion over how to achieve them. The work was completed decades ahead of schedule and half a billion dollars under budget (Government Accountability Office, 2006).
2. The Coast Guard, challenged to rapidly bolster the security of U.S. ports in the wake of the 2001 terror attacks, opted against issuing a set of uniform rules to be followed by the vessels, shippers, and harbor operators at America's 360-some international ports. It adopted instead a model that is rigorous on results but flexible on means. Every private entity operating in a port is obliged to convince the Coast Guard that its anti-terror safeguards are sound. But they are free to choose their own ways to meet this mandate, and use their expertise to balance security with efficiency. So far, at least, no port has suffered a terror incident, nor has the commercial lifeblood of ocean commerce been impeded (Donahue and Moore, 2012).
3. For nearly all of the Space Shuttle's final decade its operations were heavily outsourced. A \$10-billion Space Flight Operations Contract delegated most duties to a private company. While termed a "contract" the relationship was in fact a partnership since NASA was not fully in control. It lacked the capacity to monitor, or even fully understand, the myriad functions involved. United Space Alliance, the private manager, inevitably exercised considerable discretion. While this was not a disastrous approach—few attribute the 2003 loss of the *Columbia* to the arrangement—partnership misconstrued as discretion-free contracting undermined efficiency (RAND Corporation, 2002).

Benefits

Public-private partnership can offer meaningful advantages over both direct governmental action and conventional contracting.

Efficiency. Private partners with the freedom to deploy their expertise and domain knowledge can be more productive—sometimes dramatically so—than contractors hewing to set specifications.

Resources. The prospect of a share in control can frequently motivate private actors to share in the costs of an endeavor. The National Park Foundation, for example, invites private engagement on terms that induces partners to provide significant resources.

Legitimacy. Especially in the historically bureaucracy-averse United States (U.S.), private roles can bolster the legitimacy of public endeavors. From student lending to hospital accreditation, Americans have sometimes shown an absolute preference for private involvement even without a credible efficiency argument (Donahue and Zeckhauser, 2012).

Risks

Yet partnership also carries grave risks. Its characteristic hazards stem from the defining feature of shared discretion. Private parties can use the freedom of action they enjoy under partnership (and lack under contracts) to efficiently create public value. Or they can abuse it to shift payoffs from the public to themselves or impose their own preferences onto collective actions. Frequently, in fact, the very same partnerships display some of both the upside *and* the downside of private discretion. The fundamental challenge of public-private partnership is to select and manage partners in ways that yield the most favorable possible ratio of benefits to losses attributable to private discretion.

A state-level policy arena illustrates both the light and dark side of partnership: charter schools. While details differ across jurisdictions these publicly funded, privately managed institutions generally feature the shared discretion that defines partnership. Charters have far more flexibility than conventional public schools—but at the same time are far more answerable to government than private schools.

A contentious debate has long raged over charter-school performance. There are respectable studies finding that charters underperform conventional public schools (National Center for Education Statistics, 2006) and others finding a performance edge (Center for Research on Educational Outcomes, 2013). The average difference between charters and regular schools, whichever way it cuts, is almost certainly very small. But the key word here is “average.” Some charters do much better and others much worse than the public-school benchmark. The best charter schools use their discretion to forge efficiencies, develop curricular innovation, and customize pedagogy to serve particular populations. The worst charter schools abuse their discretion to enrich managers while short-changing students, or pursue narrow cultural agendas incompatible with public funding. The quality of state and local charter governance regimes drives much of the difference.

Management Imperatives

The wide variance in charter performance highlights the general lesson that the key factor separating successful from calamitous public-private partnership is the quality of management on the governmental side. Management always matters, of course, but it matters more for this more complex, high-potential, and hazardous relationship than for simpler models of collective action. The following are some guidelines for harvesting the advantages and avoiding the pitfalls of public-private partnership:

1. Recognize the differences among forms of public-private interaction (voluntarism, contracting, and partnership) and the allocation of discretion that distinguishes them.
2. Approach partnership as one governance option among many, and shun ideological biases either for or against.
3. Appreciate that orchestrating a partnership involves different managerial approaches than controlling a contract.
4. Analyze the capabilities and motives of partners to predict in what areas and to what degree discretion can be shared at acceptable risk.

5. Accept that it is rarely possible to gain all of the benefits of shared discretion with none of the risks.
6. Celebrate the intrinsic value of widening the circle of people with experience and stakes in the enterprise of governance. The process of partnership can have benefits independent of the product.
7. Conversely, a common but lamentable motive for privately-initiated partnerships is the desire to share public authority without enduring the deprivation of public-sector pay scales or the indignity of running for office. Sometimes partnerships proposed by the private sector (rather than initiated by government) are excellent opportunities to create public value. But far from always.
8. Concede that where these management imperatives cannot be met, it may be necessary to sacrifice the potential of partnerships in favor of less promising but less risky approaches.

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PART IV:
Sharpening the Tools of Government in Action

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MEMO #16

PROCUREMENT: FOCUSING ON PERFORMANCE AND RESULTS

Steven Kelman

The federal government spends in the order of \$450 billion a year buying goods and services from suppliers,⁴⁵ corresponding to about 40% of federal discretionary spending. The large sum of money involved by itself suggests the importance for senior agency leadership of paying attention to how all that money is being spent. In addition, many – though hardly all – products and services bought from contractors are critical to agencies successfully accomplishing their missions. Examples include weapons bought for the military, IT development and operation of services bought for weather forecasting, identification of possible terrorists, or the administration of tax and social security systems. This report suggests a strategy for procurement management in the new administration that is focused around improving the performance and results of the procurement system. The approach here is to present a modest number of targeted recommendations rather than a long laundry list.

These recommended actions are:

- Develop more information about contract performance;
- Pivot to post-award; and
- Expand forms of contracting that pay for success.

1. Develop More Information about Contract Performance

The government, not to speak of the general public, has remarkably little information about how well the procurement system is performing in general. A moment's reflection will explain why: getting generalized information about performance creates unsurmountable apples-to-apples problems. The government buys an enormous myriad of products and services, with endless permutations of possible performance indicators. It is thus impossible to develop any global measure of overall performance for such a wide range of products and services. Having said that, the paucity of available performance information is a significant problem for government executives and for procurement managers, as well as for the public, which have little to go on other than journalistic accounts of individual contracts. Even if perfect information is impossible, ways to improve the performance information the system produces should be a priority. There

⁴⁵This report will henceforth use the word "contractors," which is more common in government. Current spending is down from almost \$550 billion in FY2008.

are two reasons for such disclosure, transparency and performance improvement. Such information would help the public (as well as senior government executives outside the contracting system) judge better how well the system is performing. Such information could also be used inside an agency by contracting officers to help them make buying decisions or by a procurement organization for internal performance improvement activities.

- **Look for opportunities to provide pricing information, both inside the government and to the public, on commonly purchased commodity products and services**

Where can better contract performance information feasibly be provided? A potential target of opportunity is price information for commodity products or services the government buys in large contracts negotiated for government wide use, by agencies such as General Services Administration and DLA, with a limited number of vendors. Examples would be office supplies, IT hardware, airfares, food for the military, construction materials, industrial hardware, and package delivery. Such commodities represent only a modest slice of the procurement system, but it is a good place for the next administration to start. The new administration should build on efforts begun in the last two years by the GSA to improve pricing transparency, as a way to provide the public with information about the performance of the system.

Expanded information disclosure to the public raises two different kinds of issues:

- Presenting such information in an accessible and non-misleading form; and
- Political opposition by contractors to information disclosure about their prices.

The contracts being discussed here typically have thousands of line items and thus, in raw form, would be largely useless to most members of the public. So if pricing information were to be disclosed on such contracts, it would need to be limited to a modest number of items, possibly the top-five or top-ten in terms of sale. Insofar as possible items chosen for disclosure should be ones screened for being intuitively understandable to the public. There are also private companies that sell software (currently being bought by GSA) that allows comparison with prices at which a larger number of items on a contract are sold to large corporate customers. However, the GSA arrangements with the data providers do not allow such information to be shared either inside the government or with the public; the right to do so would clearly cost money, which GSA would surely be unenthusiastic about paying unless this were seen as a government wide priority such that OMB put funds to pay for such access into the president's budget request. Such data, if it could be disclosed, would be more useful than data on a small number of specific items, and would not need to be limited to a few items, but could be done for a larger market basket.

Additionally, there are a few contracts involving intuitively understandable products where the number of items bid is not too large to be understandable to the public. Three of these are prices for airline tickets and small package delivery services, both negotiated by GSA, where there is a far-more limited array of prices (for airline tickets, one contract per "city pair," e.g. Washington to Los Angeles, and for small package delivery, a small range of delivery options and package sizes). DLA also has a contract for providing chicken parts to soldiers.

For some commodity categories, any price information that is disclosed is likely to mislead the public, because legislative provisions requiring that items sold to the government must be made in the U.S. (or in countries signatory to the Trade Agreements Act) significantly increase prices the government pays compared to what a member of the public would pay. This is most dramatically the case for IT commodity hardware, much of which, for the non-government market, is produced in China and thus cannot be sold to the U.S. government, and to some extent is also true for office supplies.⁴⁶ Side-by-side comparisons of the price for a laptop or other IT commodity would suggest the government is getting a terrible deal, but this is driven by congressional decision, not the poor performance of the procurement system. Such commodities should not be subject to public disclosure. However, it may be possible to develop a subset of commodities where these considerations do not dramatically distort the disclosed prices – a study a few years ago that GSA did for Congress concluded that 40% of office supply item prices were significantly raised because of Trade Agreements Act compliance, meaning 60% were not. GSA should determine whether price data on some subset of IT or office supply products might be disclosed without these distortions.

A second concern is that contractors will oppose public disclosure of their prices, out of a worry that disclosure would reveal information on their government contracts to their own commercial customers. This fear suggests, interestingly, that these suppliers believe the government is getting a very good deal, which they don't want other customers to know about! The government would need to decide for public disclosure despite industry opposition.⁴⁷

Those consulted inside the government for the preparation of this report believe there would not be significant industry opposition to disclosure of airline ticket prices; the government has already done this to some extent, and the airline industry is vigilant in preventing non-government employees from using these fares. It was also suggested to the author of this report that the small package industry would probably not strongly object to disclosure.

One important way to reduce the intensity of contractor worries about information disclosure to the public would be to have such disclosure occur for average prices for all the relevant contract holders for the item in question, limiting disclosure to contracts with a sufficiently large number of suppliers such that information could be anonymized rather than traced back to a specific contractor. DLA's contract for chicken parts, which otherwise might be a priority for public disclosure because it is a highly intuitively understandable single commodity, has only one awardee, making anonymization impossible (at least for anyone who accesses the already publicly available information on who a contract holder is) and ensuring the opposition of winners or potential winners of this contract to public disclosure. It then would be a policy decision about whether to move forward despite this, on the grounds this would be helpful information to the public that would also counteract impressions the government is typically overcharged by contractors (additional information-

⁴⁶ This also applies to items produced by AbilityOne sheltered workshops.

⁴⁷ The government would get hurt, however, if there were any significant number of suppliers who withdrew from selling to the government because of required disclosures. It is unlikely that, if these suppliers give the government a better deal than commercial customers, this is because of some special affection for the government; the discounts should be able to be explained to commercial customers as being based on quantities sold or other generic considerations.

gathering would be necessary to judge the benefits and risks here). Certainly, it is not unknown for the government to make decisions that industry opposes.

It is infeasible without significant further research to specify what commodities, given the considerations mentioned above, would be appropriate for public price disclosure. Based on information available at this point, the first two commodities to subject to price disclosure – used to initiate what might become a larger program over time, should be airline tickets and small package delivery. We also suggest immediately pursuing some limited disclosure of average prices for some commonly bought items where there are a significant number of contract holders and thus anonymization might be a feasible way to reduce industry opposition. The government should thus evaluate for which GSA and DLA contracts, or parts of them (particularly a small subset of most-purchased items), are most-appropriate for disclosure given the criteria discussed above. We suggest that OFPP and/or GSA provide some staff assistance to do further research on possible targets of opportunity for disclosures of prices paid for commodities to the public. We hope that, if these initial disclosures work well, there might be opportunities to expand the scope of price disclosure over time.

There are two kinds of pricing data where the government should look for opportunities to improve disclosure both inside the government and to the public. One is contract line-item pricing data, i.e. the prices established in the original contract. For contracts where prices are not adjusted downward for individual transactions (such as airline tickets), such prices might be all that is needed. However, for most GSA and DLA multiple-award contracts, contract prices can be negotiated downward or competed among contract holders for individual transactions, and indeed the regulations encourage agencies buying large quantities at a time to seek to negotiate such discounts. Transactional data indicating actual prices paid for specific buys of some specified commodities would be valuable in such situations, though contractor opposition might be greater to disclosure of transactional than contract prices, and in this case contract prices might be a decent second-best alternative.

In June 2016 GSA, working with the government wide category management initiative led by the OFPP, published a rule establishing a pilot program for the disclosure by a contractor of transactional pricing data for contracts where contract prices can be adjusted downward (<https://www.federalregister.gov/articles/2016/06/23/2016-14728/general-services-administration-acquisition-regulation-gsar-transactional-data-reporting>). The rule only addresses disclosure inside the government, but GSA announced that it would enter into a dialogue with interested parties about what kind of information should be included in a publicly available “data extract” from submitted transactional data; GSA is strongly considering including basic price information in extracts. These extracts would allow anyone to access and use whatever data is made available.

A different opportunity for performance information disclosure involves the many IT contracts that include service level agreements at the task order level for non-price service features such as system uptime, response speed, and user satisfaction. Such information is currently not readily available either inside the government or to the public. As part of its Acquisition Gateway portal, GSA hopes to develop a repository of such information.

Developing such a repository should be a priority for the Gateway, and such information should be released to the public as well.

Finally, there already exists some publicly available data, called the IT Dashboard (<https://www.itdashboard.gov/>), on how well the procurement system is performing for IT systems development contracts. Again, this is not pricing data, but does have information on cost and schedule performance (although the data must be taken with a grain of salt given changing baselines for many of these projects over time), as well as on a number of other contract performance metrics, although they are generally not standardized across contracts.

- **Use performance information for quarterly performance-improvement reviews on major contracts**

A different way to increase the role of performance information in the procurement system would be for the government to use quarterly performance-improvement reviews among those working on some big contracts (contractor representatives should probably be included as well, chaired by more-senior management, to assess and discuss progress being made to meet any performance metrics the contract is using, and to discuss strategies for improvement. Here the performance data made available on a contract, and/or on comparable contracts elsewhere for benchmarking or on a contract over time, is important for learning how to do a better job. These reviews – which are often called “STAT meetings” (Behn 2014) from the famed COMPSTAT system used by the New York City police – would be similar in format and intent to the reviews mandated by the Government Performance and Results Modernization Act to examine agency progress under agency priority performance goals. Most periodic meetings between a contractor and a government customer are currently status reports and show-and-tells, rather than discussions of where progress is being made, where it is falling short, and, in the latter case, what steps can be taken to improve. Those involved in contracting generally have very limited experience with this type of performance-improvement review, and government contract managers would need to be provided training on how to organize them.

2. Pivot to Post-Award

The contracting lifecycle is divided pre-award (acquisition strategy, requirements definition, source selection) and post-award stages. Traditionally, government has devoted much attention and time to the stages of the pre-award process. In contrast, the post-award stage has received relatively scant attention, low visibility, and often insufficient resources. Some even worry that, to borrow the title of a 2008 brief on the topic written by Allan Burman, former Administrator of OMB’s Office of Federal Procurement Policy, that after contract award, nobody is “minding the store,” a view that has also been expressed by outside critics of the procurement system (Burman 2008; Freeman and Minow, editors, 2009). Yet it is during this third stage that the acquisition rubber meets the performance road. This is where contractors perform well or poorly.

The next administration, at the highest procurement leadership level, should announce and help execute, not as a one-time announcement but over a period of years, a “pivot” from time and resources spent on pre-award activities into post-award contract management work. The “pivot”

would involve additional bodies being moved into post-award management and monitoring, improved training in post-award management, and establishment of fora for sharing experiences and best practices across an agency by those involved in post-award management. The CAO Council should adopt the improvement of post-award management as a theme and develop initiatives of its own under that theme. Such a pivot would likely be viewed favorably both by senior procurement professionals inside the government and by outside critics worried about “minding the store.”

Post-award management is the responsibility of two kinds of officials with confusingly similar names, “contracting officers” and “contracting officer’s representatives” (COR’s), the latter of whom come out of program offices and are normally subject matter experts on what the agency is buying. Although the division of responsibilities between these two groups varies by agency and situation, generally the COR is the key official for post-award management, working day-to-day with the contractor to track performance through informal feedback to and follow-up with the contractor, and dealing with problems that have emerged or may be emerging.

Currently, the status of COR’s often, unfortunately, reflects the low standing of post-award management more generally. Many COR’s work only a modest fraction of their time at COR responsibilities, giving the job a devastating “other duties as assigned” character. Sometimes the COR’s boss may not even know the employee is a COR. COR’s seldom participate in any COR community of practice or forum designed around their key roles in contract management.

The role of the COR in government contracting needs to be significantly upgraded.

- **COR responsibilities should be more concentrated in a smaller number of COR’s working fulltime or most of the time on COR responsibilities**
- **Agencies should consider replacing the bureaucratic and uninspiring job title "contracting officer’s representative" with one that is more engaging and mission-oriented, such as "contract performance manager"**

The COR job description should be revised accordingly to reflect the importance of this key function.

- **COR training currently heavily focuses on formal job duties and regulatory requirements. It needs to move much more to be training on management and leadership skills**

This should include training in conflict resolution and in ways government can deal with performance issues, as well as specific training on evaluating contract deliverables, including evaluating performance against metrics. For example, in cost-reimbursement/time-and-materials contracts, there is little the government formally can do in the case of unsatisfactory performance short of the legally very difficult step (almost always legally challenged by the contractor) to terminate the contract, and the government often ends up paying the contractor for work to remedy earlier problems they created or contributed to. But smart contracting officials use more-informal ways, including phone calls from agency leadership to a company’s CEO and agreements with the contractor to provide some free

labor (or at least just costs, no fee) or outside consulting help to deal with problems, in “consideration” for not cancelling the contract. Discussing these types of alternatives is an example of something that should be standard in COR training.

- **Agencies should establish ways for COR’s to share experiences and best practices, and to get advice from other COR’s**

Although COR’s seldom report to contracting officials, the professional community most-interested in an upgraded role for them is contracting. The CAO Council should therefore take the lead, working with the CIO and CFO Councils (organizations for whom many COR’s actually work) and, hopefully, with the President’s Management Council as well, to establish fora where COR’s can interact and discuss good practices. One possible home for such a forum is the Office of Federal Procurement Policy, which already runs a “Frontline Forum” for contracting officers.

