Opportunities for Management when Budgeting

Steve Redburn
George Washington University

SHARED SERVICES LEADERSHIP COALITION

IBM Center for The Business of Government

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FEBRUARY 2024

IBM Center for
The Business of Government

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FOREWORD

On behalf of the Shared Services Leadership Coalition (SSLC) and the IBM Center for The Business of Government, we are pleased to present this new report, *Opportunities for Management when Budgeting*, by Steve Redburn of George Washington University.

The report draws on insights from a recent roundtable of experts and stakeholders in government budgeting, technology, and management. Roundtable participants explored ways of increasing the impact of government management initiatives, including shared services, and gaining greater traction for management initiatives in the budget process—with Congress, in the Office of Management and Budget, and across federal agencies. Discussion addressed how budget development and execution can be used to support gains in the federal government's administrative efficiency and to accelerate ongoing efforts to increase its capacity to perform.

DANIEL J. CHENOK

Drawing on these perspectives, the author outlines a series of challenges and opportunities for using the government's budget process to improve results in numerous management areas, including technology, analytics, and shared services. The report offers specific practical recommendations to achieve such objectives, including near-, mid-, and longer-term steps that the government can take in budget development, congressional review, and budget execution.

JOHN MARSHALL

This report builds on prior reports about budget and management reforms released by the IBM Center, including *Mobilizing Capital Investment to Modernize Government* (also released in collaboration with SSLC) and *Transforming Government Through Technology* (released based on a companion report, "The Government We Need," from the Technology CEO Council).

We hope this analysis provides decision makers with guidance to help them frame new approaches to reform the budget process in ways that lead to better management outcomes.

Daniel J. Chenok
Executive Director
IBM Center for
The Business of Government
chenokd@us.ibm.com

John Marshall
Founder and CEO
Shared Services Leadership Coalition
JohnMarshall@SharedServicesNow.org

INTRODUCTION

The massive complexity of the U.S. federal government reflects the vast array of agency missions mandated by statute.[1] Government operates in a turbulent world, where the pace of change seems always to accelerate.

Recognizing the need to improve the federal government's capacity to take on an evolving array of old and new challenges, Congress and successive administrations have made management improvement a focus. But allocating resources to implement these efforts has too often fallen short. Insufficient attention to improving federal management in developing and executing the federal budget leaves federal agencies lagging behind the private sector in adopting and scaling up innovative business practices. The government finds itself at a disadvantage in exploiting new technology and implementing management innovation across its many complicated and diverse responsibilities.

New technologies now drive change and societal disruption, along with natural disasters and manmade crises. New technologies also present a continuing stream of new policy challenges, demanding both urgent and thoughtful responses. The federal government has catalyzed much of this innovation—pioneering technologies and investing in research and development on many fronts, ranging from medicine to defense to space exploration to computing. Ironically, however, government is frequently a late adopter of technology in its own operations.

Advances in technology, as well as innovation in business processes, can help governments manage work in new ways. However, the ability of the U.S. federal government to leverage new solutions for its many operating challenges has faced many constraints; agency responses to these opportunities have often been sluggish, disjointed, and inadequate. Over time, the federal government has fallen farther behind frontiers at which leading private organizations operate.

On October 25, 2023, a roundtable convened by the IBM Center for The Business of Government and the Shared Services Leadership Coalition brought together experts on federal budgeting and management to explore new ways the budget process can support and possibly accelerate management improvement, promote greater administrative efficiency, and accelerate ongoing efforts to improve government performance. Such efforts include investments in workforce skills, better ways to tap expertise for problem solving, modern technology investments to improve efficiency and customer service, and reengineering business processes to reduce duplication and fragmentation. They might also include streamlining financial management and procurement, and expanded use of shared services to help agencies address common management challenges.

1. A good way to grasp the range of responsibilities federal agencies are charged with managing is to review the 400 or so 'strategic objectives' in their current strategic plans published on performance.gov. A sampling: Improve capabilities to predict, prevent, prepare for, respond to, and recover from disasters, public health and medical emergencies, and threats across the nation and globe (HHS); Reduce emissions that cause climate change (EPA); Restore, protect, and conserve watersheds to ensure clean, abundant, and continuous provision of water resources (Agriculture); Increase transportation options and system connectivity and improve the built environment to revitalize the nation and its urban and rural communities (Transportation); Support inclusive and sustainable economic growth and opportunity for communities around the globe (USAID and state).

Participants discussed possible changes in annual budget development by agencies and Congress to better integrate management considerations, as well as how budgets could be executed to capture opportunities for more efficient management practices and, in turn, redirect the resulting cost efficiencies toward investments in improved delivery and future budget savings. Some of the ideas offered were far-reaching and may suggest the need for a broader reformulation of the federal government's budget processes, but others could be adopted more readily. The range of ideas discussed by roundtable participants appears in the latter part of this paper, ranging from modest first steps to bolder and transformative changes that could be incorporated in more comprehensive reforms.

The Unique Challenges of Federal Management

The U.S. government operates in a much different environment from that faced by large private organizations facing challenges of similar complexity. Agency actions reflect those authorized by law and bounded by statute and regulation, often contested and subject to adjudication. Government work takes place in a public 'fish bowl' of constant scrutiny, reinforcing a bureaucratic culture of caution and risk avoidance. Public policy and budget processes, partly by Constitutional design, are slow and subject to breakdown. More than even the largest private organizations, government struggles to keep pace with and to adapt its operations to new challenges by making adjustments—many involving adoption of new technology, coupled with redesign of its business processes and demanding new skills of its workforce.

The president and Congress share the process for funding and managing the federal government. A principal instrument for carrying out this responsibility is the annual budget process. The Constitutional design of the U.S. government allows for raising and spending money only with explicit legal authority based on agreement of both houses of Congress and signature by the president. This report addresses the budget process in both its executive and congressional phases.

In 2020, the IBM Center and Shared Services Leadership Coalition (SSLC) released a report on ways to leverage private sector technology and expertise to accelerate the modernization of government processes, drawing on perspectives from an earlier expert roundtable. That report described many perceived obstacles to increased use of private capital, technology, and expertise to support federal systems modernization. The report provided ideas for how an array of these and other public capital needs could be met by creative interpretation and innovation within established rules, in a manner consistent with the intent of those rules. It included several recommendations relevant to budget and spending reforms to help improve management effectiveness.[2] This paper draws on and extends the work of that prior 2020 report.

2. IBM Center for The Business of Government and Shared Services Leadership Coalition, Mobilizing Capital Investment to Modernize Government, by Kenneth Buck, G. Edward DeSeve, and Steve Redburn, December 2020. https://businessofgovernment.org/report/mobilizing-capital-investment-modernize-government

Summary of Recommendations

	First Steps	Bolder Moves	Transformative Actions
The President's Budget	• Strengthen the linkage between agency management routines and agency budget development, and give management proposals greater attention in OMB budget reviews. • Conduct management reviews of select cross-agency and governmentwide initiatives for inclusion in the President's Budget. • Use the IT budget review process to prioritize and centrally direct information technology investments. • Build on and renew previous proposals for a Federal Capital Revolving Fund.	• Develop and present in the President's Budget a prioritized and fully priced multiyear plan to address the government's capital needs. • Include estimates of administrative capacity improvements in requests to increase funding for established or new programs.	• Conduct indepth spending reviews for selected policy objectives to inform options for more productive resource use.
Congress's Consideration of the Budget and Appropriations	• Expand use of the cap adjustments for program integrity initiatives. • Change scorekeeping conventions to credit appropriators with administrative savings expected to follow from capital investments and other measures to increase management capacity. • Extend the planning horizon for appropriations to two years or longer.	• Adopt funding mechanisms that permit agencies to retain and reinvest administrative savings, and use these savings to accelerate government modernization. • Reserve a portion of the annual allocation of budget authority to appropriators for decisions at the full committee level, to fund governmentwide management capacity support. • Create a management resolution and scorecard for management improvements in budget-related legislation.	• Reorganize the appropriations process around major policy objectives. • Reduce restrictions on executive flexibility in appropriations.
Budget Execution	• Expand staffing and resources for the four established QSMOs and other shared services coordinating offices, to find and support shared solutions for other governmentwide mission support functions. • Develop governmentwide standards and best practices for successful use of shared services centers and franchise funds. • Develop a suite of productivity measures for standard business processes common to many agencies, and use these to target opportunities to achieve productivity improvements. • Find new ways to engage employees at operating levels, and tap their ideas for improving their own operations.	• Use a centralized capital planning process and central revolving capital fund to plan and execute large, cross-agency investments in improved management capacity. • Build new teams to lead implementation of cross-agency priority goals. • Empower recipients of federal assistance to develop evidence-driven collaborative solutions for boundary crossing problems in their locations.	• Centralize responsibility for leading transformative changes across the government in how programs are supported, including through shared services, to address enterprisewide management challenges.