Where can the government get resources for additional post-award activities? Some could come from streamlining parts of existing post-award management practices. It is widely believed that government requires contractors to submit too many low-value reports, which uses up considerable contractor time and either causes the government to spend unnecessary time digesting or just generates unused paperwork. More work to process contractor invoices could be given to lower-graded civil servants; more standardization of invoice forms would also reduce government and contractor burden.

In addition to this, the government should aggressively seek opportunities further to streamline (progress was made in the 1990’s) source selection activities. Without such streamlining, the ability to pivot resources to post-award may be limited.

For example:

- **Agencies that award multiple-award task order contracts should be more aggressive about limiting the number of initial awardees**

A tendency grew up over the years to give initial awards to almost everyone who bid (contradicting the original statutory basis for the streamlined competition for task orders), in order to avoid complaints from contractors. When there is a more-modest number of awards at the contract level, proposal evaluation for task orders takes less time, and the government may be more apt to take other streamlining steps, such as proposal page limits. At least one agency that awards multiple-award task order contracts looks at past experience in the subareas of the contract, and aims for a number of awards that will typically generate 3-5 proposals instead of double digits. Another agency seeks to limit the total number of awardees to 15. Others should consider these agencies’ lead. Broad scopes could be subdivided into a larger number, with fewer awards per subdivision.

- **Oral presentations should be reinvigorated and modernized**

This was a streamlining technique initiated in the 1990's, which has somewhat fallen out of use. One agency has re-engineered oral presentations to make them more like job interviews, with the government asking questions in real time rather than passively listening to contractor slide shows. They report this has shaven 2-3 months off of source selection and improved the information the government gets.

- **The proliferation of executive orders imposing government-unique requirements and certifications on contractors is a problem**

Taken together, these require significant time spent by contracting officials in connection with source selection, while adding no value to improving the procurement process itself. Each of these special requirements is individually politically difficult to resist, and has loud advocacy/interest group supporters, while the only interest on the other side is the diffuse interest of taxpayers.

If an agency assigns contracting officials to work on a contract “cradle to grave,” re-allocating contracting resources from pre-award to post-award is easier, because resources for both come out of the same budget codes. However, COR resources, which make up the majority of post-award management, generally come from agency program budgets for contract performance, and cannot easily be re-allocated from contracting dollars. But paying for COR's is a tiny fraction of program budgets, and it is more-easily visible that a small redirection of program dollars into contract management could yield a large return on investment (just as funds for IRS tax auditors do).

3. Expand Forms of Contracting that Pay for Success

Traditional government contracting for services pays either for the efforts the contractor puts into the work (“level of effort”) or, less commonly, a fixed price for satisfying the specifications in the contract. The former creates clear incentive problems for the government. Incentives for the contractor to achieve a certain result for less money are lacking. In level of effort contracting, the contractor is paid even if they accomplish nothing. These kinds of contracts are commonly signed when the risk is high the contractor will fail to solve the problem the government has set out.

There are, however, alternatives to level of effort contracting for risky projects, known under the collective rubric “pay for success.”

- **Challenges/Contests**

Challenges, also sometimes known as “contests,” represent the most-important innovation in procurement practice during the last eight years. The basic idea of a challenge is that an agency advertises to the public a problem it wants to solve. Anyone who chooses can enter the contest with a solution. Participation does not require that the entrant be knowledgeable about the procurement system; indeed, experience both with challenges organized by the federal government and by private-sector firms is that a large number of participants are not typical contractors, but rather “garage” players, often quite young (Jeppesen and Lakhani 2010). The government announces a prize, or multiple prizes, for the winners; it then may

choose one winner (the first to solve the problem) or several. If there are no winners, the government pays nothing.

An early example of the use of contests in the federal government involved a “Grand Challenge” organized by the Defense Advanced Research Project Agency for an all-terrain vehicle that could successfully navigate an obstacle course the agency had laid out. In 2010 GSA launched a website called challenge.gov to host challenges throughout the government. From 7 challenges in FY11, in FY15 there were 140. GSA has played a role educating government agencies about how to organize challenges, and also to convene a community of practice for those in government working on them. While most government procurements are not appropriate for challenges, it is hard to imagine that the feasible universe has at this point been close to saturated.

- **Payment per transaction (“pay by the drink”) contracts**

The government runs many systems (financial management, HR, procurement, claims application) that process large numbers of transactions. The conventional method to procure such systems is to pay for development, and then have either the government or a contractor process transactions. An alternative method would be for the government to contract with one contractor both for developing the system and then for running it for some number of years. What would turn this into pay for success contracting would be if the contractor received no upfront payment, or only a minimal fixed price that would not cover system development costs, and began to be paid, on a pre-negotiated per-transaction basis (“pay by the drink”), only when the system was actually up and running. This would create a powerful incentive for the contractor quickly to develop a working system; keeping the system well-maintained and functional would also increase the number of transactions. Although some contractors have promoted this concept in the past, as yet it has not been used in the federal government. An alternative version of this that has been used by some cities is to pay contractors for number of hours street lights are working, which gives them an incentive to install longer-lasting bulbs. One consideration discouraging the use of “pay by the drink” contracts is the view of some, but not all, government financial management experts that such contracts are a form of lease, which then is subject to restrictive rules about upfront funding of lease obligations that are designed to inhibit leasing.⁴⁸ Perhaps the CFO and CAO councils could work to develop an interpretation of the regulations that would not be overly restrictive.

- **Share-in-savings contracting**

This is a kind of contracting appropriate to the limited number of situations where a contractor’s successful efforts produce such significant savings or increased revenues to the government (large return on contractor investment) that the contractor can be paid, all or in part, in the form of a percentage of savings or increased revenue achieved. Share-in-savings contracts are unusual but not unknown in government. The most-prominent federal examples are energy-savings performance contracts, where companies specializing in helping

⁴⁸ These issues have arisen in the context of paying for cloud computing services, which do not involve the same upfront investments as are being discussed here.

organizations reduce their energy (often heating and cooling) costs are paid a percentage of the energy savings their activities generate. An interesting and successful example in California over a decade ago was use of a share-in-savings contract to pay for modernization of the state's tax system, with payments to the contractor being a share of increased tax revenues from a modernized system. These contracts require an ability to agree on a baseline and to measure saving. There are also legal issues that arise because these are multiyear contracts, which have special requirements associated with them. (However, suggestions have been made for how to deal with these legal issues so that contractors might be willing to sign such contracts without insisting that the government set aside in advance funds to cover termination liabilities.)

- **Social impact bonds**

A social impact bond is one where “government agencies define an outcome they want to accomplish and agree to pay an external organization a sum of money if the external organization achieves that outcome. ...All payments are contingent on the outcome being achieved. If outcomes are not achieved, the government pays nothing. Hence, risk is transferred from the government to the external organization or its investors.” Since the contract only specifies an outcome, the provider has maximum freedom to choose a strategy for achieving the result; the contractor is often typically not subject to government auditing or procedural rules (Center for American Progress 2012). Often the money to pay for the effort to deliver the outcome comes from funds raised by units of for-profit firms (often on Wall Street) doing social investments, or from philanthropists.

Social impact bonds were first used for an effort at the Peterborough Prison in the UK to reduce recidivism among newly released inmates. They have had some use in US state/local government, and there has begun to be interest at the federal level. In particular, some of the monetary benefits from a successful intervention may accrue to the federal government rather than state/local governments; for example, interventions enabling individuals with health impairments to remain in the workforce reduce federal spending on Supplemental Security Income, disability insurance, and Medicare/Medicaid.

Providing outcome payments in proportion to federal savings can justify some projects that would otherwise have found it impossible to generate sufficient benefit. The Department of Labor is making outcomes payments on two state initiative projects that are producing federal savings. Legislation appearing in the FYxx President's Budget and passed, in different form, by the House in 2016 would provide a fund for federal co-sponsorship of such projects.

One important issue to keep in mind for various forms of “pay for success” contracting is that, if contractors are being asked to invest in something risky, the government must accept that the payment in the event of success needs to be greater than it would be for a level of effort contract. (The exception might be social impact bonds, whose investors may not be seeking to maximize returns.) The government has not always been aware of this necessity, hoping to bring forth effort on behalf of risky endeavors at the same price it would pay for conventional contracting where there is no requirement to succeed.

The new administration should continue and expand efforts in the previous one to anchor the role of pay for success contracting in the government procurement mix. OFPP should consider issuing a guide to pay for success contracting, and perhaps organize a forum around this topic. Of the various forms of pay for success contracting discussed above, challenges easiest to expand, but they are appropriate for only small projects (people can't be asked to invest tens of millions of dollars on the chance of winning). Some of the other pay for success methods are more appropriate for larger contracts, but they are also more complicated.

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MEMO #17

LEVERAGING THE SYNERGY OF FEDERAL-STATE-LOCAL PARTNERSHIPS THROUGH GRANTS: Shared Governance in our Federal System

Jocelyn M. Johnston

Virtually all major public initiatives in recent decades have been fashioned to leverage our federal system, relying on states and local governments for most facets of public programs. Many of our greatest public service successes and failures flow directly from the strengths and weaknesses inherent in the unique American shared governance system. Most often, our intergovernmental governance efforts are “mixed bags” of state innovation, intransigence, and inertia. But recent developments in federal grant practices have the potential to generate more intergovernmental policy successes.

Our next President, together with Congress and Judicial Branch actors, can benefit from lessons learned from our prior experiences, and from current governance innovations. Leveraging the participation of state and local governments raises unique challenges, but success generates enormous rewards. The challenge: there is no pat formula for optimal governance sharing. The reward: invaluable policy innovation and learning that will move us further toward national goals.

Strengths and Weaknesses of our Shared Governance System

At its best, a public effort built around our shared governance system invokes the powers of states to craft and tailor services to their populations’ unique needs, thereby generating innovative practices and policies that can inform the federal government and other states. But to marshal this synergy, federal initiatives have to overcome the fact that state reactions to national policies will range from enthusiastic adoption to active resistance, and everything between. The key point for our next set of federal leaders is that success *is* achievable, but will require serious commitment through a set of dedicated fiscal and human resources.

The recent Flint water crisis represents a shared federal-state-local governance failure that no one wants to repeat. When the City of Flint changed its drinking water source under fiscal stress, Michigan’s State Department of Environmental Quality, responsible for ensuring safe water for all state citizens, neglected to follow a common water safety protocol, but told the federal Environmental Protection Agency (EPA) that they had done so (Barry-Jester 2016). Michigan surely did not intend to pipe contaminated water into Flint’s households, but the resulting water disaster illustrates that the incentives driving states and local governments, combined with pressure on their resources and capacities, can thwart federal program goals such as those embodied in the Safe Water Drinking Act. 24

Yet on the other hand, the strength of a federal-state shared governance system comes through in the State Child Health Insurance Program (SCHIP), which has been largely non-controversial, and has greatly expanded health insurance coverage for low-income children since its inception in 1997.⁴⁹ Despite reaching 93% of the nation's children with SCHIP insurance by 2012, the underlying “price of federalism” (Peterson 1995) - variations across states in how program costs and benefits are distributed - means that 2012 child uninsurance rates ranged from 5% in the most proactive states to over 15% in the least. This disparity is especially troublesome because, as with many of our public programs, the least generous states contain hefty shares of the population.

It is easier to generate states' support for child health insurance, as compared to environmental regulation, which often runs into headwinds from some states' desires to reduce regulation for their industries. States appreciate programmatic and funding flexibility, as exemplified by the many program waivers that have proliferated since the early 1990s. However, some states can and do revert to past practice if resources are not dedicated to preventing policy “slippage. Recent examples include the resegregation of our states' public schools, and the proliferation of state-imposed voting constraints (Wines, 2016) enacted since 2013's *Shelby County v. Holder* decision, which weakened the Voting Rights Act's enforcement provisions. It seems clear that in these examples, federal policy decisions have not adequately motivated states and local governments, and federal-state conflicting goals have undermined federal objectives.

How to Achieve Success in Shared Governance – Evidence-Based Grants

One of the most promising new approaches to enhancing the synergy of our shared governance system builds on recent advances in data collection, standardization, and analytics to make “evidence based” decisions in the allocation of federal grants designed to foster national goals. Built on the essential principle that scarce resources should be devoted to the most successful strategies for solving a public problem – so that we can get the “biggest bang” for the federal “buck” – evidence-based grant strategies have the potential to target resources to public service models that are most effective, while also preserving state and local innovation. Evidence-based grants are targeted at program models that, after comprehensive, objective, and rigorous evaluation, have been judged as most effective. When evidence does not support program models, resources are targeted to pilot programs that offer the potential for success, and that will be judged by the same evaluation standards. This approach incentivizes gradual progress toward effective programs and service models. It does not ignore programs that “don't work,” but instead offers resources to programs trying to solve problems, gradually winnowing the range of program models to those that are most successful, based on shared evaluation standards.

Earlier iterations of the “performance” movement led to destructive rewards and sanctions for public programs, such as public school closures and teacher dismissals under No Child Left Behind. Using performance metrics for funding allocations that ignore such critical elements as the deficits suffered by students that enter school less academically prepared, or other “environmental” factors is bound to, and did, create incentives to “cheat” to avoid failure and/or achieve success. Evidence-based grants, assessed through comprehensive evaluation that accounts for the wide range of factors that affect individual behavior and program success, can avoid this problem.

⁴⁹ Relatively generous federal reimbursements to states, combined with reasonable amounts of program design flexibility, drove combined Medicaid-SCHIP child insurance coverage to a record high of 93% nationwide by 2012 (Rudowitz et.al. 2014).

Under the evidence-based approach that has been adopted for several federal grant programs, “tiered evidence” grants are based on the level of evidence grantees provide for their underlying service delivery approaches. Smaller grant awards are used to test new and innovative service models; while larger awards are used to fund service models with the strongest evidence of effectiveness. (GAO, 2016, Introduction), Tiered evidence grants require evaluation, and dissemination of results, in order to further build bodies of evidence on service model effectiveness. To support this approach, the Obama Administration launched a “Social and Behavioral Sciences Team” (SBST), comprised of behavioral science experts from a range of federal agencies charged with helping grant officials to best use social science research evidence in their grant decisions. Through SBST efforts, evidence-based grants have led to higher rates of: family health insurance coverage; student college attendance and education loan effectiveness; military service member retirement saving; veteran use of education and career counseling; and small farm credit access (U.S. Office of Management and Budget, 2016).⁵⁰

The U.S Governmental Accountability Office (GAO, 2016) has recently concluded that tiered-grant strategies are most successful if:

- The granting agency has a stable, funded central evaluation office to facilitate and disseminate program assessment data and evidence;
- Evaluation continues throughout the grant’s life cycle;
- Resources are allocated to build both agency and grantee capacity in data collection and evaluation; and
- Federal funders build collaboration among grantor and grantee organizations to share evaluation results and data from evidence-based service strategies.

Under these conditions, evidence-based grants have the greatest potential to effectively target grant dollars to public programs with the most successful intervention models while preserving state and local program innovation.

Moving toward Improved Program Performance across Levels of Government

Given the information outlined above, the next administration should take the following steps to best leverage the innovation and creativity embodied in our federal system:

1. Use Existing Models that Work

A primary strength of our federal system is that we can cherry-pick from volumes of approaches to public problems. New grant strategies, built on evidence about public intervention models, and “tiered” to fund effective interventions and spur innovation, will allow the next administration to best stretch the federal dollars needed for intergovernmental programs.

⁵⁰ To illustrate, the SBST incorporated multiple studies in their technical advice on simplifying the Free Application for Federal Student Aid (FAFSA).

2. Help States to Build Adequate Capacity to Further Specified National Goals

One of the most important determinants of success in the federal-state shared governance system is the adequacy of states' and local governments' fiscal and administrative systems to fulfill expectations. Evidence-based and tiered-evidence grants address capacity directly, allocating resources for state and local governments to build their evaluation infrastructures to more accurately measure program performance and thereby contribute to the evidence needed to best target public efforts.

3. Understand and Work Around Individual State Incentives that Impede Federal Goals

Federal leaders need to determine what drives individual states, and fashion corresponding incentive packages to enhance cooperation. Political will is essential to targeting incentives to those states requiring more support and capacity to fully participate in federal initiatives.

4. Be Prepared for Setbacks and be Flexible in Order to Address them

Even the best planning for shared governance won't head off all unforeseen challenges. The implementation of federally funded intergovernmental programs is notoriously complex and fraught with unanticipated events that no one sees coming, even when initial policy steps seem to be exactly "right." For example, there has been significant state pushback on the "Common Core" standards for K-12 education, even though the standards were developed by a group of governors, state school superintendents, and education specialists, and the policy's planning process was heavy on the stakeholder consultation and engagement that are considered critical to successful policy implementation (Cassidy, 2015; McCardle, 2014).⁵¹ National leaders can address this setback by re-thinking the testing expectations and adjusting implementation timelines in order to provide relief to states under siege from parents, teachers, and their elected representatives over the intensity of high-stakes testing and constantly shifting performance expectations. Evidence-based curriculum models should be encouraged, and tiered grant strategies can spur innovative approaches to achieving common core expectations.

Conclusion

The American federal system of shared power offers benefits that are well worth the effort when national leaders want to engage its synergies in order to put policy ideas into action. The information above provides some insights into how to enhance such efforts. In order to cover all the bases involved in successful shared governance, genuine commitment will be absolutely essential. That commitment should include, at a minimum, the assignment of knowledgeable, flexible, creative individuals to oversee current and future national initiatives built around the federal system, including evidence-based grant strategies that have enhanced program performance. Our next President, together with Congress, must build a cadre of specialists in relevant policy areas that: have the knowledge required to best tap into the strengths of our federal system; can be readily deployed to support intergovernmental action; can use evidence to allocate grant resources most effectively; and can adapt deftly when obstacles

⁵¹ Despite early adoption by over 45 states, there is growing push-back, due in part to the "test fatigue" associated with the earlier "No Child Left Behind" program. While the benefits of common core standards are recognized in state adoption decisions, the required curriculum and teaching practice adjustments, when combined with resistance to testing, are proving to be a significant barrier to the national standards movement (Cassidy 2015, McCardle 2014).

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MEMO #18

FEDERAL REGULATIONS: An Agenda to Improve Administrative Rulemaking

Cornelius Kerwin

Rulemaking is now, and has been for some time, the most important source of detailed law and public policy in America. Rules outnumber statutes by many multiples. No statute of any significance can be implemented without the further refinement, tailoring and specificity supplied by rulemaking. In the process, rulemaking provides us – individuals, firms and organizations of all sorts – more precise statements of our rights and obligations under the law than we will receive from a legislative process. For a number of reasons Congress fails to supply the details so essential to the implementation of the policies and programs authorized and funded in their statutes. There are reasons for the gridlock that stymied recent attempts by Congress and presidents to make law in the manner established in Article 1, Section 1 of the Constitution. These reasons are important but not our focus here. Instead, we accept these as givens and reflect on why they compel a new President to make the management of rulemaking a priority of their administration.

The term “rule” (used interchangeably with “regulation”) is defined in the Administrative Procedure Act (APA): “Rule means the whole or part of an agency statement of general or particular applicability and future effect designed to interpret, implement or prescribe law or policy.” The source of rules is identified as an “agency” and not Congress. The power to write them is not limited to mere restatement or clarification but “prescription,” properly understood as creating new authority than that is found in existing “law or policy.”

As remarkable as they are, these now long-standing definitions do not convey the enormous cumulative effect that rules have on the quality of our lives. A President will confront a rulemaking process vastly different from that designed by the authors of the APA in 1946.

“Notice and comment” rulemaking, established in Sec. 553 of the APA, was once described by Kenneth Culp Davis, a prominent scholar of administrative law as “... one of the greatest inventions of modern government.” Such praise has not been forthcoming recently. Today, that simple design consisting of a notice of proposed rulemaking and an opportunity for the public to express their views has evolved into a rulemaking process that has been characterized as “ossified” by decades of statutes, executive orders and judicial decisions that impose both procedural and information requirements on those writing rules. These complicating factors can be viewed in a number of ways but, whatever else, they are compelling evidence of the importance of rulemaking to the constitutional branches of government and the public

The Rulemaking Opportunity

With or without gridlock, with or without a hostile Congress, modern Presidents have always found rulemaking to be both inevitable and indispensable. As President Obama so clearly stated when confronted with opposition to his immigration reform efforts, “I have a pen and a phone” meaning that with the power to direct his executive branch to write rules and exercise other forms of administrative action he was able to pursue a policy agenda without Congress. He was not the first to discover this nor will he be the last to appreciate what it provides.

Presidents write no rules themselves but each since Jimmy Carter has taken a systematic approach to ensuring influence over rulemaking. All have used another unilateral power of the presidency – the executive order – to articulate the general principles they expect to be observed during the writing of regulations. They also establish or reaffirm systems to ensure their policy priorities will be reflected in the rulemaking work of the agencies under their direct managerial control. The most prominent structure of presidential control is the Office of Information and Regulatory Affairs (OIRA) in OMB. Over the years OIRA has been led by prominent thought leaders. This should remain the case for the new and future administrations but the management of rulemaking involves other key elements that are discussed briefly below.

The Rulemaking Challenge

Before turning to the mechanics of rulemaking management it is important to review the major obstacles that confront one attempting to ensure rulemaking is responsive and effective. The range of rulemaking across the federal government is vast. Presidents will be confronted with thousands of rules under development at any one time. The President must pick those sufficiently important to merit special attention by the administration. The efforts of previous Presidents have helped in this regard but choices, both systemic and at the level of individual rules, must still be made.

Rulemaking is much criticized. The new President will hear that it is exceedingly complex and cumbersome, resulting in it being slow, unable to keep pace with rapidly changing conditions in the economy and larger society and creating incentives for agencies to avoid its use. Some find it too frequently characterized by poor quality or incomplete information. Others argue those writing rules fail to embrace true consultation with the public or that they are dominated by powerful, well-resourced interests. A President’s program for rulemaking management will not solve all these problems. They are inherent to contemporary rulemaking attempts to fix – one leads to inevitable negative impacts on another. These issues are, instead, a part of the landscape that a president and his staff must take into account when fashioning their approach to rulemaking.

The management of rulemaking is a formidable task but so too are the available tools.

Selected Elements of Effective Rulemaking Management

For the President seeking to successfully direct the rulemaking of their administration, there are four management functions deserving of special attention.

1. Coherent, Consistent Leadership

Oversight of the Administration's rulemaking management program is housed in OMB's Office of Information and Regulatory Affairs. OIRA works with agencies to determine which rules under development are sufficiently important to merit the attention of their leadership and staff; review those rules in draft and final form for consistency with the president's policies; and work to promote consistency in rules across the agencies of government.

The Director of OIRA and its relatively small staff will be the central locus of direction and oversight for the President. Consequently, the President will undoubtedly follow the clear pattern of naming persons expert in both the substance and process of regulation to lead OIRA. The stature and expertise resident in OIRA is essential but they must also be supported by a coterie of leaders in the major departments and agencies, as well as their subordinate organization who have rulemaking management as their primary responsibility. In most agencies such positions exist and are occupied by experienced, senior personnel. The President must do all they can to ensure that the linkages between these leaders and the White House are strong and they are pursuing the priorities of the administration.

2. Disciplined Priority Setting

The leadership team will have multiple responsibilities for the management of rulemaking but prominent among them will be determining which rules in their respective areas of supervision will be given the highest priority for completion. Priority setting not only identifies and communicates the regulatory program of the President but it provides the foundation for routing the appropriate resources, both financial and human, to those rules deemed to do the most good.

The development of the annual Regulatory Plan and the Semi-Annual Regulatory Agenda of the federal government are two long established devices to collect and report on the current priorities for rulemaking. Ultimate responsibility for these resides with the Office of Information and Regulatory Affairs but their raw material is supplied by the many departments and agencies that report to the president and independent regulatory bodies who comply with the Plan and Agenda voluntarily. Since the Clinton Administration, OIRA has worked with departments and agencies to determine which rules under development it will select for close analysis and input. Given the overall size of the government-wide rulemaking workload it is unlikely this practice will change.

Presidents are well advised to ensure that priority setting at the department and agency levels are disciplined and rigorous. There are a number of examples of such systems. The Nuclear Regulatory Commission has used an elaborate scoring system consisting of four factors identified as A-D: (A) Support for NRC's strategic plan goal of ensuring the safe and secure use of radioactive materials, (B) support for NRC's strategic plan cross-cutting strategies for enhancing regulatory effectiveness and/or openness in the conduct of regulatory activities, (C) the relative interest of the NRC, Congress or other governmental bodies in the rule and (D) the relative interest in the rulemaking activity to members of the public, non-governmental organizations and the nuclear industry. Each factor is scored according to the following scales: 0-20 (A); 0-10 (B); 0-10 (C) and 0-5 (D). According to the NRC, the priority order for their entire rulemaking agenda is set by tabulating the aggregate score for each prospective rule. High

priority rules receive scores from 31 to 45, medium priority rules receive scores from 16-30 and the rest are considered lower priority. (Nuclear Regulatory Commission)

The Environmental Protection Agency also has a sophisticated priority setting system. While it does not have the quantitative precision of the NRC's it does reveal other dimensions of what agencies consider when assigning effort to a given rule. EPA has termed the rulemaking program the "Action Development Process" and it starts with assigning a prospective rule into one of three "tiers." Tier 1 consists of rules that because of characteristics such as extensive "cross media" implications, potential for precedent setting implementation issues, major economic impact and potential controversy requires substantial engagement by the most senior levels of the Agency. Tier 2 may also have cross media implications and other Tier 1 characteristics but not sufficient to require major engagement by the highest levels of the agency. Tier 3 rules have relevance to a single media office and are not likely to present new or particularly difficult implementation issues or conflict with external stakeholders. (Environmental Protection Agency, 2011)

The Department of Justice, admittedly not usually thought of as a rulemaking agency, provides a third, comparatively simple approach. They simply list the top priority rules by subject area in each of the major divisions. For example, for the year 2015 DOJ Civil Rights Division listed rules related to implementation of various protections against discrimination based on disability, including access to web information and state and local government services. (Reg. Gov, Department of Justice 2015)

It is important to note that priorities are subject to change, sometimes suddenly. True emergency and urgent situations arise in virtually every area of public policy. Work underway on otherwise important situations must give way to attention to such matters. However, the very existence of a disciplined rulemaking management system, consisting of strong, coherent leadership and systems to route resources to priority rules, increase the likelihood that emergency and urgent situations will be properly and promptly handled.

3. Information Management

Information is the lifeblood of rulemaking management at every level, from the White House to the drafting of an individual rule. Some types of information, notably that related to paperwork, small business, environmental impact and data quality, are the subject of general statutes that apply to specific types of rulemaking efforts. Previous research has considered these and other types and established seven general type categories of information that must be mastered and included in any comprehensive rulemaking management system: (Kerwin and Furlong, 2011)

- Legal information includes what is required or allowed by statutes, executive orders, and court decisions;
- Policy information includes guidance on the priorities and approaches preferred by the current administration;

- Content information consists of the technical or scientific requirements or guidance being established or revised in the rule;
- Impact information provides insights to the effects of the regulation on both regulated parties and intended beneficiaries;
- Political information contains the views and positions of the internal and external interests affected by the rule under development. In many instances political information may not be easily distinguishable from policy impact or technical information, and is frequently presented as critiques of a particular approach or of certain supporting data, or with regard to the negative effect the rule could have on existing programs or conditions. Consequently, what is essentially a political reaction to a proposed rule is couched in policy or technical terms;
- Implementation and compliance information details how new requirements will be communicated and enforced; and
- Management information is knowledge of the agency's internal management system and the requirements it imposes on their particular rulemaking.

Space does not allow a full exploration of how each of these general categories of information affect management by the White House, departments and agencies and at the level of the individual rule. For the president and the leadership team, particularly for those rules of high priority to their administration legal, policy, impact, political and implementation information will be key. High quality legal information will enhance the likelihood that the rule will survive challenge in court. Policy information will ensure consistency with the administration's program. Impact and political information are often intimately related and will provide some advance indications of the support and opposition the rule will experience. Finally, implementation information will provide a road map to demonstrate how the promise contained in the rule will be transformed into an operating program.

The success of any administration in using information to advance a policy agenda and produce quality rules depends in large part on their ability to manage another central element of rulemaking.

4. Outreach and Engagement of Stakeholders

Cass Sunstein, President Obama's first Director of the Office of Information and Regulatory Affairs and a highly regarded scholar in the field is quoted as saying "One of the things I learned – I didn't expect this at OIRA, but once I learned it, boy did I take it as a fundamental part of my job – is that the rulemaking process depends critically, or even urgently, on information provided the public by people outside of government." (RegBlog, 2013) The information Sunstein finds so critical is only possible if outreach to and participation by those members of the public with vital information works effectively. But, it is not only those in the private sector whose participation is essential.

Participation by the public in rulemaking was noted in early research on the development of regulations. In addition to its instrumental purposes public participation is vital to the very legitimacy of rulemaking. The Administrative Procedure Act affirmed its importance when it required agencies to solicit comments from the public on rules under development. Participation is a substitute for the ballot box that links elected representatives who conduct the other forms of legislating. More recent research has established that participation in rulemaking does occur, arguably not as often as the drafters of the APA may have contemplated, and the standards agencies are held to when it is used have become more stringent over time. But, it is also the case that research has noted bias in patterns of participation, with well-resourced interests participating more often and more effectively than those less well endowed. The president would do well to ensure those who otherwise are likely to be disenfranchised in rulemaking be given avenues to participation since their information and perspectives can not only be valuable but their involvement adds to the perceived fairness of the process. Recently, Sen. Elizabeth Warren has suggested five steps to offset “capture” of rulemaking by powerful interests, including greater transparency, better funding for agencies to make them less reliant on information provided by others and offices of public advocate. (RegBlog, 2016)

We also know from available research and commentary that early engagement with the public is beneficial to those looking to influence the process. Logic dictates that properly managed within the existing standards of ex parte contact, input from the public at the earliest stages of regulation development provides important information at the formative stages of a new rule. The advance notice of proposed rulemaking was developed specifically to obtain early public engagement on proposed rules and there are variations that can be employed, as well.

There are multiple tools and venues for the president and their leadership team to consider with developing the public participation component of their rulemaking management strategy. Written comments, face to face meetings, public hearing of various sorts, standing committee of outside experts for all or categories of rulemaking within a given department or agency, advisory committees for particular rules, simple electronic communication, more advanced social media, and negotiated rulemaking are available for use and tailoring to specific circumstances. For example, President Obama, departing from past practice, solicited public comment and input on his executive order outlining the principles that would guide his administration’s management of rulemaking. The next president’s participation program should consider all these instrumentalities in the effort to produce quality and equity in rulemaking effort.

Finally, it is important to note that engagement of parties external to government cannot be the sole focus of participation management in rulemaking. Information, insight and experience must also be drawn, where appropriate, from agencies and departments other than the one writing the rule and from within the agency itself. OIRA, of course, provides substantive input. One of the key functions of OIRA in rulemaking management is to ensure consistency across departments and agencies of the federal government through coordination of efforts. Within a department or agency three types of participation – vertical, horizontal and field. Vertical participation is involvement by the pertinent management chain and the political leadership of the agency. Horizontal is participation by the various offices of the department or agency, other than the office writing the regulation, with an interest in or expertise related to the rule. Field participation can be especially valuable since it engages staff in regional offices and, for some

department and agencies, as well as state and government partners. These personnel have considerable expertise implementing rules, including communication of the new requirements and possible obstacles to compliance by beneficiaries and regulated parties, as well as enforcement. Ensuring a seat at the table for this type of expertise can enhance the long term success of administration programs created or changed by rules.

Conclusion

There are sufficient tools available to a president seeking to proactively and aggressively manage the rulemaking process. In fashioning the program, the new administration should take full advantage of scholarly research, studies by the Government Accountability Office, the Congressional Research Service and recommendations issued by the Rulemaking Committee of the Administrative Conference of the United States. Above all else the president is well advised to treat rulemaking management as one would a major policy initiative, devoting the time and effort needed to fashion, implement and sustain a program to consistently produce rules that are responsive to the administration's priorities and, hopefully, advances the public good.

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MEMO #19

TAX EXPENDITURES: Improving Design and Oversight

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Tax expenditures provide public subsidies through the income tax code's treatment of specified sources or uses of income to certain taxpayers, in order to support specific activities and purposes defined by Congress as promoting specified national policy goals. Unlike subsidies recorded as spending in the federal budget, these subsidies are not provided through outlays from Treasury but rather by revenue losses stemming from taxpayer filings.⁵² Tax expenditures subsidize both individual and business taxpayers through deductions, credits, exclusions, preferential rates and deferrals.

The Growing Appeal of Tax Expenditures

Over time, tax expenditures have quietly assumed major fiscal significance. The Government Accountability Office estimates that there were 169 tax expenditures in 2015, with revenue losses of \$1.23 trillion, an amount exceeding the spending for all discretionary appropriations in the federal budget.⁵³ Among selected OECD nations, the United States' tax expenditures are second only to Canada, exceeding 50 percent of income tax revenues collected.⁵⁴ Tax expenditures are relied upon for most of the 19 mission areas defined as functions in the federal budget.

Rapid growth in the use of tax expenditures can be explained by several factors. They deliver subsidies quickly to targeted individuals and businesses, often through an "announcement effect" that changes behavior once policy changes are announced and enacted. They can reach thousands of taxpayers and influence their behavior without the need to gain prior approval from government agencies or other public actors. They can reduce the stigma attached to government programs since obtaining benefits of tax subsidies does not generally require application or prior approval. A good example of this is the policy objective of supporting low-income people through the Earned Income Tax Credit. Such provisions can be an attractive alternative to government spending programs as ways to help to individuals, communities and businesses.

Perhaps a better explanation for the rise of tax expenditures as a federal policy tool is their political appeal. Elected leaders have strong political incentives to resort to tax expenditures rather than direct spending to pursue their policy objectives. Tax expenditures give proponents the ability to create new benefits and seemingly cut taxes at the same time, while not appearing to increase spending: achieving

⁵² A tax expenditure is operationally measured by reference to the receipts that would be forthcoming under the "normal" tax system. See Joint Tax Committee, Estimates of Federal Tax Expenditures for Fiscal Years 2014 – 2018, August, 5, 2014.

⁵³ U.S. Government Accountability Office, *Tax Expenditures: Opportunities Exist to Use Budgeting and Agency Performance Processes to Increase Oversight* (Washington, DC: GAO, July, 2016, GAO-16-622)

⁵⁴ Organization for Economic Development Cooperation, *Tax Expenditures in OECD Countries* (Paris: OECD, 2010, p 226).

what some have called a fiscal miracle.⁵⁵

Unlike appropriations, tax expenditures are not capped or, in most cases, reviewed annually by Congress and the Administration. Many tax expenditures are comparable to entitlement programs for which spending is determined by rules for eligibility, benefit formulas, and other parameters rather than by Congress appropriating specific dollar amounts each year. With some exceptions, tax expenditures make funds (through reduced taxes) available to all qualified claimants on an open-ended basis.

Policy Impacts

Perhaps because traditional federal control and oversight are absent, tax expenditures often constitute weak or poorly aimed subsidies, either reducing their impact on intended policy outcomes or distorting efficient markets when they do affect behavior. Many tax subsidies have been found to provide fiscal windfalls to those who would have undertaken the subsidized activity in the absence of the tax expenditure. A good example is the subsidy for Individual Retirement Accounts (IRAs), which have been shown to produce a net of 9 cents in additional savings for each dollar of lost revenue, as most taxpayers use the provision to simply transfer existing savings from taxed to non-taxed IRA vehicles.⁵⁶ The research and development tax credit was found by GAO to produce only a modest increase in corporate research and development spending, but with significant windfalls to certain companies.⁵⁷

Other tax expenditures reduce the efficiency of markets by tilting investment toward tax-preferred activities, raising costs in the process. Two prominent examples are housing and health care, where costs are undoubtedly increased by tax subsidies provided through tax deductions and exclusions.⁵⁸ For health care, the income tax exclusion of employer contribution to employees' health insurance premiums is credited with increasing health care coverage for employees, but also with leading employees and firms to obtain more coverage than they would otherwise, thereby increasing demand for and cost of health care.⁵⁹

Policymakers have few opportunities to make explicit comparisons or trade-offs between tax expenditures and federal spending programs. Growing revenues forgone through tax expenditures reduce the resources available to fund other programs or to cut the deficit, requiring higher statutory tax rates to obtain a desired amount of revenue. Since there is no coordination between tax subsidies and related spending programs, it is not surprising that considerable overlap and inconsistencies emerge with related spending programs. Higher education features federal grants, loans, guarantees and a welter of tax credits, interest deductions for loans and tax preferred savings vehicles. GAO has found that these fragmented programs can offset one another in unpredictable ways and confuse families seeking to make the best use of federal assistance.⁶⁰

⁵⁵ Leonard Burman and Marvin Phaup, "Tax Expenditures, the Size and Efficiency of Government and Implications for Budget Reform", Cambridge, Ma: National Bureau of Economic Research, 2011.