The Opportunity

Many opportunities have been identified to make the government's administration more efficient, generating budget savings that can be applied to investments in better mission delivery:

- In a 2017 report, the Technology CEO Council identified over $1 trillion of potential management efficiency savings that they argued could be achieved by "implementation of modern, interconnected technologies and processes."[3]
- The Government Accountability Office (GAO) regularly highlights opportunities for administrative savings and better delivery, improving financial integrity, reducing improper payments, eliminating or combining duplicative processes, and reducing fragmentation through coordinated administration and sharing of solutions by multiple agencies. GAO reports identify specific remedies, accompanied by specific recommendations for administrative and legislative changes—a roadmap of opportunities for management improvement when budgeting. In 2023, GAO estimated that implementing its over 5,000 open recommendations would yield between $92 and $182 billion in financial benefits.[4]
- Studies of waste in major program areas such as defense and health have identified enormous potential administrative cost savings in these major program areas. Observers have identified many such options for Medicare and Medicaid.[5] Similarly, the Rand Corporation has identified savings opportunities in how the Defense Department manages its enormous portfolio.[6]

In addition to seizing such opportunities, the federal government will need to address an array of new opportunities and challenges—many driven by technology—including applications of artificial intelligence and quantum technology, adaptation to climate change and new energy sources, new threats to cybersecurity and physical infrastructure, and the disruption of traditional office work accelerated by the pandemic.[7] Each of these will require creative solutions accompanied by new investments in both the private and public sectors, but the federal government faces complicated challenges to do so given a divided political environment and, as noted above, given elements of the Constitutional structure that limit adaptability and agility.

The urgency of transforming how the federal government manages its sprawling portfolio of programs, and exploiting opportunities for applying advanced information technology to improve management, are highlighted by recent books such as Jennifer Pahlka's *Recoding America*—which says that to meet the nation's many challenges, "we must both develop new capacities and clear out the policy clutter and ways of working that no longer serve us if we want an administrative state built for today's world."[8]

This report next addresses challenges for driving management reforms across the different stages of the budget process, and then presents near-, medium-, and long-term opportunities to address such challenges at each stage.

3. Technology CEO Council, "The Government We Need." January 2017.
4. See GAO (2023d) for a summary of potential savings and discussion of the basis for its estimates. GAO studies identifying potential savings from management reform include: "2023 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, Duplication and Achieve Billions of Dollars in Financial Benefits," GAO-23-106089, June 14, 2023; "Improper Payments: Fiscal Year 2022 Estimates and Opportunities for Improvement," GAO-23-106285, March 29, 2023; and "High-Risk Series: Efforts Made to Achieve Progress Need to be Maintained and Expanded to Fully Address All Areas," GAO-23-106203, April 20, 2023.
5. See https://www.brookings.edu/articles/reducing-administrative-costs-in-u-s-health-care/.
6. See https://www.rand.org/pubs/research_reports/RR2329.html.
7. For a discussion of future opportuntiies and challenges facing the federal government, see The IBM Center for The Business of Government, *Transforming the Business of Government: Insights on Resliency, Innovation, and Performance*, edited by Daniel Chenok and Michael Keegan. Rowman and Littlefield, 2023.
8. Palkha, Jennifer. *Recoding America*. MacMillan Publishers, 2023.

Ways Budgeting Falls Short in Addressing Management Challenges

The limits of the current budget process for supporting management improvements can be analyzed in three parts, corresponding to three stages of the annual process: (1) development of the President's Budget, (2) congressional enactment of the budget and appropriations, and (3) budget execution.

When Developing the President's Budget

Executive agencies generally begin developing their budget proposals over 15 months before the fiscal year in which funds will become available through enactment by Congress.[9] Agency internal processes allow them to address barriers to better performance in determining resources proposed for various programs and policy objectives, consistent with an administration's policy priorities.

In recent decades, major agencies have followed a new, integrated set of routines for strategic planning, enterprise risk assessment, budgeting, measuring, and reporting on program performance; these routines include assessing management strengths and weaknesses that affect their capacity to deliver on their missions. The routines enable agencies to systematically identify ways of improving performance in an integrated cycle of quarterly, annual or biennial, and four-year reviews, and by setting outcome targets for a limited number of agency and cross-agency priority goals. Several elements of these routines are required by various statutes directed at improving particular aspects of government management, including the CFO Act of 1990; the Clinger-Cohen Act of 1996 (defining procedures for central review of information technology investments); the Government Performance and Results Act of 1993 and subsequent GPRA Modernization Act of 2010; the Digital Accountability and Transparency (DATA Act) of 2014; the Program Management Accountability and Improvement Act of 2016; and the Foundations for Evidence-based Policy Act of 2018.[10] OMB Circular A-11 describes the current performance management framework and routines as a "systems-focused approach [that] allows the federal government to align its budget and resources to its performance frameworks, operating concurrently and helping to ensure that agencies' organizational goals and objectives are resourced efficiently, effectively, and with accountability."

Agencies have discretion in how they use these routines. They can identify ways to improve results, including those requiring budget and policy changes and specific investments in systems and people to support better management, to be considered in the annual budget process. To date, however, agencies have inconsistently linked these routines to their annual budget development.

The Office of Management and Budget (OMB) plays the central role in coordinating development of the President's Budget each year. Although OMB's middle name is "Management," the OMB director and other leaders as well as program examiners (the bulk of OMB's career staff of roughly 400) focus much of their time on tasks necessary to review agency submissions, present decisions to the director and other leaders on major budget issues, and oversee the detailed work needed to present a fully integrated and supported set of proposals in the President's Budget. Better integrating the work of the budget and management sides of OMB has been a recurring theme over the years, with collaboration varying in part with the attention and priorities of leadership.

9. At that time, agencies often do not know their enacted funding levels for the fiscal year soon to begin, for which they requested funds several months earlier, adding to the challenge of fashioning proposals for the following fiscal year.
10. Guidance to agencies on use of these routines and the roles played by various agency officials is provided in OMB Circular A-11, Part 6. https://www.whitehouse.gov/wp-content/uploads/2018/06/a11_web_toc.pdf.

Most of OMB's budget review and decision making is organized in parallel to the government's structure—i.e., agency by agency and program by program. While the process of putting the budget together in this manner helps simplify decisions and manage an otherwise overwhelming intellectual exercise, this approach leaves little space for considering complex problems—both substantive and administrative—whose solution requires attention across multiple agencies or governmentwide.[11]

The President's Budget transmitted early in each calendar year includes:

- A markup of the previous year's appropriations language in a massive appendix
- An explanation and justification narrative
- Detailed accounting of the estimated spending effects of past congressional action integrated with those for the proposed budget
- A presentation of the budget effects of new legislative initiatives, including changes affecting revenues, to be transmitted in the weeks to follow the formal budget submission

The President's Budget proposals and the supporting documentation, often characterized as "dead on arrival" when presented, in fact provide an essential starting point and fully specified blueprint for Congress to follow and modify in developing legislation to raise revenues and direct spending. The massive analytical work in the executive branch undergirding annual budget development could not begin to be replicated by Hill staff.

The extent to which management challenges are addressed in the President's Budget can be assessed by looking at the numbers. A fact sheet accompanying the FY 2024 Budget[12] itemizes "more than $500 million to modernize services, reduce administrative burdens, pilot new online tools and technologies, and improve agency capacity to improve service delivery." Examples include $163 million for the State Department to put more passport services online, and $119 million for General Services Administration (GSA) to support shared services such as web design and digital analytics. In the context of a $7 trillion overall budget, such spending does not loom large. Moreover, the amounts proposed for investments to modernize the government's use of technology and to improve the skills and effectiveness of its workforce do not match the need as estimated by external observers, such as the Technology CEO Council, not to mention the resources needed to meet new cybersecurity threats and to seize emerging opportunities such as those presented by artificial intelligence (AI).

While the President's Budget has presented a separate President's Management Agenda since 2002, OMB has not presented a comprehensive, governmentwide plan and strategy to overhaul and strengthen management of the government's far-flung responsibilities, accelerate the adoption of modern systems and business methods, and address shortfalls in its performance. Such a plan would outline the government's strategy for integrated deployment and investment of resources devoted to improving management and performance. This plan and strategy, integrated with the President's Budget, could help individual agencies facing common management challenges to develop and implement shared solutions, improve the experiences of their partners and customers, and drive better performance.[13] The plan might propose investments in technology-driven shared solutions, new systems and business processes, and other ways to address cross-agency or governmentwide challenges—including new ways of managing contractor and

11. A brief history of OMB's work and summary of its current responsibilities and organization can be found in *OMB, An Insider's Guide* (2020) authored for the 2021 presidential transition by more than 20 former OMB policy and career officials.
12. https://www.whitehouse.gov/omb/briefing-room/2023/03/09/fact-sheet-president-bidens-budget-improves-customer-experience-and-service-delivery-for-the-american-people/.
13. In 2018, after collecting ideas from the executive agencies, the Trump Administration presented a plan for 'structural realignment' of the executive branch separate from the President's Budget, see OMB (2018). https://trumpadministration.archives.performance.gov/GovReform/Reform-and-Reorg-Plan-Final.pdf.

grantee relationships, administering credit and insurance commitments, minimizing operating risks that arise from cybersecurity and other external threats, enhancing workforce skills and engagement, streamlining procurement, and strengthening financial systems. And the plan could include realistic estimates of the resources needed to fully fund this strategy, as well as estimates of the returns on those investments in the form of efficiency savings and better results.