⁵⁶ Orazio P. Attanasio and Thomas DeLeire, "The Effect of Individual Retirement Accounts on Household Consumption and National Saving," *The Economic Journal*, Vol. 112, July 2002, pp. 504-538.

⁵⁷ Government Accountability Office, *The Research Credit's Design and Administration Can Be Improved* (Washington, D.C.: GAO 10-136, December, 2009).

⁵⁸ Originally, some of these earlier tax expenditures were defined as part of the tax base rather than as subsidies departing from that base. Today, however, such provisions are defined today as subsidies departing from the "normal tax system".

⁵⁹ Bob Lyke, *Tax Benefits for Health Insurance and Expenses: Current Legislation*. Congressional Research Service Issue Brief IB98037 (Washington, D.C.: February 2005).

⁶⁰ GAO, *Student Aid and Postsecondary Tax Preferences: Limited Research Exists on Effectiveness of Tools to Assist Students and Families Through Title IV Student Aid and*

Even when price effects are not clear, tax expenditures can be assessed based on their income effects. Overall, tax expenditures save \$6,500 per household annually, cutting the average effective tax rate paid from 26 percent to 18 percent of income. The savings, however, are unequally distributed, with two thirds of tax expenditure savings for individuals accruing to the top income quintile.⁶¹ Deductions and exclusions have been called “upside down” subsidies because those in higher brackets realize greater tax savings than those in lower brackets. Tax credits, on the other hand, reduce taxes dollar for dollar and, thus, have a more neutral effect on distribution of tax burden by income groups. But, those whose income is too low to pay taxes realize no benefit from these provisions unless the tax subsidy is ‘refundable.’ Refundable tax credits, like the Earned Income Tax Credit are available to the lowest income workers, who have no tax liability, through direct payment by the Internal Revenue Service (IRS).

The shortfalls discussed above prompted Edward Kleinbard, the former Chief of Staff of the powerful Joint Tax Committee, to conclude that tax expenditures unquestionably constitute our most wasteful government spending.⁶² If tax expenditures suffer from shortfalls in efficiency, effectiveness and equity, the question then becomes whether policymakers and managers can do more to ensure that these popular tools better achieve their stated policy objectives? Can they also increase accountability for those who benefit from this tool?

Whither Accountability?

Tax expenditures represent the most non-centralized and disaggregated implementation regime of any federal tool of government. In his 2002 book on governmental tools, Salamon ranks tax expenditures as among the least coercive and direct of the tools in the federal arsenal.⁶³

First, unlike other tools, their use requires no formal approval by federal officials prior to the claiming of federal resources by taxpayers, nor is there prior federal review of their planned use. Second, taxpayers select themselves to participate rather than waiting for a federal sanction. This is enabled by the open-ended nature of the federal tax subsidy commitment, so that the ultimate size of the federal commitment is in the hands of taxpayers, not federal officials. As a result, government officials are often left guessing about the magnitude and distribution of tax expenditures in coming years. Often tax expenditures can grow through drift rather than conscious choice, as the individualized behavior of taxpayers collectively determines aggregate revenue losses.

Limited monitoring by the IRS undermines accountability for tax subsidies. Tax audits have been viewed as the bedrock of tax oversight, but as IRS budgets have declined so has the coverage of audits. The average number of taxpayers audited has declined to less than 1 percent of all filers in recent years.

Ensuring that taxpayers appropriately use deductions, exemptions and exclusions in ways that further social policy objectives is not a task well aligned with the core mission or operations of the IRS, which is to ensure the efficient collection of revenue. Given the commitment to enforcing tax law compliance, the proliferation of tax expenditures complicates the IRS’s job and calls on skills and background that

Tax Preferences, GAO-05-684 (Washington, D.C.: July 29, 2005).

⁶¹ Daniel Baneman, Joseph Rosenberg, Eric Toder and Robertson Williams, “Curbing Tax Expenditures”, (Washington: Urban Institute/Brookings Tax Policy Center, January, 2012).

⁶² Edward D. Kleinbard, *We Are Better Than This: How Government Should Spend Our Money* (New York: Oxford University Press, 2015).

⁶³ Lester Salamon, *The Tools of Government: A Guide to the New Governance* (New York, Oxford Press, 2002), pp. 24-32.

the average tax examiner does not possess. As Christopher Howard says, IRS and Treasury have a professional bias against the use of tax expenditures.⁶⁴ It is no surprise therefore that the IRS confines itself largely to monitoring for taxpayer compliance and does not collect information to enable it to make broader evaluations about the effectiveness and social utility of such tax expenditures as mortgage interest deductions or research and development credits. This is obvious in the failure of the agency to even obtain data from taxpayers on a majority of tax expenditures. In a very telling report issued in 2013, the GAO found that 63 percent of the 167 tax expenditures did not require specific reporting by taxpayers claiming them.⁶⁵ GAO contrasted this with federal spending programs funding activities in the same policy areas; all spending programs required reporting by third parties on financial and programmatic results and accomplishments.

The constraints on IRS monitoring are also reflected in the general lack of coverage of tax expenditures by government-wide performance and financial accountability regimes. Tax expenditures have largely escaped coverage from the growing web of government-wide performance evaluation and reporting provisions, starting with the Government Performance and Results Act (GPRA) of 1993. While this act included Senate Committee report language urging the Administration to develop a framework for periodically assessing the performance of tax expenditures, with the exception of three pilot studies in 1997, this was largely ignored. The Bush Administration's Program Assessment Rating Tool (PART) also excluded tax expenditures from those targeted reviews. Amendments to GPRA passed in 2010 (GPRAMA) called for agencies to review tax expenditures in their strategic plans, but a recent GAO study showed that only 11 of the 169 tax programs were covered in agency strategic plans (GAO, 2016).

The federal budget process does not integrate tax expenditures with either the presentation of federal budgets or in the review of agency budget requests by OMB. Notwithstanding an earlier GAO recommendation, OMB has not committed to including tax expenditures during its review of agency budget requests during the annual budget cycle.⁶⁶ Similarly, Congress does not include tax expenditures in the budget resolution, the annual spending plan which encompasses spending for discretionary and mandatory entitlement programs. When it comes to deciding which programs need to be trimmed to meet congressional deficit reduction targets, the committees are on their own to determine which programs must face cuts. The revenue committees of both houses must then determine whether resolution targets are to be met through tax expenditures or other spending programs that fall in their jurisdiction.

A Reform Agenda

The substantial accountability and performance issues associated with tax expenditures have prompted organizations such as the GAO and the Urban Institute-Brookings Tax Policy Center to suggest reforms in the design, oversight and fiscal accounting of this tool to promote greater review and attention in the policy process. Such reforms are often benchmarked to the accountability frameworks already applicable to spending programs at the federal level.⁶⁷

⁶⁴ Christopher Howard, "Tax Expenditures", in Lester Salamon, ed, *The Tools of Government*, 2002.

⁶⁵ GAO, *Tax Expenditures: IRS Data for Evaluation Limited*, GAO-13-479, April 2013.

⁶⁶ GAO, *Government Performance and Accountability : Tax Expenditures Represent a Substantial Commitment and Need to be Reexamined*, GAO 05-690, September, 2005.

⁶⁷ See GAO, *Government Performance and Accountability : Tax Expenditures Represent a Substantial Commitment and Need to be Reexamined*, GAO 05-690, September, 2005; Eric J. Toder, "Tax Cuts or spending – Does it make a difference?" *National Tax Journal*, 53:3 (September, 2000), pp. 361-371.

We suggest that the President and Congress consider the following reforms to improve efficient use of and accountability for tax expenditures:

1. Apply all Performance Requirements under the GPRAMA to Tax Expenditures

Federal agencies with primary responsibility for specified budget functions should work with the Treasury Department to articulate programmatic goals for each tax program in that function and should collect data to illuminate the marginal contribution of these subsidies to the purposes specified in statute and to the Department's strategic objectives as specified in its most recent strategic plan.

2. Integrate tax Expenditure Reviews in the Federal Budgeting Process

Integrate tax expenditure reviews in the federal budget process and featuring reviews of related tax and spending programs by OMB in executive budget formulation and in reviews directed by the budget committees in the congressional budget process. The integration should ensure that related tax and spending programs are considered together by OMB and the budget committees (see portfolio budgeting recommendation in Memo No. 6, on the federal budget process).

3. Restructure Tax Expenditure Programs

Restructure selected tax expenditure programs to resemble grant and loan programs, with annual limits on federal revenue losses and competitive awards to recipients by federal, state or local governments. A limited set of tax expenditures already follow this model, most notably the low-income housing tax credit.

4. Reclassify the Accounting for Tax Expenditures

Reclassify the accounting for tax expenditures to record them in the budget totals as spending outlays, with matching increase in revenues. The deficit would remain unaffected by this change, but the change in presentation would eliminate the presumptive tilt toward tax expenditures in the current federal budget process.⁶⁸

No progress has been made on this agenda over the past twenty years. That is not to say that individual tax expenditures have not been revised to improve accountability, or in some cases eliminated. The 1986 Tax Reform Act alone instituted dramatic base broadening by reducing and eliminating a wide range of individual and corporate tax expenditures ranging from the deductibility of consumer interest to passive loss windfalls on real estate. The drumbeat of concern over fraudulent claims under the Earned Income Tax Credit program and now the Affordable Care Act's new tax credits for health insurance have provoked congressional oversight and additional IRS reviews. However, there has been no systematic reform during this period to the process of formulating, reviewing or overseeing tax expenditures to ensure they achieve their intended objectives. The reforms that were instituted – notably the GPRMA's

⁶⁸ Leonard E. Burman and Marvin Phaup, "Tax Expenditures, the Size and Efficiency of Government and Implications for Budget Reform" NBER Working Paper 17268, August 2011.

requirement for Treasury to institute performance reviews of tax expenditures – have been largely ignored.

Weak accountability for tax expenditures may reflect a fundamental ambivalence that national leaders and the public about tax expenditures as a tool of government. Their non-administered nature gives rise to a conflict of views among governmental actors about whether tax expenditures represent the delegation of authority to agents—in this case taxpayers – for helping achieve specific national policy objectives or whether tax expenditures are a return of limited authority to taxpayers—the ultimate owners of government—to pursue their own objectives.

Weak accountability for tax expenditures may have far-reaching consequences for public trust in government. Tax expenditures have grown in good part because they are ideally tailored to suit the public's deep-seated ambivalence about government. Their bipartisan popularity also reflects a political leadership drawn to choosing the policy tools that appear least intrusive. While satiating the public's appetite for limited government, tax expenditures also pose difficult accountability and management challenges. While gaining leaders short-term electoral approbation, their use such can widen the gap between high expectations and implementation realities on the ground, accelerating and fueling the very disaffection with government that prompted their use in the first place.

PART V:
Increasing Government's Capacity to Manage Complex Policy Issues

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MEMO #20

HEALTH CARE ACCESS, QUALITY, AND COST: Toward A Better Balance

Frank J. Thompson

The federal government plays a huge role in shaping the US health care system. Medicare and Medicaid alone insure well over 100 million Americans, cost close to a trillion dollars, and, in the case of Medicaid, leverages considerable state funding. An array of other federal programs deliver care, monitor health threats, shape advances in medical knowledge and technologies, and influence the human and physical capital available to the health care system. The new administration may well propose health policy changes. This memo, however, focuses on certain initiatives that the new administration should support which do not require congressional action.

Three core values compete for attention in the health care arena – access, *quality*, and *cost containment*. The last decade has witnessed the emergence of federal initiatives that seek to diminish the oft noted trade-offs among these values. Under the banner of the “Triple Aim,” they simultaneously seek to enhance access to higher quality care while containing costs. A commitment to performance measurement and management has undergirded some of these initiatives as has a willingness to use federal waivers to promote state innovation. The three recommendations below call for vigorously implementing and learning from these initiatives.

Recommended Actions

1. Evaluate and Build Upon Payment-for-Performance Initiatives

Payment-for-performance (P4P) systems have become a pervasive tool in the federal government’s efforts to promote the Triple Aim through the “value-based purchasing” of health care. One of these P4P initiatives seeks to encourage the formation of Accountable Care Organizations (ACOs) – formally recognized networks of hospitals, medical specialists, primary care practitioners, and other stakeholders to achieve greater care coordination while reducing wasteful services. Under this model, these networks apply to be recognized as ACOs. By the end of 2015, federal officials had certified well over 400 Medicare ACOs, which were collectively responsible for nearly eight million beneficiaries (Baseman et al. 2016: 20-22; Shortell et al. 2015: 648-650).

To receive a performance bonus, an ACO must accomplish two tasks. First, it must generate cost savings relative to an expenditure benchmark negotiated with federal officials. Potential Medicare savings substantially derive from opportunities to reduce those tests, hospital admissions, and related services that yield few or no health benefits and may even be harmful. Second, the ACOs must perform well on certain quality-of-care metrics. If an ACO masters these

two tasks, the federal government allots a portion of the shared savings to it for distribution among network members (gainsharing). Federal officials reported that the Medicare ACOs qualified for \$445 million in shared savings in 2014 (Shortell et al. 2015: 654). Mean scores on the great majority of their quality metrics also rose (e.g., screening for high blood pressure). But success varied considerably among Medicare ACOs with 28 percent qualifying for bonus payments based on shared savings (Baseman et al. 2016: 21-22).

Federal officials have also been willing to approve state requests to establish Medicaid ACOs in jurisdictions such as Maine, Minnesota, New Jersey, Rhode Island, and Vermont. Some research suggests that Medicaid ACOs may achieve significant savings and promote the Triple Aim if they focus on super utilizers – individuals with the most acute health problems who account for a disproportionate share of program costs (e.g., Cantor et al. 2014). Super utilizers, many of whom have mental health and substance abuse problems, drive up costs largely through frequent –and often avoidable – admissions and readmissions to hospitals. Proponents of Medicaid ACOs believe that assertive care coordination that integrates medical care for chronic conditions with behavioral health services, and takes into account the social drivers of poor health (e.g., inadequate housing, poor nutrition) can foster the Triple Aim.

While the efficacy of the ACO initiative in promoting the Triple Aim remains to be seen, it represents a commendable federal effort to foster higher quality care while staunching the tendency of a fee-for-service system to generate services of little value. The ACO model should be fully implemented and evaluated to extract lessons for future efforts to foster the Triple Aim.

2. Prioritize Implementation and Evaluation of Physicians Systems

The value-based purchasing initiative has not only featured P4P for networks and organizations, it has also targeted physicians. Federal policymakers set the pay rates for over 7,000 Medicare services. But they had historically done little to counteract incentives in the fee-for-service system that increase the *volume* of care Medicare doctors provide. In 1997 Congress responded to this problem by establishing the Sustainable Growth Rate (SGR) formula that lowered physician pay rates if the aggregate volume of their services pushed overall expenditures beyond a targeted figure. Starting in 2002, the formula began to trigger annual proposed cuts in physician pay rates; this in turn fueled intense lobbying by physician groups with Congress voting to override the formulaic cuts year after year.

Policymakers grasped the limits to the SGR incentive system, and a bipartisan majority in Congress responded by approving the Medicare Access and CHIP Reauthorization Act of 2015. The new law forged a P4P template for physician payment into the indefinite future. After receiving an annual increase of a half percent between 2016 and 2019, Medicare doctors would shift to a P4P scheme by choosing one of two paths. One path, the Merit-Based Incentive Payment System, promised to reward physicians with pay rate increases that reflected their performance on metrics related to quality, clinical practice improvements, and use of electronic medical records. The new legislation charged the Department of Health and Human Services with developing a methodology to compute a summary composite performance score for each physician. A second path, the Alternative Payment Model, promised physicians annual rate increases of 5 percent from 2019 through 2024 if they participated in Medicare ACOs or other

approaches that federal officials had promoted to foster more cost-effective care (Oberlander and Laugesen 2015).

The degree to which the new Medicare P4P system for doctors will advance the Triple Aim is an open question. Success in this regard will depend heavily on the capacity and skills of those responsible for implementing these measures as well as the support they receive from congressional leaders and the top-levels of the executive branch.

3. Prioritize Learning from Federal Waivers

Medicaid waivers have emerged as a major policy tool for executive branch action – as a vehicle for a presidential administration to leave its particular thematic stamp on the program. The incoming administration will have a golden opportunity to learn from waivers granted to states to pursue alternative approaches to the Medicaid expansion authorized by the Affordable Care Act (ACA) of 2010. Granted to states that would otherwise be ideologically resistant to the expansion, these initiatives stressed a market-oriented, or “neoliberal,” approach to health reform -- private insurance, market competition, individual choice, consumer empowerment, patient cost sharing, and personal responsibility.

The neoliberal waivers granted to states fall into two thematic buckets. One is *individual choice and personal responsibility*. This theme stresses a consumer driven model that incentivizes patients to take greater ownership over their health care decisions through health savings accounts, cost sharing and other means. Proponents of this theme believe that Medicaid enrollees will behave more “responsibly” if they have some “skin in the game” when making health care choices (e.g., by paying premiums or copayments). They seek to discourage “inappropriate” care by imposing greater cost sharing when enrollees rely on hospital emergency rooms for “non-emergent” services. They also seek to use economic incentives as carrots, rewarding enrollees if they engage in certain desired health care behaviors (e.g., by waiving premiums if they get an annual wellness exam) or search for employment. Indiana, Michigan, and (recently) Montana have received this kind of Medicaid expansion waiver.

A second major theme of the neoliberal waivers is *premium assistance*. Under a conventional Medicaid expansion, states typically pay providers a fee to serve beneficiaries *or* contract with managed care organizations to provide care. In contrast, a premium assistance approach spends Medicaid monies to subsidize an enrollee’s employer insurance or the purchase of individual coverage on the ACA’s newly created insurance exchanges. Proponents of these waivers believe that subsidizing healthier.

Medicaid enrollees to purchase insurance on the exchanges will stimulate competition among carriers that limit cost increases. They also believe that the waivers will afford Medicaid enrollees greater access to “mainstream” medical care since insurance companies on the exchanges tend to pay providers more competitive rates than the traditional Medicaid program. These waivers may also enhance Medicaid take-up rates for the expansion population and continuity of coverage by reducing stigma and churning among enrollees. In the conventional expansion model, considerable churning and lapses in coverage derive from shifting eligibility among enrollees for Medicaid and the exchange insurance plans as their incomes fluctuate

around 138% of the poverty line. Waivers in Arkansas, Iowa, New Hampshire, and (at one point) Pennsylvania have stressed the premium assistance approach.

Fortunately, the personal responsibility and premium assistance waivers all require external evaluations by sophisticated research organizations. These evaluations along with other research should provide valuable lessons about the relative efficacy of the two types of neoliberal waivers relative to the traditional Medicaid program. The incoming administration should seize this opportunity for learning by assuring that the evaluations are fully implemented.

Conclusion

The P4P and waiver initiatives discussed in this memo should command the attention of the next administration. This is not because we can be certain that they will effectively promote the Triple Aim. For instance, it remains to be seen whether the P4P reforms can escape the pitfalls that often bedevil this approach – gaming, goal displacement, and more. So, too, it is an open question whether the individual choice and personal responsibility waivers will undercut the enrollment of newly eligible poor people in Medicaid. Whatever the potential limits of these initiatives, however, they represent serious governmental attempts to improve the balance among access, quality, and cost in the health care system. They afford a splendid opportunity for policy learning. These initiatives therefore need to be fully tested through committed, skilled implementation and rigorous evaluation. Pursuit of this pragmatic, evidence-based approach will require moving beyond the symbolically charged, all-or-nothing partisan polarization that has engulfed the roll out of the ACA and inhibited policy learning.

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MEMO #21

INFRASTRUCTURE: Building a New Paradigm for Finance and Governance

Mark Pisano and John R. Bartle

There is a growing recognition that the U.S. infrastructure is in a state of disrepair and needs to be fixed. Nationwide, we are spending about \$245 billion a year to refurbish and build our infrastructure, two-thirds local and state funded and one-third federally funded.⁶⁹ Estimates of needed investment to deal with our backlog and to make the necessary investments to support our growth are well over \$1 trillion annually—a fourfold increase.⁷⁰

The growth in demand for all modes of transportation has significantly exceeded population expansion. Pressure on the highway transportation system has increased as households acquire more cars and travel more miles.⁷¹ Americans love to travel and air passenger traffic continues to grow. And, as online commerce increases, there is continued high growth in freight transportation. In many places, failure to address these changes has led to severe ground and air traffic congestion and gridlock during rush hours and to long delays in freight movement. There needs to be a new strategy to develop the right infrastructure in the right places.

There is little disagreement, nor are there partisan differences, on the need to regenerate our nation's infrastructure, and capture the economic and job creating benefits from addressing this national need. Both presidential candidates had infrastructure investment on their campaign agendas, but did not begin to address the infrastructure backlog, let alone provide for the future. President –elect Trump declared that renewing infrastructure would be an early and important part of his administration.

What has not yet been clarified is how to do it? The problem is so massive and the needs are so great that existing legislation such as the recently passed surface transportation act did very little to address the problem. What is needed is a new partnership among the levels of government, with the private sector, and with those who use and benefit from these investments, to make it happen. There is not a policy difference on the need for infrastructure but rather a governance issue (how do we organize ourselves to get it accomplished?); and a funding challenge with all levels of government facing fiscal constraints.

Currently, the role of the federal government in infrastructure investment is highly fragmented across different programs, agencies and congressional committees, complicating implementation and integration at the local and state delivery points. We are suggesting a new paradigm that would replace

⁶⁹ Richard H. Mattoon, "Measuring and Financing Infrastructure Investments," Chicago Fed Letter, Federal Reserve Bank of Chicago, 2015.

<https://www.chicagofed.org/events/2014/infrastructure-economic-growth-measuring>

⁷⁰ "Report Card for America's Infrastructure," American Society of Civil Engineers, 2015. <http://www.infrastructurereportcard.org/economic-impact/>

⁷¹ U.S. Department of Transportation, 2010. *Highway Statistics*, Washington DC.

this fragmented approach to our infrastructure. Infrastructure includes every form of investment in the built environment: utilities-energy, water, and communication, transportation, environmental mitigation, parks and open space- which enables economic development and wealth creation which can in return generate revenues that can fund the investment. This memo to national leaders proposes what the federal role could do in this initiative, in partnership with other levels of government, and it suggests how to undertake such a massive effort with limited existing public revenues at all levels of government.

A New Paradigm to Renew the Nation's Infrastructure

The key to this new paradigm is organizing the levels of government in a new partnership to capture all the revenues that infrastructure creates and using these funding streams to repay private, public, and pension funds debt and equity loans that finance these investments. Users of infrastructure pay user fees that also can be used. Those that benefit from increased property and economic development values can also participate in providing funding to pay for these investments. But we are not organized to capture these funding streams and use them to pay back loans and debt. We implement infrastructure in a fragmented and piecemeal way with fragmented programs and overlapping federal and state requirements and regulatory overlays that preclude the capturing of these revenue streams. To address our infrastructure crisis we must first solve our governance problem by first creating local/regional capacities to capture funding streams, integrating our deployment of infrastructure through federal, state, and local partnerships and creating new relationships with the capital market that define this new paradigm.

- **Capturing multiple revenue streams**

The first component of the new paradigm addresses the funding of infrastructure investments. Traditional funding sources will not be sufficient to meet the burgeoning demand for new investment without tapping private capital and the beneficiaries of an improved infrastructure. The paradigm we are suggesting creates economic opportunities that can help pay for its costs. For example, owners of real estate benefit from a sound infrastructure and it is reasonable to ask those who profit from increased property values to help pay for infrastructure improvements. Users of infrastructure, such as consumers of transportation and water, etc., should be expected to pay for the costs of these investments, reflecting the economic value they gain. Governance arrangements to collect and integrate these multiple funding streams are the first and most fundamental element of this new paradigm. Additionally this step will create a pipeline of investment opportunities that is lacking today.

- **New partnership with the finance community**

The new paradigm would tap private financing from businesses, and pension funds, among other sources, to meet the nation's unfunded infrastructure needs. There are large quantities of capital in the market place looking for investment opportunities. Infrastructure investments can also appeal to long term investors such as pension funds, especially in the current period of low and uncertain returns on capital. To make these transactions work the market risks that are associated with this portfolio of investments needs to be addressed in the governance design. This method of financing was the norm historically but market failure was among the reasons we changed to the current finance structure for infrastructure-mainly tax financing on a pay as you

go basis. Federal participation in the portfolio could greatly assist in the marketability of the investment portfolio and would reduce overall borrowing costs.

- **Applying business principles**

Tapping into private financing calls for governments to apply business principles in making infrastructure investment decisions. Investment and plans for infrastructure and development which traditionally include local policy objectives, including environment and equity, will need to develop business plans that should lay out revenue streams that can be amortized into securities brought to market to access private capital and pension funds. Associated with each plan should be investment and revenue schedules that can be used to determine the risk level and to calculate return on investment

- **Federal program integration**

The new paradigm calls for a more integrated set of federal program initiatives to drive the major infrastructure priorities for the nation. The current federal approach is characterized by many fragmented programs, within and across agencies, featuring different financing rules, permitting procedures and administrative processes.

State and local governments provide a major share of funding for infrastructure and typically bear the responsibility for designing and operating infrastructure facilities and assets. Many of these investments decisions involve Federal facilities, land, and projects with grants that have significant national interests. Currently there is no Congressional or Executive process for spelling out clear national policies and priorities for these investments; nor is there a partnership between the levels of government in first making these investment decisions, integrating investment programs and the development of funding streams to implement them. National infrastructure investments also create state and local benefits that are not captured. Given the funding constraints at the national level, the federal government often fails to make needed investments. The new paradigm calls for strengthened partnerships across our intergovernmental system to ensure that infrastructure reflects common goals and standards, jointly decided by these intergovernmental partners including the federal government. This enables the Federal government to become an investment partner with state, regional and local partners and to expand the investment levels in Infrastructure. This partnership also improves, the nature, location and function of infrastructure to reflect state and local preferences as well as national priorities.

Encourage Consumer Driven Investment Strategies by State and Local Leaders

Many experiments at the subnational level of government that have been successfully implemented throughout the country can be models for the new paradigm on the federal level. Examples include (1) the Alameda Corridor, a goods movement project in the Los Angeles region, (2) the extension of the Silver Line transit line to Dulles Airport in Virginia, (3) the new border crossing at Otay Mesa between San Diego and Mexico, (4) freeway links in Texas and southern California, (5) Refurbishing the Tappan Zee Bridge in New York and (6) public space acquisition programs linked to large investment programs that raised billions of dollars. The commonality among these projects is that they were implemented as

a result of partnerships among non-profit organizations, private sector businesses and various levels of government relying on a benefit received pay structure.

Several states have created institutions that have authority to collect payments from users and landowners. For example, last year California enacted an Enhanced Infrastructure Financing District statute. The boards of these Districts are independent governmental entities called Public Finance Authorities (PFAs). They have authority to collect revenues from fees, tolls, assessments on property, value capture, and to develop anticipation payment schedules from existing state and federal programs. This legislation was modeled after the approach used to build, on time and within budget, the largest infrastructure project in the world, the \$26 Billion Crossrail transit project in London. Transport for London (TFL) was the Finance Authority; the source of funds was 1/3-user fees, 1/3 land surcharges, and 1/3 national government.⁷²

PFAs may also rely on subventions from constituent governments using current or new funding streams from long term contracts, development agreements, public-private partnerships, tax credits, grants, and loans from states and the federal government. The major difference from current practice is the development of PFA business plans that calculate the return on investment before projects are started. The coupling of existing programs with business plan funding can increase the level of funding to meet our national needs.

The PFA Districts can be of any size and can cross jurisdictional boundaries. They can issue securities with up to 45-year payback schedules. Maryland, Virginia, Texas and Washington and several other states have enacted similar approaches, all with the objective of developing new funding sources for infrastructure.

Envisioned in the PFA funding structure, in public transit, transit-oriented development (TOD) organizations work to capture value created by new transit stops to help finance the project. This is what the Cross-rail project in London did and is now being undertaken throughout the United States. These approaches are still emergent; but acceleration of this successful practice shows that this new paradigm works. They are also more flexible and can be customized to the project and thus bring forward more local and private support and relieve the demand on government.

Coordinate Existing Federal Legislative Credit Enhancement Programs

Adopting a new paradigm will require leaders at all levels of government to rethink existing programs, which already began by Congressional action. The recently enacted Fixing America's Surface Transportation Act (FAST Act) and the Administration's 2017 Budget Infrastructure Proposal: Expanding Public Private Collaboration on Infrastructure are steps in this direction. These recent actions have started to define the new paradigm. But this is only the beginning.

Federal participation in the portfolio could greatly assist in the marketability of the investment portfolio and would reduce borrowing cost. Congress has developed an extensive list of programs, each with their own provisions and requirements. But Congress took a step toward a new approach with the

⁷² Mark Pisano, "Innovations in Planning and Funding Infrastructure Renewal: The London Experiment," *Innovations in the Public and Non-profit Sector*, Edited by Patria de Lancer Jules and Ed Gibson, (Rutledge Press, New York, 2016). Pg. 129-146.

establishment of the Bureau of Innovative Finance in the recently enacted FAST Act. The purpose of the Bureau is to co-ordinate the multiple credit enhancement programs in transportation.

Together there are ten credit enhancement programs and four Department Infrastructure Finance Centers covering different segments of infrastructure. Some are program-specific and preclude participation in integrated investment strategies. Each investment assistance program has its own set of requirements and eligibility provisions. Further complicating the application of these investment assists is that they are derived from legislation from separate congressional committees. To enhance integration and usefulness of these provisions, mechanisms are needed to encourage integration of the federal tools so that a common platform is developed. A strategy to integrate these multiple instruments so that they can be useful to state and local partners is an essential first step. This process would not only help accelerate state and local processes but would also increase transparency and accountability of the investment decisions.

Ultimately, the key component of a reformed federal public-private strategy is to promote rigorous cost-benefit analysis to improve investment decisions and determine if projects are viable in meeting public policy objects and are fundable. Once projects are shown to be viable, they will attract investment and can identify revenue streams which can be amortized into securities and brought to market to access private capital and pension funds. Associated with each plan are investment and revenue schedules from which potential investors will determine the risk level and interest calculations.

The objective of federal participation is not to develop a backstop approach in the event of market failure, but to lower interest rates and to improve management and efficiencies of the investments, thereby reducing market risks. One strategy to do this is to diversify funding streams in the business plan, spreading risks over different program areas. The strategy of multiple funding streams is an often-used approach to reduce risk in the financial world. Another is to increase the diversity of the purchasers of the securities--including Federal participation facilitated by integrating the Federal credit enhancement programs that are sufficiently capitalized.

The early action program of the new administration and Congress, should involve streamlining the application processes for grant and low-cost financing (TIFIA, WIFIA, RIF) to the point where state/local public sponsors are clamoring for these dollars and Congress will increase the authorization levels of all the programs. Recently, Congress reduced the authorization level of TIFIA because of lack of utilization.

Create a National Fund to Support Consumer Driven Investment Strategies

The integrated credit enhancement programs need to be capitalized at a sufficient level to fully support the regeneration and development that will meet the needs of the country, essentially increasing funding four- fold to address the magnitude of our problem. President-elect Trump outlined that new revenues would be used to leverage finance authorities by attracting new private infrastructure investments through a deficit-neutral system of infrastructure tax credits. The precise mechanism needs to be designed in conjunction with the repatriation and tax reforms that are also under discussion as early actions in the transition. The approach would capitalize and assist in integrating the credit enhancement approach described above.

The administration of this fund in partnership with state and local funding authorities could leverage ten dollars of finance for every dollar of federal participation. When the (OIJ) funds are coupled with existing revenues from the existing intergovernmental funding programs, the amount is sufficient to meet our national needs. The ROI decision-making approach and market risk assessment would improve project selection and project management and would also improve the marketability of state and local securities. The partnership among the levels of government could facilitate the co-ordination needed for inter-state issues.

An important economic implication pointed out by a recent International Monetary Fund Report is that using debt financing in this period of slow economic growth and low interest rates has a substantial increase in the economic multiplier effect of infrastructure investments on economic growth.⁷³ Implemented correctly the larger multiplier from a national infrastructure regeneration will serve as the stimulus program for our slow growing economy. With the higher level of growth additional tax revenues will be generated, augmenting revenue shortages at all levels of government. This reinforces the attractiveness using debt financing as opposed to our traditional pay as you go approach to fund our public infrastructure.

Coordinate Standards and Policies with Local Investment Programs

Over time, laws have been enacted to implement national policies in environmental protection, safety and labor protection. Implementation of this regulatory system has been built around federal grants to state and local governments that helped to offset the cost and mediate differences. Considerable fragmentation and delays are built into the current program structure, reflected in the multiple permits that projects must obtain before construction can begin. The Obama Administration began efforts to untangle the 35 different permitting authorities that existed across 18 agencies. This included creating a permitting council to encourage concurrent rather than sequential reviews, reducing the timeline for replacing the Tappan Zee bridge in New York by two to three years.⁷⁴

The FAST Act institutionalized this Council by authorizing funding for staff and a monitoring dashboard for federally funded projects. The Federal Permitting Improvement Council was tasked with creating a streamlining process that will employ best practices that can be used to initiate this process. This includes practices such as: collapsing federal and state processes; concurrent reviews, limiting the time of legal challenges; dashboards that will track schedules. Eligibility for federal credit enhancement funds could be used to incentivize and accelerate the implementation of these reforms. Additionally, the use of the business plan approach to obtaining financing, where ROI calculations are improved by reducing delays will create incentives to resolve regulatory delay

Change Policies in Budget Scoring, Procurement, Federal Asset Management and Acquisition Regulations

The federal government owns vast amounts of real estate and owns and operates critical components of the aviation and navigation systems (such as the FAA's NextGen system, Corps of Engineers and Bureau of Reclamation locks and dams, etc.) Many of these assets need more investment yet there are

⁷³ Abdul Abiad, David Furceri, and Petia Topalova, IMF Survey: The Time Is Right for an Infrastructure Push, IMF News, September 30, 2014. <http://www.imf.org/en/News/Articles/2015/09/28/04/53/sores093014a>

⁷⁴ John Kamensky, "It Shouldn't Take Feds 6 Years to Approve Major Infrastructure Projects", *Government Executive*, October 31, 2016

impediments and obstacles that need to be addressed. For example, Congressional budget scoring that requires capital to be scored in the year that a project is authorized promotes accountability to the Congress but it makes it difficult for agencies to find sufficient funds from increasingly limited discretionary budgets. Alternatives pursued by some agencies including building up investment accounts that can be used to satisfy needed infrastructure investment.

Other provisions preclude the Corps of Engineers, the FAA and other Federal agencies from participation in regional and local financial partnerships. Procurement rules limit use of new technologies that could materially assist infrastructure projects. The new paradigm, can create new opportunities for changing procurement provisions by selecting investment strategies on the basis of outcomes instead of what was done in the past, bringing provisioning of public goods into the 21st century. Changing legislative and administrative rules in each of these areas would enable the Federal assets and resources to act as partners in investment strategies rather than separate actions. This partnership arrangement would bring the collective funding resources of all levels of government together; thereby marshaling the resources of the country to meet all the goals and objectives that today are not being met.

Redesign Grant Programs to Encourage Better Pricing and Preserve Fixed Assets

A key component of the infrastructure deficit is inadequate maintenance funding. If policies ignore the operation and maintenance costs of assets, the likely outcome is asset deterioration and potential failure.⁷⁵ Better pricing could help address the maintenance deficit by building long-term operation, maintenance, and repair costs into fees paid by users as a part of a business plan that would also identify revenue needs for the assets. This can be incentivized by federal grant policies that embrace sound investment strategies to encourage that pricing be based on the full lifecycle costs of the infrastructure. A more targeted approach to infrastructure investment funded by well-designed user charges will grow capacity where needed, charge those who benefit from the services, and ration capacity efficiently.

While user fees encounter some political opposition and can be a burden on lower-income people, in general they offer a significant opportunity. For highway travel, improved technology has significantly reduced the costs of toll collection and the delays for motorists. These fees can be much more precisely calibrated to the costs of supporting the services. They can be part of a strategy for reducing congestion, as they provide information to guide where capacity does and does not need to increase. They also create a revenue stream that can support debt issuance allowing for development and system expansion as needed. Similarly, aviation fees should be more closely tied to the costs imposed on airports and the Federal Aviation Administration for air traffic control, security, takeoffs and landings, and international flights. Congestion fees on planes that takeoff and land during rush hour can also optimize airspace. When done right, many costs can be covered, putting the trust funds on a more sustainable path.

Conclusion

The premise of this Memo to National Leaders is that we can address the infrastructure crisis in America if we undertake the governance changes that are preventing us from: capturing the benefits that infrastructure and coordinated economic and environmental enhancements create; undertaking a new

⁷⁵ Michael A. Pagano, "Funding and Investing in Infrastructure," Urban Institute, December 2011.

intergovernmental partnership; and formulating a new way of working with private and non-profit sectors. The early action items of these governance changes are:

- Encourage all states, regions and local governments to organize themselves to capture the wealth and revenue streams that are created with this approach;
- Use fees and value capture from the beneficial uses of infrastructure and economic development to complement existing tax revenues;
- Redesign federal participation in the intergovernmental system so that they also participate in the wealth creation process;
- Streamline and integrate federal programs, existing funding, federal lands and assets into these new intergovernmental partnerships;
- Undertake federal budget reforms, procurement and other federal processes that hamper progress in meeting infrastructure needs;
- Establish clear and integrated national priorities to assist clarifying federal participation; and
- Capitalize the credit enhancement process with revenue neutral tax credit proceeds from the tax reform and repatriation deliberations to set off the cycle of investment.