During Congress's Consideration of the Budget and Appropriations

Improving how well the government manages its broad array of missions and policy objectives has been a perennial focus of Congress and successive administrations. As noted, a series of laws designed to strengthen one or more dimensions of federal management has contributed to the integrity and transparency of government's finances and more cost-effective use of budgeted resources. These statutes have refocused agency planning, reporting, and implementation on performance goals and targets, using evaluation research to build evidence of what works, learning from experience systematically, and beginning to apply this evidence and experience in regular reviews to drive performance improvement. However, a parallel shift of focus and attention has not occurred in the way Congress approaches the annual task of reviewing and enacting legislation that governs spending and revenues.

If Congress were to play a larger and more proactive role in promoting better executive management, it has already constructed important building blocks. As noted above, GAO provides management expertise and generates many insights on how to improve administration and capture efficiency savings. The House Committee on Oversight and Accountability, and the Senate Committee on Homeland Security and Governmental Affairs, focus on oversight and legislation to remedy management weaknesses and promote better stewardship of federal spending. However, these institutions do not play a direct role in the budget process. Since 1974, the Congressional Budget Office (CBO) has been the neutral arbiter of what legislative actions cost, and their expert analyses also add to Congress's and the public's understanding of how legislative actions could affect the budget and the economy under current administrative arrangements.

The U.S. Congress plays an outsize role in budgeting when compared to the national legislatures of all other countries. Congress takes much more time to consider and enact annual appropriations, with the process routinely extending well past the start of the fiscal year through continuing resolutions and occasional appropriations lapses that delay final enactment. The uncertainty, delays, and extra work for executive agencies to plan for potential shutdowns due to such lapses add to management burdens.

As the time spent working under a series of continuing resolutions extends into the year, program spending limits and accompanying terms and conditions become progressively out of line with emerging needs. Agencies cannot undertake new initiatives, sometimes delaying crucial actions. When the government shuts down, operations other than those addressing immediate threats to life and property must cease, and after a shutdown most employees are paid for work that they were not permitted to perform under the terms of the Antideficiency Act. Work on many contracted projects can be interrupted, impacting program delivery and putting government contractors at financial risk. The corrosive and cumulative effects of this approach to governance are largely hidden and hard to quantify, but they certainly include damage to staff morale and agencies' ability to retain and recruit talented people needed to lead and run a modern government.[14]

14. Joyce (2012) provides a careful analysis of the effects of delayed appropriations and shutdowns and suggests possible remedies. GAO (2018) provides a similar assessment.

Finding ways to use limited resources more effectively might seem a natural and central focus of the congressional budget process. The Budget Resolution intended to shape Congress's annual budget process presents an unrealized opportunity for the budget committees to instruct other committees on how to achieve budget savings through legislatively imposed management reforms. This use of the Budget Resolution for this purpose seems unlikely in the near future, however, given the problems with achieving regular order in the congressional budget process as laid out in the 1974 Congressional Budget and Impoundment Control Act.

Appropriations constitute the main venue to direct executive agencies on using budgeted resources to manage better.[15] In recent years, there has been some progress in obtaining additional funding for information technology investments and for enhanced management.[16] But, in the competition for attention in annual appropriations, management initiatives that require new resources or changes in spending authority often go unaddressed. The process by which budgets and policies are developed, and the constraints and pressures that decision makers face, place investments in improved management at a structural disadvantage. Ways that the current annual process does not account for management improvement include the following.

- Investments in new systems and administrative capacity are crowded out in the appropriations process by programs with strong constituencies. Interest groups and attention to the needs of voters in particular districts or states drive most choices within whatever spending level is established for the coming year. Members naturally prioritize spending that benefits their constituents directly over that which contributes to general improvements in management capacity.

- Appropriations are siloed by agency and program, with no subcommittee focused on and responsible for addressing barriers to improved delivery that are shared across agencies or authorizing mechanisms to pool resources for shared solutions. There is no obvious place in the appropriations process to consider funding for governmentwide or cross-agency investments to address frequently identified weaknesses, or to fund investments in central or shared administrative processes for functions common to multiple agencies. For the last several years, Congress has partly addressed the need for investments in modern technology by capitalizing a central Technology Modernization Fund (TMF), a financing vehicle that agencies can tap for technology improvements through a competition administered by OMB and the GSA—but the TMF is limited in scale and the subject of further evaluation of its workability and benefits (see TMF box).

- Agencies and their appropriators are not rewarded for or incentivized to achieve administrative savings due to scoring conventions and procedures that reinforce the prevailing short-term perspective of both legislators and political administrations. Scoring rules require that budget authority for the full cost of such initiatives be appropriated in the first year. By charging the full cost upfront, these rules penalize investments to modernize federal systems. As discussed below, the rules and CBO scorekeeping procedures rarely recognize or credit committees with offsetting savings from subsequent administrative efficiencies. Because appropriators cannot record savings from investments in management improvement that will generate a future stream of administrative savings to offset spending in the first year, they therefore have no incentive to prioritize such investments.

15. While discretionary programs—including salaries and expenses for administering mandatory entitlement spending programs—receive intense annual scrutiny in the congressional process, other parts of the budget may not. There is no recurring routine for review of mandatory programs or revenues, including provisions of the tax code that favor certain sources or uses of personal and corporate income. Revenue losses from these 'tax-expenditures' total more than annual appropriations; those for housing and homeownership, for example, outweigh HUD's annual spending by more than 3 to 1.

16. These include funds for the Technology Modernization Fund (discussed below), the Information Technology Oversight and Reform account, the Federal Systems Services Fund, and the U.S. Digital Service, see OMB (2022). Outside the regular budget process, Congress provided a substantial increase in IRS funding for tax enforcement as part of the Inflation Reduction Act.

Technology Modernization Fund

The TMF was authorized and provided initial funding in the Modernizing Government Technology Act, part of the 2018 National Defense Authorization Act. The Act also authorized large agencies to establish IT working capital funds they can use to address cybersecurity needs, move to cloud technology or other innovative platforms, and for other specified purposes. Funds are awarded competitively through a recurring process; and projects are monitored by a board consisting of seven senior executives from GSA, OMB, DHS, and other offices, who have technical expertise. From its establishment through fiscal year 2023, the TMF had awarded funds totaling over $750 million for 47 projects across 27 federal agencies. Projects have prioritized systems modernization, cybersecurity needs, and public-facing digital services.

Since receiving $1 billion of additional funding in the American Rescue Plan in 2021, The TMF has prioritized projects that cut across agencies, address immediate security gaps, and improve the public's ability to access government services. Applying agencies are asked to detail in their proposals to the TMF board how their projects will "dramatically improve service quality through modernization" and to detail cost savings the project may generate. Projects are expected to leverage commercial capabilities and industry best practices where applicable in order to manage risk during execution and throughout the life and maintenance of the project. In a recent OMB/GSA solicitation, "agencies are encouraged to submit joint projects and pursue shared services and common platforms."

Reflecting continuing skepticism of the TMF approach, Congress only provided another $50 million in 2023 and the Senate's appropriations subcommittee proposed rescinding $290 million of unobligated balances to offset other priorities for FY 2024. It was originally expected that TMF funds would be repaid over a period of years, with repayment funding coming from agency cost savings and cost avoidance. This would create a revolving fund for future investments. However, agencies have so far found it difficult to produce cost savings large enough to repay the TMF for its operating costs, and agencies have been given more flexibility on repayments. Payback to TMF over up to five years and flexible repayment terms can be requested. It is not clear how many investments can pay for themselves through future savings.

TMF investments may be limited by assumptions about the availability of out-year agency appropriations. Often the procuring agency is counting on financial savings from shared services by "turning off" an old system as it moves to the new system, perhaps a shared service provided by another government or commercial provider. However, that agency often does not make the difficult decision to actually turn off the existing systems to capture the expected savings, requiring oversight to track the decommissioning of old stand-alone systems to capture savings.

Whether the TMF continues to be supported by Congress depends on evidence of results, and that evidence depends in part on the extent to which the TMF enables capture and reuse of savings from funded projects.

Appropriators live in a one-year-at-a-time world, where they fund government operations for the coming fiscal year and focus on finding room within their subcommittee's annual allocation of budget authority (BA) for agencies and programs within their jurisdiction, which serves as the "top line" resource ceiling guiding their work. Each subcommittee can only authorize spending up to that BA total, or beyond that total if they authorize offsetting collections such as user fees or cancelling unobligated balances from a past year, with all actions scored by CBO netted out to equal that year's total allocation. Because most administrative funding must be obligated within the fiscal year, agencies also must take a short-term focus in budget execution, rushing to use resources before spending authority expires at the end of the year.[17] This focus on the here and now runs counter to long-term planning or funding solutions that require upfront investment to yield ongoing returns from efficiencies.

An exception has been made to this limitation in years when statutory caps on appropriations are in effect, by adjusting the caps for specific program integrity initiatives that can result in reduced overpayments and fraud for specific programs. These legislated exceptions allow appropriators to include funds for these initiatives in their bills without having the BA charged against their established top line allocations.[18] However, there is currently no mechanism by which appropriators can receive credit against their allocations for the out-year savings that result, which can be a multiple of the spending they authorize for these activities.