MEMO #22

INVESTING IN ENVIRONMENTAL PROTECTION: Energy and Water

Daniel J. Fiorino

In 2013, the American Society of Civil Engineers awarded a grade of D+ to the state of American infrastructure (ASCE). The grades for energy, drinking water, hazardous waste, and wastewater infrastructure were D/D+ across the board. The Society estimates that investments of some \$3.6 trillion are needed to bring the nation's entire infrastructure up to par, well below what is currently likely to be available. That the nation is underinvesting in critical infrastructure and needs to increase levels of investment to maintain our economic vitality and physical and social well-being is generally agreed-upon. In addition, strategic investments in what are termed "green" sectors like energy and water offer options for linking environmental, economic, and social goals in positive ways.

An issue that presents both an opportunity and a challenge to a new administration is that of investing in critical needs in the energy and water sectors—environmental quality, clean energy, water infrastructure, and energy and water efficiency. Investments in each of these sectors addresses national needs and, moreover, presents options for environmental and energy win-wins. A smart energy and water investment strategy offers such benefits as:

- Substantial reductions in a range of air emissions, leading not only to improved public health through less exposure to pollutants like fine particulates and nitrogen dioxide but to lower emissions of greenhouse gases that promote climate change;
- Through clean energy and efficiency investment, generation of large numbers of durable, family-supporting jobs, done more effectively than under existing investment strategies;
- Upgrading aging, unreliable energy and water infrastructure—a critical national need; and
- Opportunities for stimulating new technologies, economic sectors, and exports.

This paper recommends investment in two broad categories: *energy* and *water* technology and infrastructure. It recommends areas of investment and policy strategies that will promote needed investments. Energy and water issues are addressed separately. For each set of issues, the paper presents relevant background, the opportunities, and a set of recommendations.

Valuable lessons may be drawn from the green investment components of the American Reinvestment and Recovery Act of 2009. Directed largely at providing an economic stimulus, about 12% of the funds went to clean energy, energy efficiency, climate mitigation, and water innovation (HSBC 2009).

Although this was substantial, it was a one-time shot in the arm rather than a long-term, predictable investment strategy that could pay consistent dividends over time.

The Energy Sector

The energy sector is central to any strategy for addressing climate change. From an environmental perspective, power generation in particular is a major contributor to climate change and accounts for some one-third of greenhouse gas emissions in the United States. Due largely to emissions from coal-fired power plants, it also accounts for a range of health-related pollutants, among them particulates and nitrogen dioxide, as well as other ecological impacts.

The United States also has made international commitments as part of the agreement negotiated at the Paris Conference of the Parties (COP) in December 2015. The administration committed to a 26-28% reduction in greenhouse gas emissions from 2005 levels by 2025, one of 195 commitments made by individual nations (Davenport 2015). As a matter of international political credibility as well as global climate urgency, it is essential to be able to meet these and even exceed these commitments.

Contrary to criticism of the administration's overall climate strategy, which has been strong despite the lack of any new legislation dedicated to climate, there are a range of economic benefits to be gained from a climate action agenda. For example, implementation of the EPA's Clean Power Plan by 2030 is estimated to generate in the range of 250,000 jobs in the production of new energy technologies, specifically renewables; the construction of new power plants using these technologies; the range of actions that will lead to substantial improvements in energy efficiency, which in itself offers financial benefits to consumers; and the economic development prospects in creating new sectors. Despite job losses in the coal and traditional utility sectors, the 250,000 is a net gain and offers a leading rather than a lagging strategy (IEC 2014).

Economic studies have concluded that each dollar invested in renewable energy, mass transit, and energy efficiency generates some two to four times as much employment as similar investments in fossil fuel sectors. This is largely because the clean energy is more labor-intensive and generates economic activity in the United States rather than flowing overseas, as is the case with oil imports (Pollin, Heintz, and Garrett-Peltier 2009). Like any other process of change, a transition to a clean energy economy costs jobs in some economic sectors (largely those related to fossil fuels) but adds the in others; in this case the net gains of such a transition are substantial.

Recommendations for the Energy Sector

1. Continue to Implement the Clean Power Plan

The environmental and health benefits of the plan already are clear. Although currently under litigation, implementation of the Plan will stimulate emission reduction and the economic activity associated with a clean energy economy. This should continue until other measures are in place.

2. Adopt Policies that put a Price on Carbon

Putting a price on carbon integrates a climate reduction and clean energy strategy into the economy for the long term. Although many experts recommend a straight tax on carbon, California and the Regional Greenhouse Gas Initiative (a consortium of 9 northeastern states) offers experience with emissions trading—another means to the same end. This policy would place renewables on a more favorable economic footing, promote efficiency, and generate capital for investment in a clean and renewable energy transition.

3. Create an Infrastructure Fund for Clean Energy Investments

Using a model of a revolving fund would degenerate capital for renewable energy technologies, needed improvements in the electricity grid (including a “smart grid”), energy efficiency, mass transit, and other areas, with the associated environmental and economic benefits. Again, this offers a substantial economic return on investment relative to fossil fuels. One report recommends a goal of some \$150 billion in annual clean energy investment (Pollin, et al 2014). A 2011 report of the United Nations Environment Programme recommended annual investments in green sectors of some 2% of GDP each year, which in the US would come to \$180 billion (UNEP 2011).

4. Increase Federal Investment in Basic Science and Technology Research

Much of the investment in research and development is a public good, so federal action is essential. Federal investment in energy research and development currently is at a level of about one-half, relative to GDP, of what it was in the 1980s.

The Water Sector

The water sector also offers substantial investment needs and opportunities. Many parts of the country—in particular California, the Southwest, and the Southeast—increasingly will be vulnerable to stresses on water availability. Many of the more serious effects of climate change will fall on the water sector. Many of these involve interactions with energy production and distribution. Warmer water temperatures, for example, will affect the use of water for nuclear and conventional fossil fuel-fired electrical generating plants for cooling; lower water flows will have effects on hydropower facilities, currently the nation’s leading source of renewable energy (DOE, 2014).

Climate change raises other water availability and quality issues. Warmer temperatures leading to reduced snowpack reduce supplies; changing precipitation patterns will affect the availability of water for irrigation, manufacturing, and public use and increase water stress;

Several factors have brought us to where we are now in water supplies and efficiency. Historical patterns of water allocation have led to inefficiencies and to water uses that are of low productivity in terms of meeting human and economic needs. Traditionally low water prices, for a variety of political and economic reasons, have starved utilities of needed capital. Although the price of water has been rising slowly in recent years, it still is below what the actual costs are. This will have some impact on consumers, although gains in efficiency and tiered pricing to protect low-income users (low prices for

meeting essential needs and rising prices for lower priority needs) will help to offset some of these impacts.

The water sector offers a range of productive investment opportunities. An assessment by the Water Environment Federation of the design and operations of a water “utility of the future” identifies ways in which traditional water treatment plants could become “resource recovery” facilities that use zero net-energy, or even produce energy for other users; generate revenue by removing nutrients from wastewater and selling it to agricultural users; and reuse and recover water as a conservation measure. Investments in monitoring technologies could conserve water in drinking water lines, some six billion gallons a day of which is now lost due to leaks in aging infrastructure. As a matter of basic health protection, particularly for children, major investments could be made in replacing old lead service lines and reducing harmful exposures (Ajami et al 2014; NACWA 2013). The U.S. Environmental Protection Agency estimates needs for investments in drinking water infrastructure alone for the next twenty years at nearly \$400 billion (EPA 2011).

Recommendations for the Water Sector

1. Adopt Better Water Pricing Policies

For a variety of historical and political reasons, water prices to consumers are lower. They need to be revised to reflect the actual costs of providing safe water and generate needed capital for investments in infrastructure. Various assessments have concluded that a combination of organizational inertia, regulatory constraints, and a lack of capital have been a barrier to needed investments.

2. Expand Mechanisms for Infrastructure Investment, such as the State Revolving Fund

The nation has an existing infrastructure resource in the form of the State Revolving Fund. Contrary to public needs, this has been declining in recent years as a result of budget pressures. This offers an available and tested mechanism for increasing investments in water technologies and infrastructure.

3. Convene a National Dialogue on Water Sector Technology and Infrastructure

The water sector is a decade or so, and perhaps more, behind energy in taking advantage of options for efficiency and more sustainable investments and policies. The variety of interests involved and existing barriers to capital investment in the sector warrant a national dialogue on barriers to technology and management innovation, methods for more appropriate pricing and allocation of water resources, the impacts of climate change on water resources.

Summary and Conclusions

Clearly, many difficult issues have to be addressed in meeting these needs and taking advantage of the opportunities. Among them are achieving a consensus on how to raise the revenue for these investments; determining how to allocate the funds; evaluating investment options to deliver the most environmental,

economic, and social return; and maintaining stable and predictable investment patterns over time to send clear signals to innovators and markets.

The energy and water sectors are vital to the nation's economic and social well-being and are implicated in a range of environmental and health issues. The evidence on opportunities for environmental-economic win-wins is well-documented. Progress on these issues has been blocked due to political barriers, opposition from established interests, organizational inertia, and a lack of honest and informed public debate. These barriers remain, but the political case for change can be made. Investments in environmental quality, clean energy, water infrastructure, and energy and water efficiency offers many opportunities for American society.

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MEMO #23

IMPLEMENTING SUCCESSFUL STRATEGIES: The Need for Effective Homeland Security and Emergency Management

John J. Kiefer and Tonya T. Neaves

The devastating historical impact of natural and technological disasters, as well as the challenges posed by climate change, terrorism, and pandemics, require a comprehensive plan for effectively and efficiently addressing vulnerability. Yet when doing so, the variety of criteria for success that extends beyond simple dollar-based cost effectiveness must be considered. Indeed, the broader and more complex societal impacts that include fairness, equity, and responsiveness must be addressed.

The Goals of Effective Emergency Management and Homeland Security

The scope of policy issues surrounding emergency management and homeland security in the United States (U.S.) remains inundated with a number of tri-sectoral challenges. Policymakers have attempted to reduce the impacts associated with hazards by anticipating the unexpected; however, it is easy to under analyze the complexities. Given the limited opportunities for disaster-related experience, “decision-making, mental models, and situational awareness research on [crises] have highlighted a further need for effective emergency management” (Paton and Jackson, 2002, 115).

The goals of effective emergency management and homeland security are to reduce, or avoid, the potential losses from hazards, assure prompt and appropriate assistance to victims of disaster, and achieve rapid and efficient recovery. The results will be largely determined by the ongoing process through which governments, businesses, nonprofits, and civil society plan for and reduce the impact of disasters, react during and immediately following a disaster, and take steps to recover after a disaster has occurred. Appropriate actions at all points in the cycle lead to greater preparedness, better warnings, reduced risk and vulnerability, and the possible prevention of future disasters. Effective emergency management and homeland security involves the shaping of public policies and plans that either modify the causes of disasters or mitigate their effects on people, property, and infrastructure (Wisner & Adams, 2002). To accomplish such measures, it is essential that emergency management and homeland security organizations implement plans that:

- Identify, assess and prioritize local and regional vulnerabilities to emergencies or disasters as well as the resources available to mitigate, respond to or recover from them;
- Promote collaborative initiatives between public, private and nonprofit organizations at the federal, state, regional and local levels to insure necessary actions are taken to prevent and/or

mitigate the effects of disasters; and that they are prepared to respond to and recover from such an incident when an emergency or disaster does occur;

- Provide for the utilization of all available public, private and nonprofit resources to protect against and respond to an emergency or threatening situation;
- Provide for the utilization and coordination of local, regional, state and federal programs to assist victims of disasters and prioritize addressing the needs of the elderly, disabled, poor and other groups that may be especially affected; and
- Provide for the utilization and coordination of state and federal programs for recovery from emergency or disaster situations with particular attention to the development of mitigation action programs.

Recommended Actions

The implementation of successful strategies for emergency management and homeland security will require a process that is adaptable to the landscape of changing threats and emerging ideas. For example, the threat presented from terrorism is shifting at a rapid pace. Terrorists can change their methods and targets swiftly, often resulting in displacing vulnerability to less protected sites. Or, as another example, the impacts of global climate change, while readily evident, are not fully understood and defensive strategies have become highly, even caustically, politicized. We therefore recommend that leaders focus on several important issue areas that recent data-driven scholarship and practitioner-grounded research have shown may result in positive outcomes in the areas of emergency management and homeland security.

1. Renew the Emphasis on Mitigation

Mitigation is the “sustained action taken to reduce or eliminate risk to people and property from hazards and their effects” (Bullock et al., 2006, 267). Hurricane Katrina can be considered a bellwether for failure in effective mitigation planning. Infrastructure, flood and population vulnerabilities were especially critical for New Orleans, but these vulnerabilities are certainly not unique to that region (Jerolleman & Kiefer, 2013). It has been estimated that only 10 percent of earthquake- and flood-prone households in the U.S. have adopted mitigation strategies (Kunreuther, et al., 2012).

Geographical discrepancies and social inequalities that still exist throughout the U.S. necessitate a different approach to mitigation. It is important to understand that:

- It is of crucial importance to recognize that effective mitigation planning defines the scope of future actions of emergency managers;
- Decisions made about mitigation will determine the safety of a region in the face of inevitable threats from natural and technological disasters;

- Reduction in vulnerability through robust mitigation planning will decrease the cost of disasters, create more resilient and more sustainable communities, and reduce the loss of lives and property; and
- Successful mitigation requires intense collaborative efforts to address the needs of a community or region. Successful and meaningful *collaboration*, in turn, requires long-term, pre-disaster *communication* and *coordination* – or the 3C’s – where mutual understanding of shared needs builds trust and confidence in the participants. These collaborative efforts should span public, private and nonprofit sectors as well as extend through federal, state, regional and local organizations.

2. Provide More Extensive Training on the National Emergency Management System to Local Leaders

An understanding of the national emergency management system is critically important for local, regional and state officials. Many of the problems in the ineffective response to Hurricane Katrina can be traced to unfamiliarity with how the structure works and what capabilities and services the response system has to offer. This lack of understanding was evident again only a few years post-Hurricane Katrina during the slow response to the Deepwater Horizon Oil Spill. It was readily apparent that local officials failed to grasp how the system worked, slowing the federal response and crippling the chances for a rapid and effective recovery (Keefer’s personal conversation with Admiral Thad Allen).

Emergency management, from mitigation through long-term recovery, should be recognized and supported by all elected officials as a critical government service. In order to do this, it is recommended that:

- Preparedness efforts and resources need to be sustained so long-term planning and implementation can be achieved;
- Elected officials should hold emergency management agencies accountable and those agencies should be able to demonstrate capability that has been developed through the investment of public funds;
- Elected officials need to understand their emergency authorities and responsibilities, and practice them in conjunction with emergency management officials before a disaster occurs. They should meet with their emergency management officials and establish solid collaborative relationships, request briefings on state and local preparedness efforts, learn about emergency plans and procedures and visit emergency operations centers and other critical facilities;
- Governments should be able to promptly and accurately inform the public about the seriousness of an event and provide assurance that leaders are fully informed and are directing the response with every available resource; and

- For public officials to be effective leaders during times of crisis, they must have a clear understanding of how government responds to emergencies and disasters, what resources are available, what types of assistance can be provided to citizens and how much time it may take to deliver that assistance.

3. Promote an Understanding of Critical Infrastructure Interdependencies

The trend toward greater infrastructure interdependency in the U.S. has accelerated in recent years and shows little sign of abating (Rinaldi et al., 2001). The importance of identifying, understanding, and analyzing these infrastructure interdependencies must be recognized for effective disaster response.

The truth is that few infrastructure systems currently maintain any substantial level of excess capacity or redundancy in their systems. In 1981, Choate and Walter published *America in ruins: The decaying infrastructure* in which they assert that the U.S. was seriously underinvesting in its infrastructure and that the infrastructure was wearing out faster than it was being replaced. Despite receiving widespread publicity in the 1980s, not much has changed in the intervening years. Plant (2005) also notes that even though physical infrastructure plays a critical role in today's society, it has fallen out of the national debate over priorities. The combination of normal disasters, such as Hurricane Katrina, and complex, interdependent, aging infrastructures does not bode well for the future. Substantial investment in infrastructure systems must once again become a national priority (Leavitt & Kiefer, 2006).

It is therefore extremely important that:

- Infrastructure managers find a means to balance the competing demands for efficiency and cost-effectiveness during normal operations with resiliency and sustainability of operations during and after disasters;
- Excess capacity or “slack” resources must not be seen as wasteful, but rather as prudent, if related to plans to meet unusual peak demands or the special needs that disasters inevitably bring; and
- System redundancy promote a more loosely coupled system that can more easily recover from disaster. Infrastructure and public utility managers need to convince customers that a small percentage of their utility payments or taxes should serve as an “insurance” payment targeted to providing some excess capacity or system redundancy in times of crisis.

Conclusions

Emergency management and homeland security are long-term as well as politically sensitive issues. Security threats are continually increasing. Today's world is more dangerous, complicated, and immediate than ever before. Given the tectonic shifts of globalization and the expansion of democratization, the nexus between security and sociocultural respect and liberty presents a variety of policy and administrative challenges (Neaves' conference interaction with General Michael Hayden). The changing scope of the threats and shifting vulnerability will challenge emergency management and

homeland security professionals, such as in the shift from the state-sponsored terrorism of the 1970s and 1980s to the domestic terrorism of the Symbionese Liberation Army and Timothy McVey, to the stateless terrorism of Al Qaeda and ISIS (Jerolleman & Kiefer, 2015). It is important to convince governments, the private sector and nonprofit agencies at local, regional, state and federal levels to be involved in collaborative efforts if damage from future disasters is to be prevented or reduced. Emergency management and homeland security efforts should also be demand-driven and culturally and environmentally sensitive to receive the maximum amount of community buy-in.

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MEMO #24

STRENGTHENING CRIMINAL JUSTICE AND LAW ENFORCEMENT:

Moving into the Future Requires Looking to the Past

Jon Maskaly and Doug Goodman

The new President and Congress will be tasked with improving the functioning of the criminal justice system throughout the country. While some may feel that criminal justice is indeed a local issue over which the federal government has little control, this view is myopic and misguided. The current state of criminal justice in the United States can be directly attributed to the policy decisions of prior Presidential administrations and Congresses. Therefore, moving forward will require that the federal government at least take the lead in various capacities to improve the current state of the system.