Another exception to this pattern was implemented starting in 1992 by the Federal Credit Reform Act, which requires appropriation of the expected life-time cost to the government of extensions of credit for a particular purpose, either in the form of direct loans from the Treasury or guarantees against losses on loans made by a private lender.[19]

Hypothetically, the expected positive cash flows or reductions in spending in future years generated by investments in management improvements could be netted against the upfront cost of such investments. For example, discounted savings from reducing improper payments or allowing elimination of duplicative and wasteful processes could be netted against the upfront cost of the investments that enabled those savings, as scored against the appropriators' annual BA 'top line.' However, as noted above, current scoring rules do not permit recognition of these offsets, so appropriators have little incentive to prioritize such investments within their yearly constraint.

17. Lieberman, et al. (2017) have shown that this pattern results in wasteful end-of-year spending
18. These cap adjustments for program integrity funding are discussed in OMB (2023a) pp 32-34. Current and proposed adjustments include those for Social Security disability reviews, health care fraud and abuse controls, and Unemployment Insurance integrity activities.
19. The Federal Credit Reform Act of 1990 (FCRA) allows special budgetary treatment for federal loans made to non-federal borrowers. Specifically, the subsidy cost of the loan (cash outflows minus inflows) is reflected in the budget in the year the loan is made. The intention is to improve the information available to decision-makers about relative cost of various credit programs relative to one another and relative to non-credit programs at the point they are making budget choices, and thereby improve the incentives for efficient use of budgeted resources. For a discretionary, i.e., annually appropriated, credit program, the budgeted budget authority and outlays for the coming year's extension of credit are defined as the net present value of the cash flows to and from the Treasury—including fees charged and default losses—over the life of this loan cohort, discounted at the Treasury's cost of funds, an amount which may be positive or negative and typically represents a small fraction of the face value of the loans. Ironically, the decision in 1992 to exclude administrative costs from the credit subsidy calculation and appropriate these separately means that appropriators cannot receive credit for the effects of administrative investments to improve loan performance. Including those costs in the subsidy calculation would give them a strong incentive to appropriate for such changes where these would lead directly to better underwriting and management of credit risks and thus allow them to record a large reduction in subsidy cost in the year these were enacted. A recent review of credit reform procedures and how they are used in the budget process can be found in GAO 22-105280. https://www.gao.gov/assets/730/721976.pdf.

As previously mentioned, Congress has passed a series of laws designed to improve federal management by imposing requirements for attention to performance and results, and to strengthen specific elements of federal management including financial accounting and reporting, data and evidence, and IT investments. While well-intended, such measures have reinforced an already compliance-focused operating environment, compounding the executive branch's challenge of dealing with detailed instructions on funds use provided in annual appropriations acts and accompanying reports. It may be time to consider integrating and streamlining this layered set of legislative directives, and instead to set standards and targets for administrative efficiency and other dimensions of effective management—such as improved workforce productivity, better customer service, easier and fairer service access, greater capacity to address risks to operations from cybersecurity and other external sources, and increased agility and responsiveness to changing technologies or operating conditions. The resulting increase in executive administrative discretion and agility might better support congressional goals of holding the executive branch accountable for improved management, measured by achievement of specified outcome targets.

A fundamental problem for federal management with the current approach to appropriations arises from the detailed direction imposed on agencies for how spending authority is subdivided and conditioned. The discretion of federal managers to apply funds in the service of legislatively prescribed missions is hampered—except in cases of some small agencies and accounts—by layers of highly detailed instruction in appropriations language and accompanying reports.[20] For the Defense Department, congressional direction also comes through annual enactment of the massive defense authorization bill.[21] The reemergence of member earmarked funding for special projects in individual districts adds another layer of direction and control in many programs, reducing the amounts allocated either at the discretion of program managers and consistent

20. A National Academy of Public Administration (NAPA, 2021) study panel found that the flexibility of budget execution for the National Marine Fisheries program, itself a line-item within the NOAA appropriations account, was limited by a combination of statutory requirements, the historical precedence of past budget allocation decisions among its various components, and funding appropriated for special purposes. Appropriations report language sets amounts for 14 program, project, or activity lines within the total, further allocated to specific uses within those 14 by report language that directs amounts within the total to a particular fish population or coastline segment, presumably of interest to a particular member. NMFS is prohibited from transferring funds across these boundaries without a reprogramming request.

21. An interim report of Congress's Commission on Planning, Programming, Budgeting, and Execution Reform (2023) says increased "flexibility to adjust to emergent needs and warfighter requirements during the year of execution is critical in the DoD, especially for high-tech programs whose technology can change and evolve quickly in the more than two years often required to complete the PPBE process and congressional review (p. 3)."

with national program priorities, or to address novel opportunities and challenges. Managers who would otherwise have flexibility to pursue the most cost-effective means to achieve their missions, and could then be accountable for the results promised in their plans and budgets, must focus instead on wrestling with constraints imposed by Congress—failure could result in either an Antideficiency Act violation or subsequent retribution by their appropriators.

The U.S. sits at a far extreme in this regard when compared to other countries.[22] Most others enact appropriations with far less detail and constraint, using broad language to describe permitted uses, and further permitting central or agency executives to shift funds between accounts or programs (often without prior legislative approval). An analysis of Organization for Economic Co-operation and Development (OECD) member countries finds that "out of the thirty-one countries permitting reallocation, only eleven require the approval of the legislature for the reallocation, and four countries only require ex-post approval."[23] Apart from the U.S., only three OECD countries require approval by both the legislature and individual executive agency head for reallocation of funds between accounts, although many set certain thresholds on the amounts that can be shifted. As a consequence, the U.S. approach blurs accountability for the results of spending. Rather than hold the executive branch responsible for delivering on its promises, Congress focuses oversight on whether each agency complies with detailed directives.

In Budget Execution

A culture of compliance in the federal bureaucracy contributes to the problems of efficiently executing budgets. Former White House technology leader Jennifer Palkha describes the many instances she has encountered where "maximalist interpretations of rules, regulations, policies, and procedures take precedence over mission."[24] As noted above, some of this behavior arises from the nature of large organizations, some is in response to the particular emphasis in government on strict adherence to detailed statutes, and some arises from the way Congress entangles government agencies in a web of detailed direction on how to use appropriated funding. An alternative vision for federal administration is offered by the work of the Agile Government Center at the National Academy of Public Administration (NAPA), which presents principles for and practical steps toward a new management paradigm where:

- The top priority is customer or end-user satisfaction
- Staff members are empowered
- Small teams work in multiple short periods of time
- Individuals operate within a focused set of networks
- Innovative tools and working approaches facilitate new thinking and support problem solving
- Risk is identified and addressed early
- The focus is on doing, not documenting NAPA and PMI, 2020[25]

22. The author is indebted here to Howell Jackson, Thomas Freeman, and Joachim Wehner for their insights from their comparative analysis of appropriations language and processes.
23. See Freeman, 2021, p. 10.
24. See Pahlka, 2023b.
25. National Academy of Public Administration and Project Management Institute. Building an Agile Federal Government, A Call to Action, December 2020.

Moving the federal government toward this very different management approach could be facilitated by assessing how enacted budgets are currently executed, and considering possible ways to improve the results.

Executive agencies are largely responsible for budget execution—with OMB[26] and the Treasury Department[27] playing supporting roles—and for addressing their own management challenges. Mission support functions common to all agencies—such as procurement, hiring and personnel decisions, and financial management—might be centralized, but are instead dispersed across the government. Institutions that have governmentwide responsibilities—the Office of Personnel Management (OPM) for personnel policy and GSA for purchasing and real estate—guide but do not displace the responsibilities of individual agencies. A large private organization might find it easier to centralize such functions, but federal agencies often pursue their own unique solutions. Agencies facing common problems fashion similar or duplicative systems, perhaps without recognizing opportunities to share services. This can waste resources and lead to suboptimal results.

Successive administrations have recognized this problem, and have provided individual agencies with choices other than simply relying on their own resources. Rather than imposing centralized services, the approach has generally been to create options for agencies to purchase services from other agencies (or in certain cases from commercial providers) that have demonstrated success in a particular function, such as payroll services or financial management. Promotion of shared services began in the early 2000s with the consolidation of payroll and some other administrative functions. Multiple administrations have since focused on creating entities that could provide common business functions across government, to encourage and facilitate cross-agency solutions.

The 2000s also saw the rise of the term "Lines of Business," which looked at common business functions across government to identify opportunities to transform and streamline operations by sharing services. The Obama administration looked specifically to IT as a shared service, releasing the Federal IT Shared Services Strategy[28] that provided guidance for federal agency chief information officers and key stakeholders. This guidance focused on the implementation of shared IT services as a principal component of efforts to eliminate waste and duplication, with the intention to reinvest in innovative mission systems.

In 2014, the Unified Shared Services Management (USSM) office was created in GSA to guide agencies in these efforts (USSM was later integrated into GSA's Office of Shared Solutions and Performance Improvement, or OSSPI). In 2017, GSA established a Centers of Excellence (CoE) program to accelerate IT modernization across the government, deploying subject matter experts to work with agencies to facilitate adoption of modern technology.