The Goals of Strengthening Criminal Justice and Law Enforcement

The challenges associated with dealing with crime in a free society are not new concerns for the current or even a hold-over from the prior administration and congress. Instead, this very challenge has been repeatedly studied and recommendations made about to improve the nature of the process. Perhaps most famously by the President's Commission on Law Enforcement and Administration of Justice which issued its final report in 1967. While some of the commission's recommendations were implemented, many remain unheeded and strangely still applicable today. This sentiment was reiterated by the *President's Task Force on 21st Century Policing*, which identified six key pillars, which are strongly related to one another. The next Congress and Presidential administration would be well advised to build on the six pillars identified in the report.

The ultimate goal of strengthening criminal justice is to work towards the goal of minimizing—if not optimistically eliminating—the risk that a person will become the victim of crime. Additionally, Americans want this goal with the caveat that the process used to accomplish it also respects their fundamental Constitutional rights. As difficult as this task may seem, there is a growing body of evidence suggesting this is realistic.

Recommended Actions

Two places in which the next administration and next Congress could readily strengthen criminal justice and law enforcement are by reconsidering the parts of the War on Drugs and working to improve police-community relations. These two changes are more interrelated than may be readily apparent.

1. Reconsidering parts of the Drug War

In 1971, President Nixon declared war on drugs in the United States (Drug Policy Alliance 2015). Early on, President Nixon's plan called for both demand (treating users) and supply reduction strategies (interdiction efforts) to combat the growing drug problem. However, as time went on the nation focused less on demand reduction and more on supply reduction. The net effect of this policy change is the now well documented rate at which the United States incarcerates its citizens. According to the Bureau of Justice Statistics, as of 2014, the most recent year for which statistics are available, the US incarcerated 612 persons per 100,000 in the population. Approximately 50% of these prisoners were serving time for drug related offenses. The belief being that by incarcerating those associated with the drug trade produces both a specific (on the person sentenced) and general (on others in society) deterrent effect, which would also reduce the violence inherently associated with illicit markets. However, research questions the effectiveness of this policy solution as scientists can attribute *at most* 30% of the great crime decline to the rapid rate at which Americans have incarcerated its citizens (Carson 2015). In the past few years, many states and the federal government have made great strides in reducing prison populations because of legal mandates and/or crushing budgetary pressure. Additionally, other states have decriminalized or legalized the recreational use of marijuana. The changes to the law reflect an evolving moral standard of Americans. When people feel as though an authority figure is not in moral alignment with them, it erodes the legitimacy of the authority figure which can have broader unintended consequences.

Furthermore, the data do not support the belief that crime would rise sharply as a result of increased marijuana consumption (Drug Policy Alliance n.d. and 2015). In addition to the cost savings associated with reduced correctional supervision and legal processing of low-level drug offenders, many of the states have seen a surge in revenue associated with the newly taxed commodity (Keyes 2015). Perhaps more importantly, residents of the places in which marijuana was decriminalized/legalized will no longer see the adverse effects of a criminal record (e.g., being an ex-felon, being ineligible for financial aid, etc.) associated with being caught using marijuana. The fears associated with the use of marijuana—or the legalization of the drug—have never come to fruition. However, it is important to also recognize and address the unintended consequences of decriminalization (increased DUI and accidents) and build on the tools available for police to prevent people under the influence of marijuana from putting themselves and others at risk by accurately detecting who is under the influence of marijuana. Currently, there is no valid and reliable method of assessing (i.e., field sobriety test) or confirming (chemical tests) whether a driver is under the influence of drugs because of how marijuana is metabolized by the body compared to alcohol or other drugs (Koerth-Baker, 2014).

It is recommended that the new Congress and Administration provide federal grants that can be directed to developing field sobriety tests and chemical tests for marijuana use as well as standardizing what content in the blood is considered under the influence (such as B/A .08 for alcohol). Some states are working on this but it is far from standardized.

2. Improving Police-Community Relations

Recent high-profile events highlight the strained nature of police-community relationships throughout the United States, particularly affecting how much confidence people have in the police (Gallup, 2015). The reason for the strained nature of these relationships is complex and is strongly related to the specific strategies used during the War on Drugs. The President's Task Force on 21st Century Policing (2015) collected input from experts from across the country on best practices for improving this situation. These recommendations are based on empirical studies and best-practices that have been developed by law enforcement agencies seeking to improve police-community relations.

a. Promoting De-Escalation Techniques

One of the most controversial aspects of policing relates to the use of force. There are a myriad of laws, moral principles, and ethical guidelines defining those instances in which an officer may justifiably use force. However, often times these decisions must be made in a split-second on incomplete information. The consequences of making the wrong decision could prove potentially deadly for the officer and/or the citizen involved in the encounter. Many police agencies, Dallas and Las Vegas most notably, have focused on de-escalation techniques (Fachner and Carter 2014; Balko 2016). On the whole, these techniques serve to train and reinforce for officers that their *ultimate goal should be the preservation of human life when at all feasible*. Agencies implementing these techniques have seen a massive decline in the number of use of force incidents, especially deadly force incidents. However, this type of training takes financial resources and political will to implement. Both of which the incoming administration and Congress could assist with through budgetary appropriations and other mechanisms.

The federal government should reevaluate federal policies dealing with the mentally ill. Are police departments the best organizations to help those with mental difficulties? At a minimum increased training is needed for responding officers to better recognize mental illness from calculated violence. Officers should be better trained to deploy nonlethal tactics while still conscious about officer safety. The federal government can support best practices and provide funding to help first responders with mentally ill people. Fast response Crisis Intervention Teams (CIT) can be a joint approach to public safety and helping those with mental illness (Watson and Fulambarker 2012).

It is recommended that the incoming president and Congress consider bolstering funding opportunities to assist state and local public safety. Federal grants for community policing should be enhanced with an emphasis placed on de-escalation techniques and dealing with mentally ill citizens. Further, supporting research on the use of non-lethal techniques is needed. With the millions of encounters with police each year, a few videos in social media have defined an "epidemic."

b. Enhancing Transparency

Policing agencies are frequently criticized for their general unwillingness to openly share information with their constituents. More and more agencies are sharing non-sensitive (e.g., calls for service and crime reports) with their constituents, but many are unwilling to share more sensitive data (e.g., detailed use of force and officer misconduct). Failing to make this information readily available to constituents again diminishes the legitimacy of the police because citizens are left to feel as though the police are not held responsible for their misdeeds. Again, the Dallas Police Department has led the way on these sorts of transitions (Robbins 2016). Chief David Brown was quoted as saying, “We believe that the data we have belongs to citizens and we’re the caretakers of that data” (Socrata 2016). The process of transparency has two benefits. First, it assuages the public’s concerns that problematic trends and incidents are available for public review. Second, it makes agencies engage in a reflexive process of self-evaluation looking for potential problems with more zeal than if the data are not publicly available.

One of the most alarming aspects of the current situations regarding police-community relationships is the lack of data at the national-level. This inability of data precludes researchers from making empirical statements about the claims of the police and the community. Furthermore, this is something that could be easily changed by changing the rules associated with grant money distributed to agencies. Simply making it a requirement that agencies report this type of data to be eligible for federal money could fix the problem in short order.

Creating a clearing house for crime data that is accessible to the general public, law enforcement, research institutions, and news outlets can help investigate methods of policing that are working or are not working. Allowing federal dollars to be spent on gun violence is needed to help provide elected officials with valid and vetted policy options to curtail gun violence without banning firearms. Along those same lines, continued partnerships with state and local governments are imperative. Easing some of the onerous requirements and security clearances can better enhance trust between federal, state, and local law enforcement and transparency.

Conclusion

The criminal justice system in the United States clearly could be strengthened by the new Administration and Congress. Making relatively simple changes that are based on available data would likely yield substantive results. Actively considering what Americans want their criminal justice system to do and then holding it responsible is the first step in this process. Only through an efficient and transparent criminal justice system will Americans and policymakers be able to effectively and efficiently realize the goal of public safety.

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MEMO #25

PROMOTING ADVANCEMENTS IN SCIENCE, TECHNOLOGY, AND HIGHER EDUCATION: Increasing Government’s Capacity to Manage Complex Policy Issues

Howard E. McCurdy

How can government use science and technology to keep the engine of innovation running through the 21st Century? Innovation is essential to a technological society. It produces economic growth, reduces debt, promotes civic stability, and helps to resolve the most pressing challenges that public officials face. Without innovation, economies stagnate, civility crumbles, and challenges accumulate.

Four policy initiatives are essential to the maintenance of a culture of innovation based on science and technology:

- Encourage people to understand science and technology, especially through the promotion of STEM education;
- Search for innovative solutions to policy challenges, especially those based in technology;
- Understand how technologies reshape the forms of governance that public officials use to manage complex policy issues; and
- Promote the rise of administrative systems with “nobody in charge.”

Recommended Actions

1. Understanding Science and Technology

An educated populace is essential to advances in technology, not just for the purposes of creating innovators, but for the enlightenment of the people served by them. Thomas Jefferson, an advocate of the Enlightenment, wrote a letter to George Wythe dated August 13, 1786, in which Jefferson stated that the most important pieces of legislation that office-holders could enact were those that provided “for the diffusion of knowledge among the people; no other sure foundation can be devised for the preservation of freedom, and happiness.”

The diffusion of knowledge is no less important today. Much of what modern science reveals seems counterintuitive. When in 1919 Robert Goddard proposed the use of rockets to reach the

Moon, editorial writers at the *New York Times* famously lampooned the proposal. The writers incorrectly observed that a rocket would not work in the vacuum of space because the device would have nothing against which to react. Goddard knew this to be false, having already conducted small propulsion experiments in a vacuum.

STEM education helps people separate scientific understanding from common experience. As this essay suggests, that education extends to the forms of governance associated with various technologies as well as to the basic science itself.

2. Technology and Policy

New technologies not only produce economic growth and personal comfort; they often provide fresh solutions to pressing policy challenges. For example, arms control agreements would not have been possible without advances in detection technology. During the early and most dangerous phases of the Cold War, national leaders like President Dwight Eisenhower sought methods for reducing atomic weapons proliferation and preventing a nuclear Pearl Harbor. Officials in the Soviet Union resisted the on-site inspections and aerial overflights that would make this possible. Imaging technologies, both ground and satellite-based, provided a workable alternative. The devices operated not just in the visual spectra but also through infrared and neutron-detecting means. Neutron technology allowed intelligence analysts to distinguish between prohibited multiple-warhead missiles and permitted single-warhead devices.

New technologies not only provide fresh solutions to policy challenges; they also force changes in the way policies are carried out. Few technologies illustrate this process better than the self-driving car. Through a series of prizes offered in the first decade of the 21st Century, officials at the Defense Advanced Research Projects Agency (DARPA) encouraged the development of self-driving cars. The purpose of the prizes was not to improve personal automobile safety, but to reduce the need to expose military convoy drivers to injury and death from roadside bombs.

The technology has profound implications for the ways in which public officials promote automobile safety. Since the appearance of the automobile, highway collisions in the United States have killed more Americans than have died in all the wars fought since the founding of the nation (roughly 3.6 million motor vehicle fatalities compared to 1.2 million deaths in service). Efforts to reduce traffic fatalities by conventional means have produced reductions in annual deaths of about 30 percent – seat belts, air bags, stricter enforcement of drunk-driving laws, and more traffic patrol.

Enter the self-driving car. The self-driving car is the quintessential GRIN technology, a robotic device programmed to behave intelligently without anyone immediately in charge. The acronym refers to innovations based in genetics, robotics, artificial intelligence and nano-technology. It is most frequently spelled GRN, with the “I” added to emphasize the artificial intelligence contained in robotics.

Fully developed, self-driving cars have the potential to reduce the occurrence of collisions to aircraft technology levels. (A May, 2016, Tesla fatality occurred in a car operating under assisted automatic control requiring driver participation.)

The potential for change is profound. Self-driving cars represent what various observers have characterized as a disruptive innovation. The technology has the power to alter traditional approaches to traffic safety, accident investigation and highway patrol. Additionally, it will change the way in which cars are bought, sold, parked, owned, and insured.

3. Reshaping Governance

Such changes embody one of the most significant lessons for persons formulating science and technology policy. Disruptive technologies produce their own forms of governance. Attempts to maintain new technologies within old forms are subject to inevitable frustration. New technologies produce new forms. The ability to anticipate those forms is essential to the encouragement of innovation.

The history of technology and administration shows how this works. The age of metal and associated weaponry helped to foment the paramilitary organization, with its emphasis upon division of work and strict hierarchy.

The age of industrialization produced the factory system, characterized by the assembly line and the stopwatch for timing the pace of production.

Modern record keeping allowed the advent of the bureau, giving prominence to governance systems based on rules, impersonality and a permanent career service.

Irrigation, dam building and spaceflight led to the project form of management, varying between its more traditional forms for construction projects to advanced versions like those developed for Project Apollo.

The Internet produced electronic government, allowing citizens to file their taxes online and obtain permits without visiting a real person.

These forms of governance often coexist alongside each other. Police and fire departments still utilize the paramilitary form. The factory system is alive on production lines, especially in countries that employ cheap labor to produce physical goods. Social Security and Medicare would not be possible without bureaus. The National Aeronautics and Space Administration uses large scale systems management to operate the International Space Station. Electronic government is everywhere.

The movement to new forms encourages policy innovation. Without the advantages gained from the establishment of bureaus one century ago, creation of the social welfare state would have been impossible. Its advocates would have remained mired in a governance system organized around political bosses in which offices were awarded for political loyalty and office-holders sought to enrich themselves with the spoils of government. Without the rise of project management, a modern alternative to bureaus, Americans would have never flown to the Moon.

Just as past forms of technology encouraged newer forms of governance, impending technologies will produce altered ones as well. Experts agree that the most technologically

advanced nations stand on the cusp of an era dominated by GRIN technologies. GRIN technologies will produce their own governance forms. It is as inevitable as the rising of the sun. Adjusting old forms of governance to fit new forms of technology will be one of the toughest challenges facing people who deal with innovation through science and technology.

4. Emerging Governance Forms

The shape of those forms is becoming more apparent. Not surprisingly, the shape tends to embody the nature of the technologies. GRIN technologies are characteristically smart, reliable, and typified by organizational systems with *nobody in charge*.

Smart systems refer to creations or processes in which the overall system is more intelligent than the parts that make it up. Scientists offer beehives as an example, characterizing the operation of the hive with a concept known as swarm theory. Individual bees are not very smart. Their collective behavior, however, produces an entity that is superior in intelligence to the elements within it.

Augmenting the nature of intelligence, the smart system is characterized by the absence of central control. No superior intelligence governs the behavior of the hive. Its intelligence emerges spontaneously when individual bees follow a few simple rules. In this case, nature and evolution produce the rules.

Similar characteristics govern the behavior of many human organizational forms. Markets and conventional auto transport systems operate this way. Individual producers and consumers participating in a free market create highly efficient supply and price decisions without any central planning body to resolve those matters. Automobile owners driving their own cars can create a smooth flow of freeway traffic without any central command mechanism.

People who believe that modern technologies require central control systems for daily operations are mistaken. Their ideas are as misplaced as those of zealots who believe that the operation of the universe requires a Creator to guide it. At least, that is what the advocates of new governance systems proclaim.

5. A Role for Governance

So, what is left for government to do? Some rules arise spontaneously, without anyone in charge. Left to their own devices, automobile drivers will naturally determine whether to drive on the right or left side of the road. It is in their self-interest to do so. Yet some rules can be centrally created. In the genetics field, natural process will produce beneficial genetic modifications if given enough time, but intelligent beings can speed up the process through gene-splicing and other techniques associated with biotechnology.

Suppose that a group of public officials wanted to create a new and less expensive method of space transportation. The officials could assign the task to a government field center, which could prepare a viable design and contract out the fabrication to an industrial firm. That would be a traditional approach.

Alternatively, officials could create a series of support mechanisms and incentives (such as an agreement to purchase new systems) that encourage entrepreneurs to build their own rockets and space ships. Such partnerships draw on natural processes present in the market place. The process requires no public official centrally in control of design and fabrication, but does require the creation of viable incentives.

This is the method used by the National Aeronautics and Space Administration (NASA) to create a successor to the space shuttle. It may be the method that pushes humans to Mars.

Sometimes the rules governing human arrangements arise spontaneously. More often, they require someone to devise and enforce them. A market, for example, requires processes for protecting property and enforcing contracts. The incentives for following the rules must be sufficiently strong to elicit compliance – in other words, the rules must work to everyone's advantage overall. Once in place, the system runs on its own. In that sense, the system requires no central governing body to achieve maximum efficiency.

Conclusion

To return to the first point, education is critical to these developments. Not only does an innovative society require a citizenry informed about science and technology, it requires leaders who understand the relationship between technology and governance forms. Those forms shift significantly as new innovations appear. Societies that succeed technologically are likely to be characterized not only by a strong emphasis upon education for science and technology, but by close collaboration between educators who teach STEM subjects and those who teach business, governance and the methods of innovation.

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APPENDIX:

Comprehensive List of Recommendations

Part I: Managing Government to Achieve National Objectives

Recommendations to Strengthen the Center of Government

1. In the first few months, set cross-agency performance goals corresponding to the major policy and management improvement priorities of the new President, and use these CAP goals to inform both substantive policies and management initiatives constituting the President's management agenda.
2. In the first year, work with agencies preparing new strategic plans that specify strategic objectives laying out in measurable terms the Administration's policy priorities and the outcomes they plan to achieve in the coming four years.
3. Use the cross-agency goals as a basis for conducting portfolio reviews when formulating the President's budget.
4. From the outset of the new Administration, relentlessly pursue a clearly defined Presidential management agenda focused on improved delivery.
5. Strengthen OMB by integrating budget and management functions and by focusing on policy design, budgeting, and implementation as a continuum.
6. Integrate policy processes and management initiatives by strengthening the President's Management Council and other integrative bodies and having them take ownership of the President's management agenda.
7. Engage Congress more effectively to help support and its oversight responsibilities, and work with it to streamline and integrate legislative initiatives to improve management functions

Recommendations to Bridge the Executive-Congressional Divide

1. Establish Appropriate Status of the Office of Legislative Affairs (OLA) Director to ensure the Office's effectiveness.
2. Select an Experienced and Highly Respected Director of Legislative Affairs.
3. Effectively manage OLA's primary constituency, using a process that manages and coordinates the contact and information flow between Congress and senior presidential advisors.
4. Strike a balance between time spent on Capitol Hill and attending high-level internal meetings and keep an obvious presence in each chamber of Congress.
5. Decide how to organize the OLA office in relationship to the Congress.
6. Structure the OLA based on the strategic goals of the White House and building an explicit management structure for routine contact with congressional staff both individually and as an organization.
7. Have the OLA Director help shape the hiring, firing of directors of legislative affairs office throughout the government.