26. OMB's role is limited to what is usually a largely ministerial function, execution of written apportionments before agencies may spend their appropriations.
27. The Treasury retains traditional responsibility for revenue collection, cash management, and debt issuances, functions viewed as central to orderly and sound management of the government's finances.
28. https://obamawhitehouse.archives.gov/blog/2012/05/02/introducing-it-shared-services-strategy.

In 2019, the Trump administration created a system for assessing which agency functions—such as payroll or cybersecurity—have consistent standards across government, and which specific departments would be best positioned to act as leaders in those areas. For each of four service categories, OMB Memorandum M-19-16 designated a single agency as the Quality Service Management Office (QSMO) to help manage that function from end-to-end. The four shared services offices were:

- Human Resources Transactions—General Services Administration (moved to OPM under the Biden adminstration)
- Financial Management—Treasury Department
- Grants Management—Health and Human Services Department
- Cybersecurity—Homeland Security Department

The small QSMO staffs take various steps to build a marketplace for a particular mission support function, and to broker solutions offered either by commercial vendors or federal agencies.

Progress over the years on this approach has been incremental and scattered. Evidence of benefits in the form of cost-savings and service improvements remains hard to find. But the executive branch has slowly built a body of experience with shared functions, and such opportunities extend beyond the four functions addressed by the QSMOs. Another continuing focus has been on bulk procurements of common commercial items managed by GSA. The Bureau of the Fiscal Service in Treasury, which centrally manages disbursements to federal contractors and grantees, is developing a governmentwide business architecture as a foundation for modernizing these shared services. The Biden administration has launched a new centralized strategy for sharing and managing acquisition across the government, and negotiating common enterprisewide software licenses that it estimates could save $10 billion annually.[29]

The challenge of sustaining shared services in the current administrative and budgetary regime is highlighted by the recent struggles of the National Finance Center (NFC), established in 1973 and housed in the Department of Agriculture. NFC provides payroll and related services to over 170 federal employers in all three branches of government, funded by fees it charges customers for its services. Independent findings of a NAPA study panel highlight the challenge of managing shared or common business functions under current arrangements (see NFC text box).[30]

29. Details are provided in the administration's fact sheet on the initiative. https://www.whitehouse.gov/omb/briefing-room/2023/11/08/fact-sheet-biden-harris-administration-announces-new-better-contracting-initiative-to-save-billions-annually/.

30. See NAPA, 2023.

National Finance Center

Selected Findings and Recommendations of NAPA Study Panel

A 2023 NAPA study panel found numerous structural and management problems threatening to undermine its operations, among them:

- NFC's current funding structure and practices have limited the flow of the financial resources it needs and contributed to the deterioration of its systems. Appropriations rules and practical considerations together constrain the amount of fees NFC can charge its customers, who have their own budget constraints. The U.S. Department of Agriculture (USDA) offices are themselves customers, and while NFC's service to its internal customers is deteriorating in part from lack of funds, it still generally receives neither appropriations from Congress nor dedicated financial support from USDA.
- Because its operations do not fully align with USDA's mission, NFC does not always get the direction and resources it needs from Department leaders.
- Decades of inadequate investment in its IT systems have left NFC running its operations and services on antiquated code and systems that are not user friendly, contributing to customer dissatisfaction with its services—several would migrate to another provider if they could.

Because NFC cannot fund its near-term modernization needs by relying on user fees, it will need to explore and pursue a variety of funding sources. The NAPA Panel's recommendations to stabilize the NFC include advice to:

- Ask Congress to make NFC's cost-recovery authority for capital investments more flexible.
- Continue to seek internal and external funds and direct appropriations to fund modernization projects.

Stabilizing and modernizing the NFC will probably require a significant capital investment in new systems either through the regular budget process or from already appropriated funds awarded competitively from the Technology Modernization Fund. The NFC experience also raises questions about whether such operations can receive attention when they are a small part of a huge agency, such as USDA, that has many larger priorities.

In addition, because most federal services are delivered through grantees at state and local levels or with support from contractors, the scope of management improvement must encompass these partner relationships. The federal government administers hundreds of separate grants-in-aid programs—both competitively awarded and distributed by formula—through 51 federal agencies to over 131,000 recipient organizations, generating over $1 trillion in obligations in 2022 and over four million transactions annually. Delivering the best results from these relationships is a challenge, both for the federal government and recipients. From a federal perspective, there is a need for accountability to ensure that funds are used to advance national objectives and not diverted or misapplied. Recipient governments and private organizations have objectives that do not always align with those at the federal level. From a recipient perspective, federal reporting and auditing requirements, inconsistent rules for eligibility, and other problems arising because of the stovepiped nature of federal assistance complicate grant use to solve local problems. Recipients often seek greater flexibility through waivers of program rules that allow them to integrate funding streams and service delivery in addressing boundary-crossing problems. OMB recently issued proposed changes to its general grants management guidance to grantees (known as the Uniform Guidance) that would help in this regard, but much more could be done to support data-driven integrated delivery of multiple federal and non-federal programs focused on locally defined solutions.[31]

In many federal programs, contractors either provide federally funded services directly or serve as intermediaries. Private companies and large contractor workforces work with and alongside government employees to explore space, build defense systems, and deliver government-funded health care. Although the government has more control for contract performance than it does for grants, similar challenges arise from the difference between incentives for government agencies and their private sector contract partners. Prominent examples in the large health care entitlement programs include the roles played by managed care organizations in states Medicaid service delivery; and the intermediary roles played by insurance companies, hospitals and other care providers, and prescription benefit managers in the Medicare program. Ongoing experimentation in contract programs (including reform of Medicare reimbursements to physicians and other providers authorized in the Affordable Care Act and designed to reward better health outcomes, rather than merely paying for additional treatments) illustrates the complexity of these kinds of changes. Improving federal management to deliver better outcomes must include finding ways to manage partner relationships—aligning private incentives with public objectives where possible, and balancing private profits with the public interest in controlling costs while ensuring quality and fair access.

The challenge of designing contract and grantee relationships to better incentivize management innovation and produce greater value per dollar, without losing accountability for achieving results that advance national policy goals, is part of effective budget execution. This has received less attention than some might expect given the scale of these administrative arrangements as a proportion of federal spending and operations. Potential improvements in delivery funded through grants and contracts could create large cost efficiencies—as well as improved delivery in the form of greater customer satisfaction, more equitable access, and improved outcomes—for both the federal government and its partners.

31. See OMB, 2023c.

Options to Strengthen Budget Support for Better Management

After years when many leaders showed less concern with deficits and debt than other priorities, which included massive spending to deal with the COVID pandemic and its economic and social consequences, the U.S. government is likely entering a new era of efforts to slow or reverse the projected rise of federal debt. This will require painful choices. Several roundtable participants predicted that the projected annual deficits fueling a rise in overall federal debt will likely impose new budget austerity, enforced by tight budget caps and other spending constraints.

If past bipartisan agreements provide any guide, spending reduction will fall heaviest on discretionary spending subject to annual appropriations—the part of the budget that funds most investments in new management capacity. At the same time, this environment may increase appetites for management changes that would yield administrative efficiencies and budget savings, or would increase the government's ability to produce more with limited resources through investments in greater administrative capacity. Policymakers interested in reducing deficits without abandoning their priorities or weakening performance, and those who oppose revenue increases to pay for more government, may each gravitate toward management efficiencies as the least painful way forward.

Participants in the roundtable explored a range of ideas for strengthening attention and support in the budget process for improved management. These ranged from modest rules changes to bolder moves and more far-reaching changes in the process. Drawing on their ideas and other sources, this section presents a menu of options for possible action.

When Developing the President's Budget

The executive branch, within a framework provided by the Government Performance and Results Act and other legislation, has developed a process to identify and pursue opportunities for management improvement. However, more attention could be given to management in the annual process of developing the budget, and a full plan to address the executive's management needs could be included in the budget.

Roundtable participants addressed these questions:

- What changes in the executive branch budget development process and other routines would increase attention to deploying resources for management improvement?
- What additional steps can OMB and other central agencies take to lead a governmentwide effort to incentivize modernization of administrative systems?
- How can OMB best work with agencies in developing recommendations to Congress for ways to increase management efficiency, including specific proposals for legislation and budget initiatives advancing management improvement objectives?

Options to give greater attention to management challenges during development of the president's annual budget ranged from modest first steps to bolder moves to transformative actions.

Modest First Steps

- **Strengthen the linkage between agency management routines and agency budget development, and give management proposals greater attention in OMB budget reviews.** The routines established for agency strategic planning and review, enterprise risk assessment, developing learning agendas, and quarterly data-driven reviews for priority goals are used in many departments and agencies to identify barriers to mission achievement. However, not all agencies connect these with their traditional processes for budget development. Similarly, OMB's review of agency budgets encourages but does not ensure consideration of management investments and administrative efficiencies in the annual budget process. Revisions to OMB Circular A-11 and other actions could reinforce this critical link between policy and management in the executive's budget development process. Presentations in the President's Budget—for cross-cutting and agency-specific management investments—should emphasize why these are necessary to achieve the administration's policy goals, and to ensure effective use of requested programmatic resources.

- **Conduct management reviews of select cross-agency and governmentwide initiatives for inclusion in the President's Budget.** In OMB's spring and fall review process, enterprise-wide and multiagency initiatives to address management challenges common to multiple agencies could be identified. Agencies with governmentwide responsibilities, including the U.S Office of Personal Management (OPM) and GSA, could participate. The reviews—conducted by the budget and management staffs jointly—would determine which policy implementation challenges should be prioritized for a governmentwide or multiagency initiative, and which are agency-specific. Ideas to meet these challenges could be further prioritized based on their potential contributions to cross-agency collaboration, better customer experience, more equitable access to government services, and long-term savings from increased administrative agility and efficiency. Resulting proposals could be priced and included in the President's Budget.

- **Use the IT budget review process to prioritize and centrally direct information technology investments.** The 1996 Clinger-Cohen Act requires OMB to establish a budget process for analyzing, tracking, and evaluating the risks and results of IT projects. This guidance has evolved and now encompasses production of the annual IT budget. This could be strengthened by making IT budget review more visible, and using findings to direct agencies on how they acquire, use, and dispose of information systems. This direction could point agencies toward shared solutions where appropriate and cost-effective.

- **Build on and renew previous proposals for a Federal Capital Revolving Fund.** First proposed in the FY 2020 President's Budget, this approach addresses a major scorekeeping barrier to appropriations for capital projects, such as new facilities construction, that contribute to improved management.[32] The uses of such a fund could be expanded to include purchase or development of new information systems and other technology investments to increase governmentwide delivery capacity.

Bolder Moves

- **Develop and present in the President's Budget a prioritized and fully priced multiyear plan to address the government's capital needs.** Many countries have a regular capital planning process as part of their financial management.[33] The best such processes prioritize projects—both internal and to build economic assets for growth—based on "value for money" or expected returns to society and the budget. In developing the President's Budget, agencies could prioritize investments in capital assets that would over time

32. See https://www.theartofscorekeeping.org/wp-content/uploads/2019/05/FCRF-discussion-in-2020-Analytical-Perpectives-volume.pdf.
33. See Burger and Hawkesworth, 2013.

remove impediments to effective implementation. Potential capacity building investments could be ranked by expected return and urgency; estimates could be made of upfront capital costs and expected offsetting long-term savings to the budget, along with other benefits; and proposals could drive a comprehensive multiyear plan to modernize and optimize the government's administrative systems.

- **Include estimates of administrative capacity improvements in requests to increase funding for established or new programs.** Major policy initiatives typically appear in the President's Budget with little regard to the increased administrative capacity or reengineering of business processes required to implement them successfully. Making these costs explicit and visible by including them as separate line items for each proposed major spending increase or new program, possibly with accompanying proposals for administrative savings to offset these costs, would increase congressional attention to the need for investments in improved administrative capacity.

Transformative Actions

- **Conduct indepth spending reviews for selected policy objectives to inform options for more productive resource use.** Spending reviews for major policy objectives have been introduced as a feature of budget development in some OECD countries to identify options to increase value for money, including efficiency improvements, thereby yielding budget savings. These were pioneered in the Netherlands, and used after the global financial crisis by countries to create fiscal space and reprioritize expenditures in a period of fiscal constraint.[34] Lessons from that experience include:
  - Staffing of the reviews to represent the relevant range of substantive expertise in each policy domain, economic analysis, and budget issue
  - Separating the analytical phase of the review from the political decision-making process to prevent political and institutional bias[35]

Redburn and Posner have described how this approach to budget development could be adapted to the U.S. context.[36] For selected policy objectives, indepth reviews would be launched well in advance of the first budgets to which they apply. The relevant portfolio of policy tools—spending, tax expenditures, regulations and administrative actions—would then be identified. These would be evaluated for their cost-effectiveness, taking into account their interactive and combined effects and influence on external actors. Next, an indepth review would apply the best available evidence to identify alternative strategies—one of which, when fully researched and vetted, would be included in the President's Budget. To aid budget development for the Department of Defense (DoD), the Commission on Planning, Programming, Budgeting, and Execution (PPBE) Reform is now considering proposing similar changes to DoD's annual budget development process to improve alignment of budgets to strategy, and exploring ways to strengthen analytic support for budget choices through greater use of operational measures. This could involve using strategic goals and measures of operational performance, and linking these metrics back to the strategy to facilitate a more continuous planning approach.[37]

34. See Tryggvadotir, et al., 2022.
35. See de Jong, 2023.
36. See Redburn and Posner, 2015.
37. See Commission on PPBE Reform, 2023, p. 4.

During Congress's Consideration of the Budget and Appropriations

Congress can pay more attention in its budget and appropriations processes to measures that would increase government's capacity to perform. Greater visibility and attention during budget decision making to improved government management could support investments that would free up administrative resources over time. This could help pay for future management improvements. Greater attention to management improvement in the congressional budget process may require process changes to help members identify and enact measures that promise potential multiyear savings, resulting in some cases from near-term investments in improved administrative processes and supporting systems.

Roundtable participants sought to answer these questions:

- What critical components of a centralized annual congressional process can increase attention to management improvements, and direct and reward committees for legislative initiatives that save money and improve mission delivery? Who should manage and track this process, and determine how savings can be scored?
- Given that most investments in management improvement and resulting administrative savings are subject to appropriations, how can appropriators be incentivized to fund investments promising high returns?
- How can congressional communications with the executive branch be streamlined to provide OMB and the agencies greater flexibility to manage effectively while holding them accountable for meeting targets to improve efficiency?

Modest First Steps

- **Expand use of the cap adjustments for program integrity initiatives.** The current cap adjustment approach described earlier in this paper could be extended to other initiatives, giving appropriators more opportunities to enact them without the budgetary cost being charged against their annual BA allocation. As long as OMB and CBO agree that the savings can offset the additional spending, the funding would not trigger spending above the caps. To support this change, scorekeepers should develop a body of evidence for the size of these effects based on analysis of past similar investments in the federal government and elsewhere. However, as noted, the use of these adjustments depends on prior enactment of caps on discretionary spending and explicit authorization of the cap adjustments for particular initiatives that, based on strong evidence, can be expected to produce future savings from reduced overpayments and fraud. The benefit of this approach is limited because appropriators have no mechanism to capture and credit the resulting stream of savings in programs budgeted through mandatory spending, greatly weakening their incentive to identify and enact such initiatives.
- **Change scorekeeping conventions to credit appropriators with administrative savings expected to follow from capital investments and other measures to increase management capacity.** Because most investments in improved administrative capacity affect discretionary spending, and because appropriations subcommittees must fit their decisions within one-year allocations, scorekeeping conventions that work against such investments could be revisited. Ways could be found to properly incentivize appropriations for these purposes, such as crediting committees with the estimated present value of future administrative savings from capital investments and other actions to increase executive management capacity and discretion, as an offset to the up-front cost of these management improvements.

Another option would be to establish a new budget process rule that allows additional funding beyond the caps for specific purposes and gives scoring credit for savings over the next five years— essentially giving appropriators a Pay-As-You-Go (PAYGO) scorecard for management improvements they enact that produce multiyear savings.

- **Extend the planning horizon for appropriations to two years or longer.** The standard for budget planning in most OECD countries sets spending and revenue targets and establishes broad parameters for more detailed annual appropriations action over a medium-term (typically four-year) horizon. An interim report of Congress's Commission on Planning, Programming, Budgeting, and Execution Reform asks that appropriators consider allowing two years to obligate funding for operations and maintenance for military personnel, or selective carryover of these funds into the new fiscal year, in order to improve management incentives.[38] This principle could be applied across the budget to selected agency and multiagency management investments necessary for effective execution, where obligations will extend over multiple years. Moving to a multiyear horizon for planning and executing budgets would involve changes in congressional procedures and establishing a multiyear scorekeeping process for appropriations. Given the demonstrated difficulty of completing appropriations by the start of each fiscal year, a multiyear process that supplements without completely supplanting annual reauthorization of discretionary spending merits consideration. In addition to reducing the burden of enacting annual appropriations, a benefit of moving toward a multiyear planning horizon for funding and obligations would give greater attention in both congressional consideration and budget execution to investments with multiyear payback through administrative savings.

Bolder Moves

- **Adopt funding mechanisms that permit agencies to retain and reinvest administrative savings, and use these savings to accelerate government modernization.** Innovative models for funding capital facilities, such as the Technology Modernization Fund and GSA's revolving funds to reimburse agencies for Citizen Services and Capital Improvement, might be models and building blocks for this change. Agencies could be permitted in more cases to retain unused end-of-year funds for salaries and expenses, including those generated by administrative efficiencies, and transfer them to working capital funds for investments to enhance future performance or to purchase shared services from another agency or private provider.