Recommendations for Staffing the President's Team

1. Recruit those most qualified for the position and deflect requests for the appointment of candidates who do not have appropriate skills for the job.
2. Begin recruitment efforts well in advance and streamline the appointments process.
3. Have the President's recruiters work cooperatively with cabinet secretaries, and have political appointees work cooperatively with career executives.

Recommendations for Workforce Management: Human Resource Management and Public Service Motivation

1. Strengthen the link between strategic planning and human capital management.
2. Analyze key workforce trends using data from the Federal Employee Viewpoint Survey and other sources.
3. Solidify the talent pipeline for the federal Senior Executive Service and other positions.
4. Focus on employee engagement.
5. Continue efforts to streamline, expedite and improve the federal hiring process.

Part II: Strengthening Policy Leadership and Follow Through

Recommendations to Increase Use of Strategic Foresight in Policy Planning and Management

1. Charter a 100-Day government-wide stress test taskforce to identify five to 10 future challenges that could derail the new President's key priorities.
2. Systematically integrate foresight into policy development by:
 - Creating a White House-level capacity for strategic foresight to inform key policy decisions; and
 - Creating an expectation that the OMB Deputy Director for Management would champion the creation and use of foresight capacity to inform policy, management, and implementation.
3. Leverage existing interagency networks to help agencies develop and use foresight in decision-making.

Recommendations to Strengthen the Federal Budget Process

1. Budget for major national goals by reviewing the relevant portfolio of spending, tax expenditures, regulations, and other policies.
2. Strengthen the congressional budget committees, making them leadership committees that take a stronger role in shaping budget priorities and directing the work of other committees.
3. Establish a multi-year budget framework and process with annual targets for budget savings and investment consistent with fiscal sustainability.
4. Budget for tax expenditures and mandatory programs by regularly reviewing them and including tax expenditures in revenue and spending totals.
5. Revisit the use of budget concepts using a bipartisan process established by the President and Congress.

Recommendations to Increase Use of Evidence on and Accountability for Performance

1. Push more aggressively for adoption of the current outcomes-focused performance improvement framework across government.
2. Expand and enhance the collection, analysis, visualization, and dissemination of performance information to make it more useful to more people.
3. Strengthen agency capacity and understanding of proven performance and evidence-based management practices.
4. Develop, test, and adopt effective accountability mechanisms.
5. Keep it simple to support use, communication, and continuous improvement of performance practices.

Recommendations to Improve Chances for Successful Implementation of the Administration's Policy Initiatives

1. Pilot the proposed approach to vetting major policy initiatives prior to launch, starting either during the transition or immediately after January 20, 2017.
2. Conduct a foresight-risk assessment of the top future challenges to success of the Administration's top priorities, and use the results of this assessment when vetting major policy initiatives.
3. Routinely employ internal teams of experts to vet major policy initiatives prior to launch, and use the results of these assessments to adjust the details of the proposed policies and to identify resource and management requirements for their success.

Recommendations to Expand the Intelligent Use of Technology to Promote Innovation, Collaboration and Citizen Engagement

1. Create a What Works Agency to serve as a new central hub for research and analysis of what works in government.
2. Establish a fellowship in data ethics within the Office of the Chief Data Scientist at the Office of Science and Technology Policy and the Office of Information and Regulatory Affairs to promote the responsible use of big data in ways that improve lives and respect human rights and civil liberties.
3. Revamp the Paperwork Reduction Act and create a citizen collaboration toolkit that supports agency efforts to tap the intelligence and expertise of the American people to improve how government works, and collaborate with universities and others to develop the best training.
4. Bring citizen first responders to all American communities by helping cities and private service groups train more citizens in life-saving CPR skills and with the know-how and means to open their 911 call data.
5. Build a 21st Century Civil Service matching the private sector in its ability to use new technology, direct agencies to hire a chief data scientist to make use of the agency's data to improve how it works, and appoint a Chief People Officer for the Federal government responsible for ensuring broader diffusion of know-how across the federal government, between levels of government, and between government and the private sector.
6. Overhaul how the government recruits and push to recruit top talent to help tackle the nation's hardest problems by creating new ways for Americans to serve their country for two years or

less, can be hired in one month or less, and that job descriptions include the problem to be tackled.

Recommendations to Strengthen Government Ethics and Integrity

1. Develop and apply a model for training new high-level appointees with these elements:
 - Overview of each organization's code, the ASPA Code to raise awareness of scope of ethical principles, and another professional code if relevant to the professions in and/or the work of the organization.
 - Examination of ethical standards. The presentation of each standard will include examination of cases and identification of behaviors that fall short of the standard, on the one hand, and that advance the standard, on the other.
 - A concluding assessment that identifies changes that could be made in organizational standards and practices to reinforce ethical behavior; and steps participants could take to display ethical leadership and promote individual responsibility throughout the organization.
2. Follow up with activities that include assessing how recommended steps are carried out, a survey of ethical culture in the organization, and exploration of new training activities for groups of staff in the organization to address important ethical concerns.

Part III: Managing Across Boundaries to Achieve National Goals

Recommendations to Promote Effective Collaboration Across Boundaries

1. Use the GPRA Modernization Act to promote collaboration.
2. In the FY2018 budget, budget resolution, budget reconciliation act, appropriations bills, promote collaboration to help achieve the Administration's highest priority goals.
3. Establish approaches whereby multiple agencies or sectors contribute to a cause (in dollars, ideas, staffing, facilities) to improve the chances of success.
4. Fully utilize the experience of civil servants to support collaboration.
5. Ask OPM to build cross-unit collaboration into criteria for annual bonuses for all high-grade employees and should build cross-sector, cross-division, and cross-department collaboration into the qualification criteria (ECQs) for the Senior Executive Service (SES).
6. Direct OMB to assign a pool of funds to provide resources to cross-agency collaborations on significant national issues involving three or more federal agencies or single federal agencies with multiple state, county, and local agencies.
7. Ask GAO to more widely publicize its Action Tracker.
8. Reinforce formal accountability systems (reporting and oversight) by instituting informal dynamics such as shared norms, trust, and facilitative behaviors.
9. When dealing with large-scale spending efforts that span multiple states and counties, utilize lessons from the Recovery Accountability and Transparency Board (RATB) to ensure effective collaboration.
10. Utilize E-Enterprise as a more efficient method of environmental enforcement and leverage it to revitalize environmental performance partnership programs of the 1990s and 2000s.
11. Develop a robust engagement strategy and new institutional capacity to work with intergovernmental and other partners.
12. Realize that if results count, management matters.

Recommendations to Support Effective Collaboration Across Federal Executive Agencies

1. Create a group within the transition team to focus on cross-agency management and implementation.
2. Appoint a White House chief operating officer to oversee the portfolio of mission-focused cross-agency priority initiatives.
3. Leverage the existing ecosystem of cross-agency institutions to support cross-agency collaboration.
4. Advance mission-focused outcomes by proactively coordinating cross-agency activities.
5. Set ambitious enterprise level mission-support goals to drive efficiency, innovation, and customer satisfaction.

Recommendations to Strengthen Intergovernmental Partnerships

1. Consider Saying No to problems that do not require a federal solution – focus on national issues.
2. Make stronger intergovernmental collaboration a priority by increasing state and local involvement in the policy making process, selecting key personnel who will support collaboration, and expanding the roles and responsibilities of intergovernmental staff.
3. Recognize State and local governments as partners – not merely another constituency or silos for federal funding– facilitating their participation in the development of rules and regulations.
4. Foster a continuing intergovernmental dialogue to find comprehensive solutions to critical problems.
5. Strengthen and reorient the President’s Office of Intergovernmental Affairs and its departmental counterparts.
6. Build and maintain an intergovernmental data base after comprehensive review of critical information needs, plan for collecting and disseminating relevant data on a timely basis, and establish a cross agency initiative to facilitate the collection and dissemination of timely research and steps needed to make meta data more readily available.
7. Support accountability and transparency, exploring ways to better integrate cross-cutting state systems and program level performance measurement systems to better serve all three levels of government.
8. Provide flexibility and encourage innovation by continuing and expanding federal efforts that allow states to test new policies and more effective and efficient delivery systems.

Recommendations to Strengthen Governmental-Nonprofit Sector Partnerships

1. Create a New Government Office to Represent Nonprofits and Philanthropy.
2. Expand Capacity-Building Support for Nonprofits.
3. Increase Incentives for Charitable Giving.
4. Examine the Changing Roles of the Government and Nonprofit Sectors.

Recommendations for Effective Use of Public-Private Partnerships

1. Recognize the differences among forms of public-private interaction (voluntarism, contracting, and partnership) and the allocation of discretion that distinguishes them.

2. Approach partnership as one governance option among many, and shun ideological biases either for or against.
3. Appreciate that orchestrating a partnership involves different managerial approaches than controlling a contract.
4. Analyze the capabilities and motives of partners to predict in what areas and to what degree discretion can be shared at acceptable risk.
5. Accept that it is rarely possible to gain all the benefits of shared discretion with none of the risks.
6. Celebrate the intrinsic value of widening the circle of people with experience and stakes in the enterprise of governance. The process of partnership can have benefits independent of the product.
7. Recognize that partnerships proposed by the private sector (rather than initiated by government) are excellent opportunities to create public value but far from always.
8. Concede that where these management imperatives cannot be met, it may be necessary to sacrifice the potential of partnerships in favor of less promising but less risky approaches.

Part IV: Sharpening the Tools of Government in Action

Recommendations to Strengthen Procurement Management and Improve Results

1. Look for opportunities to provide pricing information, both inside the government and to the public, on commonly purchased commodity products and services.
2. Use performance information for quarterly performance-improvement reviews on major contracts.
3. Over a period of years, “pivot” from time and resources spent on pre-award activities into post-award contract management work, moving staff into post-award management and monitoring, improving training in post-award management, and establishing fora for sharing experiences and best practices across an agency by those involved in post-award management.
4. Upgrade the role of the Contracting Officer’s Representatives.
5. Aggressively seek opportunities to further streamline source selection activities.
6. Expand forms of contracting that pay for success, including challenges/contests, payment per transaction (“pay by the drink”) contracts, share-in-savings contracting, and social impact bonds.

Recommendations for Using Grants in Aid to Best Leverage Innovation and Creativity in the Federal System

1. Expand the use of existing public intervention models that are based on evidence of effectiveness, to stretch federal dollars for intergovernmental programs.
2. Help states to build adequate capacity to further specified national goals by accurately measuring performance and thus building evidence to best target public efforts.
3. Understand and work around individual state incentives that impede federal goals.
4. Be prepared for setbacks and be flexible to address them.
- 5.

Recommendations to Improve Federal Administrative Rule-Making

1. Ensure coherent, consistent leadership of the administrative rulemaking process.

2. Ensure that priority setting for rulemaking is disciplined and rigorous at the department and agency levels.
3. Ensure high quality information on legal and policy issues, impact, and implementation is provided for the comprehensive rulemaking process.
4. Strengthen outreach to and engagement of stakeholders in the rulemaking process.

Recommendations to Improve the Design and Oversight of Tax Expenditures

1. Apply all performance planning and measurement requirements under the GPRAMA to tax expenditures.
2. Integrate tax expenditure reviews in the federal budget process, featuring reviews of related tax and spending programs by OMB in executive budget formulation and in reviews directed by the budget committees in the congressional budget process.
3. Restructure selected tax expenditure programs to resemble grant and loan programs, with annual limits on federal revenue losses and competitive awards to recipients by federal, state or local governments.
4. Reclassify the accounting for tax expenditures to record them in the budget totals as spending outlays, with matching increase in revenues.

Part V: Increasing Government's Capacity to Manage Complex Policy Issues

Recommendations to Better Balance Health Care Access, Quality and Cost

1. Evaluate and build upon Payment-for-Performance initiatives.
2. Prioritize implementation and evaluation of physicians' systems.
3. Prioritize learning from Federal waivers.

Recommendations to Improve Financing and Governance of Infrastructure Programs

1. Encourage consumer-driven investment strategies by State and local leaders.
2. Coordinate existing Federal legislative credit enhancement programs.
3. Create a national fund to support consumer-driven investment strategies.
4. Coordinate standards and policies with local investment programs.
5. Change policies in budget scoring, procurement, Federal asset management and acquisition regulations.
6. Redesign grant programs to encourage better pricing and preserve fixed assets.

Recommendations for Investing in Environmental Protection: Energy and Water

For the Energy Sector:

1. Continue to implement the Clean Power Plan.
2. Adopt policies that put a price on carbon.
3. Create an infrastructure fund for clean energy investments
4. Increase federal investment in basic science and technology research.

For the Water Sector:

5. Adopt better water pricing policies.
6. Expand existing mechanisms for infrastructure investment, such as the State Revolving Fund.
7. Convene a national dialogue on water sector technology and infrastructure.

Recommendations for an Emergency Management and Homeland Security process that is Adaptable to Changing Threats and Emerging Ideas

1. Renew the emphasis on mitigation.
2. Provide more extensive training on the National Emergency Management System to local leaders.
3. Promote an understanding of critical infrastructure interdependencies.

Recommendations to Strengthen Administration of Criminal Justice and Law Enforcement

1. Reconsider parts of the Drug War based on new evidence about the efficacy of alternative drug control strategies.
2. Improve police-community relations, drawing on best practices identified by the President's Task Force on 21st Century Policing, including techniques for de-escalation and greater transparency.

Recommendations for Promoting Advancement in Science, Technology and Higher Education: Increasing Government's Capacity to Manage Complex Policy Issues

1. Enhance public understanding of science and technology.
2. Identify ways that new technologies can provide fresh solutions to policy challenges and force changes in the way policies are carried out.
3. Adjust old forms of governance to fit new forms of technology.
4. Apply smart systems, in which the overall system is more intelligent than the parts that make it up, to support administrative systems characterized by absence of central control.
5. Replace traditional direct government administration with government-created support mechanisms and incentives for private entrepreneurs to find technical solutions.

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ABOUT THE ACADEMY

The National Academy of Public Administration (the Academy) is an independent, non-profit, and non-partisan organization established in 1967 to assist government leaders in building more effective, efficient, accountable, and transparent organizations. Chartered by Congress to provide non-partisan expert advice, the Academy's unique feature is its over 800 Fellows—including former cabinet officers, Members of Congress, governors, mayors, and state legislators, as well as prominent scholars, business executives, and public administrators.

Governing in the 21st Century has become increasingly complex. As a nation, a long line of challenges must be addressed:

- Getting the fiscal house in order;
- Improving the effectiveness and efficiency of public programs;
- Strengthening collaboration across departments/agencies, levels of government, and sectors;
- Recruiting, retaining, and motivating a diverse and high-performing workforce;
- Strengthening the management of information technology; and
- Providing appropriate levels of transparency in government operations.

The Academy provides a full range of advisory services to federal departments and agencies, with particular emphasis on:

- Organizational assessments and strategy development;
- Implementation support and technical assistance;
- Performance measurement systems; and
- Stakeholder outreach and collaboration.

The Academy helps public institutions address their most critical challenges through in-depth studies and analyses, advisory services and technical assistance, Congressional testimony, forums and conferences, and online stakeholder engagement. The Academy addresses critical governance challenges through its work. It is currently engaged in a wide range of projects, including:

- National Science Foundation: Use of Cooperative Agreements to Support Large Scale Investment in Science and Technology;
- Department of Agriculture Evaluation Under Secretary of Trade and Foreign Agricultural Affairs; and
- Increasing the Effectiveness of the Federal Role in Cybersecurity Education.

For more information, visit <http://www.napawash.org/>.

ABOUT ASPA

Founded in 1939, the American Society for Public Administration (ASPA) is the largest and most prominent professional association for public administration. With a diverse membership of 8,000 practitioners, scholars and students, ASPA serves as the principal arena for linking theory and practice in the field of public and nonprofit administration. It focuses its efforts on five major areas:

- Advancing the art, science, teaching and practice of public and nonprofit administration.
- Promoting the value of joining and elevating the public service profession.
- Building bridges among all who pursue public purposes at home and internationally.
- Providing networking and professional development opportunities to those committed to public service values.
- Achieving innovative solutions to the challenges of governance.

For more information, visit <http://aspanet.org/>.

ABOUT THE SCHAR SCHOOL

George Mason University's Schar School of Policy and Government (the Schar School) prepares undergraduate and graduate students to be leaders and managers who advance the public good in the private, public, and nonprofit sectors. The Schar School faculty members seek to push the frontiers of conventional wisdom, apply rigorous analysis to complex issues, and make deep connections with decision makers and leaders in public service. Located where policy happens—just 6 miles from the U.S. Capitol Building—students are connected to jobs, internships, networking, and experiences that can only be found in the Washington, D.C., area.

The Schar School offers classes on Mason's Fairfax and Arlington campuses. Both campuses are easily accessible by public transportation and are just a few Metro stops from downtown Washington, D.C. The School's has approximately 80 full-time faculty, with 2,000 current students, and 13,000 alumni.

The Schar School's Centers on the Public Service (the Centers) has long been premised on the healthy synergy of theory and practice. The fields of public administration and political science were founded by "pracademics" such as Woodrow Wilson who aspired to achieve the integration of teaching and research with the communities of practice in our field.

The Centers has been established to help the public sector address emerging challenges that are unprecedented in both scope and complexity. As passage of health care reform illustrates, public managers are increasingly on the proverbial hot seat to address a growing array of daunting and expensive problems that seem to defy anyone's understanding. Thanks to the escalating ambitions of political leaders themselves, there has been a virtual agenda explosion, as a wide range of "private troubles" become public problems.

These issues call on the involvement of many sectors beyond traditional government bureaucracies themselves, including nonprofits, private contractors, and citizen groups, each of which are under greater pressure to deliver more with fewer resources. The Centers plays an important role in promoting much needed collaboration across the many officials involved in governance today in the Washington, DC, area, as well as throughout the nation and internationally.

The activities of the Centers fall into the following categories:

- Research;
- Training and Education;
- Outreach; and
- Thought Leadership.

For more information, visit <http://schar.gmu.edu>.

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MEMOS to National Leaders

The President and Congress face a daunting set of challenges. Our elected leaders are expected to deliver on ever higher expectations from the public within and ever more complex environment. The leaders at the Academy, ASPA, and the Schar School recognize that the complex problems and issues facing our system require substantial institutional knowledge of which all three organization have direct access. This book is an overview of the major challenges facing elected leaders and expert recommended responses.

Edited by Paul L. **POSNER**, Janice R. **LACHANCE**, and Tonya T. **NEAVES**

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www.memostoleaders.org