- **Reserve a portion of the annual allocation of budget authority to appropriators for decisions at the full committee level, to fund governmentwide management capacity support.** This would provide a new central venue for making funding choices addressing whole-of-government needs for management improvement and to address new threats to performance. For example, the Committee could authorize a pool of funds for the administration to use for designated investments such as shared services and technology modernization, following the TMF model. Criteria could be codified to ensure that these funds are used only where evidence shows likely long-term administrative savings and better program outcomes. A second reserve could provide the executive with a centrally administered reserve for emergency use, after proper notice and justification to Congress, to respond to and aid recovery from future shocks (such as a pandemic or major cyber attack). The latter reserve might equal the ten-year average of emergency and base funding for responding to and recovering from fires, floods, and other disasters arising from a mix of natural and human sources. Authorized uses of reserve balances might include steps to bolster readiness and resilience, where these would produce budget savings by reducing the cost of responding to potential future shocks.

38. See Commission, 2023.

- **Create a management resolution and scorecard for management improvements in budget-related legislation.** Prioritization of potential efficiency gains and performance improvements might be aided by centralizing responsibility in committees with responsibility for governmentwide management oversight—either in an annual or biennial 'management resolution' analogous to the budget resolution, or as a component of the budget resolution. Instructions to other committees to implement changes with scoreable administrative savings, drawn from GAO and other recommendations, could be included in the budget/management resolution and enacted through reconciliation. As noted above, GAO has provided a ready-made menu of options, with estimated savings, that could serve as the starting point for this direction. A multiyear vehicle, such as the Management PAYGO scorecard for appropriators described above, could enable tracking of the cumulative cost of management modernization investments, as well as the resulting out-year administrative savings resulting from these legislative actions. This scorecard could be used in a manner similar to the current PAYGO scorecard, as a basis for enforceable requirements to achieve budget savings over a multiyear period from specified management investments.

Transformative Actions

- **Reorganize the appropriations process around major policy objectives.** Rearrange appropriations subcommittee jurisdictions to better align with government functions and major government missions. Individual subcommittees could be given the lead for program portfolios that address major policy objectives falling largely within their purview, in consultation with other subcommittees for programs that fall under their jurisdiction. Subcommittees could fund comprehensive alternatives to current strategy for those objectives, including alternatives identified in portfolio reviews (discussed earlier in this report), in order to accelerate progress toward those objectives. In a similar vein for the Department of Defense, the Commission on PPBE Reform has proposed "a substantial transformation of the budget structure designed to clarify the budget's linkage to strategy."[39] For selected major objectives, appropriators could include changes in spending for mandatory programs (or affecting revenue losses for specific tax provisions) that support more productive use of budgeted resources and generate budget savings over a multi-year horizon, provided the net effect of the whole set of changes was scored by CBO as at least deficit neutral.

- **Reduce restrictions on executive flexibility in appropriations.** Contrary to the pattern in other developed countries, and despite creating a legislative framework for executive agencies to plan more strategic use of evidence to manage and improve delivery on their missions and report progress toward quantified outcome targets, the legislative branch has expanded its use of detailed direction and restrictions on the use of appropriated funds. Several steps could be taken to move in a direction more supportive of strategic, outcome-focused policy implementation and to allow managers to use budgeted resources more efficiently. For larger agencies, the large number of budget accounts could be collapsed into a smaller group roughly corresponding to the 400 or so strategic objectives in their strategic plans. Appropriators could reduce or eliminate directives in their bills and accompanying reports that limit and direct funding use, or make it clear that these directives are non-binding.[40] Limits on reprogramming and transfers of funds could be relaxed, perhaps by giving agency heads and the president authority to transfer funds up to a specified percentage of sending and receiving accounts to address management require-

39. Commission, 2023, p. 5.
40. Another example proposed by the Commission on PPBE Reform would redefine the 'color of money' in appropriations that currently directs use by activity type so that, for example, a single 'color of money' could be used for software development, procurement, and upgrade activities (2023, pp. 5-6).

ments, with prior notice and justification to Congress. These and other enabling changes would hold the executive branch accountable for budget execution and proper stewardship of appropriated funds, and would shift the basis for accountability from compliance with committee directives to achievement of promised outcomes.

In Budget Execution

Mechanisms can be devised to capture and reinvest savings from administrative improvements within the executive branch's procedures for executing enacted budgets, including through contracts and grants, and to incentivize agencies to take such steps. Where they face similar administrative challenges, agencies can be encouraged to direct resources to shared solutions. Federal grant and contract partners, including individual recipients of federal assistance who may have helpful insights on how to achieve national goals more effectively, may be empowered to apply these if given proper incentives and flexibility and relieved of unnecessary or redundant administrative requirements.

As discussed above, more agile and efficient administration can be facilitated by having congressional committees—especially appropriators—step back from detailed instruction on how funds are to be applied, and to authorize and promote greater administrative discretion where this directly contributes to better execution of the mission. Agencies can then more readily be held accountable for executing to achieve desired results, rather than for complying with process-oriented directives.

Roundtable participants explored these questions:

- Can agencies be incentivized to accelerate adoption of management improvements that require investments in technology, workforce skills, and business process improvements that yield gains in administrative efficiency and other dimensions of effective management by mechanisms such as gain-sharing and other means?
- How can agencies be encouraged to collaborate in developing and adopting shared solutions to common administrative challenges through mechanisms to pool funding for joint service purchases, through service purchase agreements, and other means that reward collaboration and integrated administration?
- How can intergovernmental grants management, contract management, and related administrative procedures support local and regional integration of federal program delivery to facilitate blending and braiding of funds, development of integrated data systems for joint services planning and integrated delivery, and by other means?
- How can the federal government best collaborate with state and local governments, contractors, and grantees to identify opportunities whereby contract and grant funds can incentivize management improvements?

Modest First Steps

- **Expand staffing and resources for the four established QSMOs and other shared services coordinating offices, to find and support shared solutions for other governmentwide mission support functions.** The existing Quality Service Management Offices (QSMOs) have performed well with small staffs in brokering solutions. However, they could address additional opportunities for agencies to purchase services from each other or from commercial sources. With additional staffing and stronger central support for their efforts through guidance to agencies, they also could provide additional technical advice and support in procuring shared services, thereby accelerating progress and increasing chances of success.

- **Develop governmentwide standards and best practices for successful use of shared services centers and franchise funds.** The problems facing the NFC[41] and similar efforts to consolidate mission support services, as well as those for administering agency working capital funds, could be addressed. OMB could draw on lessons learned over decades of experience with these instruments to support modernization efforts and avoid duplicative systems for common functions. Congress could work with the executive branch in identifying best options to reduce barriers to shared funding sources and to capitalize and sustain them.

- **Develop a suite of productivity measures for standard business processes common to many agencies, and use these to target opportunities to achieve productivity improvements.** The Bureau of Economic Analysis in the Department of Commerce could assist in developing productivity measures for common business processes, and in benchmarking these activities in individual agencies against government and private sector norms. These data could be used to target opportunities for major productivity gains through reengineering business processes and systems.

- **Find new ways to engage employees at operating levels, and tap their ideas for improving their own operations.** Most efforts to make government more performance and data driven have focused on the C-suite level. Although GAO has found increased use of performance information by program managers across government, much of the planning activity in agencies occurs without direct engagement by units with direct responsibility for delivery, other than through increased upward reporting.[42] Several immediate steps could be taken to tap into a well-spring of practical experience and expertise in operating units of the federal workforce. This could be part of a comprehensive long-term strategy to strengthen organizational health and performance, as outlined in a National Academy of Public Administration report.[43] OMB's Memorandum M-23-15, issued in April 2023, outlines steps that agencies can take to measure, monitor, and improve organizational performance, and how they can incorporate these into established routines for planning to improve mission delivery.[44]

41. See NAPA, 2023.
42. See GAO, 2021.
43. See Kamensky, et al., 2018.
44. See OMB, 2023b.

Bolder Moves

- **Use a centralized capital planning process and central revolving capital fund to plan and execute large, cross-agency investments in improved management capacity.** In addition to addressing a major scorekeeping barrier to appropriations for such projects, establishing a centralized process in the executive branch to plan and finance capital investments to modernize government's operational capabilities and coordinate implementation of shared solutions would address capital needs common to multiple agencies. This would involve prioritizing investments required to support interagency collaboration on joint initiatives to deploy new business processes exploiting new technology. Elements of this idea exist in the Technology Modernization Fund, the proposal to establish a Federal Capital Revolving Fund included in the President's Budgets since 2018, and GSA's Federal Capital Revolving Fund and Federal Citizens Services Fund.[45] Bolstering resources available for a centralized approach could be enabled through adoption of a general provision in appropriations, authorizing unspent balances of administrative expenses to move at the end of the year from agency budgets to a central fund for cross-agency investment.

- **Build new teams to lead implementation of cross-agency priority goals.** Cross-agency Priority (CAP) Goals set two-year targets for a limited number of management improvement efforts that address challenges faced by multiple agencies. The current approach to CAP goals relies on part-time leadership by senior officials, who in turn rely on existing agency staffs and structures. The limits of this approach contrast with how other large organizations drive changes in business process and culture; these outside initiatives generally require new structures and the full attention of leadership. OMB could use its convening authority on a selective basis to designate teams who can devote significant time to accelerating implementation of cross-cutting priorities, such as the current efforts to redesign, build, and deliver integrated services that transform the customer experience for key life events. Building on the success of recent efforts to reform federal permitting and personnel vetting processes, the CAP approach to driving change could be extended to other, more substantive cross-cutting policy goals—such as reducing homelessness or increasing climate change readiness—that must be addressed through coordinated action by a dedicated team over a longer horizon, partly by setting not only two-year but four-year outcome targets. This more ambitious application may in turn require a shift of strategy and funding to more productive uses identified through processes like portfolio budgeting. Employees who volunteer for these high-priority efforts could then be detailed on a long-term basis to the new teams.

- **Empower recipients of federal assistance to develop evidence-driven collaborative solutions for boundary crossing problems in their locations.** In addition to recently proposed changes to the Uniform Guidance on grants, other changes could support and facilitate locally developed solutions to complex problems that cross geographic, functional, and federal program boundaries. No-cost solutions that can have a big impact on state and local capacity to spend federal dollars effectively include those that allow funding to build integrated data systems and evaluation capacity, resulting in better use of resources for policy priorities.[46]

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45. Going farther, some have proposed separating capital and operating expenditures in the federal budget process, as U.S. States do. Others would adopt an accrual approach to budgeting for capital that records an annual contribution to capital reserves for replacement of depreciating assets, as is standard in private sector accounting. Studies of these changes have found that they would involve difficult definitional and measurement issues, would reduce transparency and be subject to manipulation of estimates, and would reduce control over budgeted resources (CBO, 2021).
46. Several such changes have been proposed by a coalition of state, local, and nonprofit executives and other leaders in response to the administration's request for comments on proposed changes to the Uniform Guidance for Grants and Agreements (Results4America, 2023).

Transformative Actions

- **Centralize responsibility for leading transformative changes across the government in how programs are supported, including through shared services, to address enterprisewide management challenges.** OMB, as the agency responsible for leading improvements in government management, could provide central direction for sweeping changes in government administration—and in proposing budget and legislative changes to support a systematic, long-term transformative changes in management systems and processes that would enhance governmentwide management capacity. This would include changes to facilitate collaborative administration of program portfolios and mission support for multiagency strategies to address complex cross-cutting policy problems. New authorities could be sought to organize cross-agency teams, blend funding streams at either federal and recipients' initiative, and integrate administrative operations as needed to support more effective management, eliminate or streamline duplicative structures, and increase productive use of resources. Rather than OMB taking on a direct operational role in managing governmentwide change, it could delegate the responsibility for particular components of the change process to appropriate agencies, while continuing to provide overall guidance and support.

CONCLUSION

The Government Performance and Results Act sought that in return for establishing ambitious goals to deliver better outcomes consistent with legislatively assigned missions and being held accountable for those outcomes, federal managers would be given greater flexibility to manage. But in practice, rather than giving executive managers and their staffs the flexibility they need to be more agile and responsive, budgets have underfunded the tools they need to manage effectively; moreover, appropriators have too often imposed well-intended layers of detailed direction, control, and oversight that reinforce the traditional bureaucratic culture of compliance and caution. The cumulative effect of inadequate funding for government modernization and layers of requirements that hamper effective management has reduced agency capacity and agility in an era when government must adapt its processes to opportunities offered by new technologies and business processes, and must be better prepared to handle systemic shocks that can destabilize both its own operations and the nation as a whole.

Partly because of weaknesses in how budgets are developed first in the executive and then in the congressional stage of the process, critical gaps have developed in the deployment of technology, and the government has responded sluggishly to opportunities offered by commercial innovation. New venues and procedures for proposing and considering capital projects, including those for shared solutions, would help reduce the large gap between federal and private sector rates of innovation and use of new technology to enhance performance and generate long-term administrative efficiencies and budget savings.

The budget process offers many levers to support innovation and change and promote greater government capacity and agility. Changes at each stage of the process would in turn support both technology-aided solutions to administrative challenges common to many agencies and a whole-of-government approach to help federal agencies collaborate, increase employee engagement, and improve customer experience. Other changes would support more effective use of federal grant funding at local, regional, and state levels, by more closely aligning the

incentives of federal grant and contract partners with national policy objectives—while giving these partners more ability to leverage federal funding to address complex problems, helping state and local communities adapt national strategies to regional and local needs.

The options presented above reflect many ways that a revised approach to budgeting and appropriations could empower government managers and give them additional tools. Reforming the budget process is critical for providing the resources necessary to support modern business processes, and exploiting the flow of opportunities arising from technology innovation, in order to realize long-term gains in administrative efficiency and greater value for money from federal expenditures. Investments that enhance government's capacity to do so will increase its agility and responsiveness. These investments will pay back over time through future budget savings, more effective mission delivery, and ultimately renewed citizen trust in government to deliver on its promises.

Interest in ways to reduce deficits is rising with the rise of federal debt. Many roundtable participants observed this trend, and raised the need for major changes in budget process in response. In addressing the gap between government's commitments and its projected revenues, much attention will necessarily focus on larger budget choices for major programs and taxes, including tax expenditures. However, reforms in the budget process can also help leaders identify options to make government operate more efficiently and gain better results for each dollar of spending. Across-the-board cuts in administrative spending will certainly be considered, but this course of action would likely reduce government's capacity and efficiency. A smarter strategy, which would be facilitated by many of the actions outlined in this paper, would involve investing in greater administrative capacity while removing impediments to agile and responsive government, thereby saving money and improving performance.

ACKNOWLEDGEMENTS

The individuals listed below generously offered their input and expertise. We greatly appreciate their contributions during the roundtable that informed this report. The contents of this paper do not necessarily reflect the views of any individual participants. Additionally, the views expressed by the participants and presented in this paper do not necessarily reflect positions of policies of government or other organizations.

ROUNDTABLE PARTICIPANTS

Sarah Bloomquist
Legislative Assistant & Deputy Director
of Member Services
House Budget Committee

Jason Briefel
Director of Government and Public Affairs
Shaw Bransford & Roth

Dustin Brown
Deputy Assistant Director for Management
Office of Management and Budget

Charles Chapman
Legislative Assistant
House Budget Committee

Dan Chenok
Executive Director
IBM Center for The Business of Government

Mike Chon
Vice President & Partner, IBM
Shared Services Leadership Coalition Board of Directors

G. Edward DeSeve
Coordinator, Agile Government Center
National Academy of Public Administration

John Duncan
Shared Services Leadership Coalition

Mark Forman
Executive Vice President
Dynamic Integrated Services

Terry Gerton
President & CEO
National Academy of Public Administration

Wendy Ginsburg
Staff Director, Subcommittee on
Government Operations
House Committee on Oversight and Budget

Steve Goodrich
CEO, The Center for Organizational Excellence
Shared Services Leadership Coalition Board of Directors

Margie Graves
Senior Fellow, IBM Center for The Business
of Government

Christian Hoehner
Policy Director, Committee on Oversight and Accountability
U.S. House of Representatives

Betty Ann Linegang
Executive Director
CACI

John Marshall
Founder and CEO
Shared Services Leadership Coalition

Hannah Oakley
Budget Analyst
U.S. Senate Committee on the Budget

Steve Redburn
Professorial Lecturer, Trachtenberg School of
Public Policy & Public Administration
The George Washington University

Dave Rowe
Deputy Director of the Budget
Review Division
Office of Management and Budget

ROUNDTABLE PARTICIPANTS

Tim Rund
Advisor, Public Sector Strategy and Shared Services, The Clearing
Shared Services Leadership Coalition Advisory Board

Michelle Sager
Managing Director, Strategic Issues
Government Accountability Office

Tony Scardino
Vice President, Business Consulting
CGI

Robert Shea
CEO
GovNavigators

Stan Soloway
President & CEO
Celero Strategies LLC

Kathy Stack
CEO
KB Stack Consulting

Nigel Stephens
Principal
Phoenix Strategies, Inc.

Ivan Stutzman
Senior Manager, Government Operations
General Dynamics Information Technology

Allison Tinsey
Senior Counsel
United States Senate

Peter Warren
Senior Advisor
House Oversight and Accountability Committee

Robert Wuhrman
Director, Shared Services Policy Implementation Team
General Services Administration

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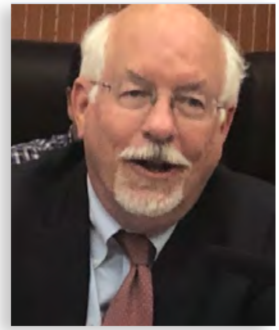
ABOUT THE AUTHOR

Steve Redburn, Professorial Lecturer, The Trachtenberg School of Public Policy and Public Administration, George Washington University. International consultant on budget process, author, and lecturer with three decades of government experience. Formerly Study Director, National Academy of Sciences; Project Director, National Academy of Public Administration; senior career executive, U.S. Office of Management and Budget; Adjunct Professor, Heinz College, Carnegie Mellon University, Adelaide, Australia.

E: s.redburn@icloud.com



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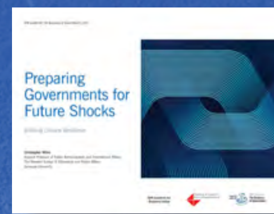

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For more information:
Daniel J. Chenok
Executive Director
IBM Center for The Business of Government

600 14th Street NW
Second Floor
Washington, D.C. 20005
(202) 551-9342

website: www.businessofgovernment.org
e-mail: businessofgovernment@us.ibm.com

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