

Statement by
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before the
Subcommittee on Intergovernmental Relations
of the
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Mr. Chairman and members of the committee, I appreciate the opportunity to discuss with you some of the general issues that are raised by S. 2925, the Government Economy and Spending Reform Act.

The basic purpose of this legislation is to build, extend and strengthen the decision making processes that were initiated by the Congressional Budget and Impoundment Control Act of 1974. Although it has been in operation less than two years, the Budget Act has had a significant impact; the Congress is now making explicit and informed decisions on the federal budget as a whole. For the first time the Congress is determining explicitly the appropriate levels of total federal spending and revenues. The new budget process has also made the degree of stimulus or restraint that the federal budget exerts on the nation's economy a subject of congressional debate and decision. Finally, the new budget process, with its emphasis on

functional totals, has focussed attention on the allocation of resources among the broad areas of national concern. In summary the new budget process has given the Congress a grip on the large issues:

How big should the federal sector be?

How much fiscal stimulus should the federal budget provide?

Which of the broad competing needs of the nation should be given priority?

However, while the capacity of the Congress to deal with these large issues has been enhanced tremendously, little has been done to augment its ability to deal with the individual parts. S. 2925 would fill this void; its general thrust is to establish a much-needed mechanism for systematically reviewing the various programs and activities of the federal government. Such a mechanism would represent a natural complement to and extension of the existing budget process, for it would provide the tool required to fully implement the broad priority-setting aspects of that process. The periodic review and evaluation of existing programs called for in S. 2925 could provide an indication of the impact that would result if the resources devoted to a specific budget function were increased or decreased. The identification of duplicative or ineffective

programs would highlight the potential for reducing spending in a functional area without seriously impairing the achievement of federal objectives.

While a periodic and systematic evaluation of federal programs and activities is certainly needed, there are limits to the efficacy of the zero-based approach which should be mentioned. For one thing many of the activities of the federal government -- ones which absorb both large and small amounts of resources -- are not in question. For example, there exists a general consensus that national defense is a proper activity of the federal government -- the existence of agencies to collect taxes (IRS) and statistics (Census) are not topics of debate either. The question with respect to these sorts of programs and activities is not whether they are the sorts of things the federal government should be engaged in but rather whether the activity is being done in the most effective or efficient manner. In essence the relevant questions that should be asked are not "should we or shouldn't we have the program?" Rather the important questions are how agreed on objectives should be met and how existing programs should be altered or improved in the future.

A second point that I think is worth mentioning is

that often it is difficult to measure the effect of federal programs. This is not a reflection of the incompetence of those who have attempted evaluation so much as the intractability of the problem. In some instances the criteria upon which a program should be evaluated are far from clear. The program's objectives may be general, numerous, or difficult to quantify. In such instances no amount of resources poured into evaluation will provide an unequivocal answer to the question of whether a particular program is working. If reforms along the lines suggested in S. 2925 result in an explicit statement of the goals and objectives against which each new federal program should be evaluated we would have an easier time determining whether programs were working as they should; but no one should imagine that the answers will be easy to find.

Even where the objectives of a federal program are clear and quantifiable, evaluation can not always provide the clear cut answers that are needed. Evaluation is an evolving art. In our highly complex and interdependent society it is not always possible to determine what the situation would be if a certain program were terminated. Take an admittedly extreme example such as Social Security.

While it is easy enough to indicate who receives benefits from this program and what these benefits add to the recipient's income, it is not clear that this demonstrates what the nation would be like without the Social Security System. Possibly if the Social Security System had never been established, private pension plans would have grown faster and larger, workers would have saved more through private channels during their working years and therefore their retirement income from sources other than Social Security would be higher than it is today. Any federal program sets off a chain of responses and it is not always possible or useful for even the most sophisticated evaluation to disentangle these changes in behavior. For this reason, among others, I am worried lest some feel that periodic review or evaluation of federal programs will inevitably lead to a clear indication of the effectiveness of the programs or an answer to the question of whether it should be continued.

When discussing any major reform proposal, it is possible to dwell on the many specific problems that would be faced in implementation. I will not do this with respect to S. 2925 because, I think for the most part these can be resolved quite easily. However, I would

like to make some general observations stemming from my experiences with PPBS during the 1960s. One lesson from that era is that it is a mistake to be too rigid. Federal programs and activities vary tremendously. Any system that forces all programs or evaluations into the same mold is destined to fail. For example, it may not be best to force all programs into a four year cycle of reevaluation and review when some have longer gestation periods and others come and go within a briefer span of time. One factor that has certainly contributed to the success of the new budget process has been its flexibility. For example, the March 15 reports of the congressional committees varied widely in focus and level of detail. This reflected the different interests, concerns and responsibilities of the committees.

A second lesson that can be learned from the PPBS experience is the need to move gradually but deliberately when implementing a major reform. The capacities of the Executive and Legislative Branches are limited. The types of evaluation and review proposed in this legislation could exceed these capacities and lead to changes in behavior that were mechanistic and meaningless rather than the thoughtful reassessments that are intended. Implementation of the Budget Act in stages proved a sensible thing to do. It may be that the objectives of S. 2925 would best

be achieved through a similar evolutionary procedure in which implementation of the reform was accomplished in stages over a number of years.

In conclusion, I would like to suggest that it might be advisable to call upon the resources that are available in GAO, CBO, CRS and OMB to examine some of the issues that have been raised during these hearings. For example, you might want to examine in greater depth such questions as:

How large is the workload that would be imposed on Congress and the Executive by this approach?

Can federal programs and activities be divided in a noncontroversial way into those in which efficiency and changes at the margins are the major questions and those in which the existence of the program is at issue? In other words into those where a zero-based approach would and wouldn't make the most sense?

Is it possible to specify the minimum time intervals at which different federal programs and activities can be meaningfully reviewed?

What can be learned from the numerous evaluations of federal programs that already exist? Can these be summarized in a way that would be meaningful for the proposed process? What would an evaluation of a specific program look like?

While often calls for further study are used as an excuse to delay difficult decisions, I do not think that this need be the case. The types of activity I have suggested could be carried out as this committee continued

its deliberations and reworked the ideas contained in this proposed legislation. As the long evolution of the Budget Act amply demonstrates, major reforms, if they are to work, must be crafted carefully.

Mr. Chairman, I thank you again for this opportunity to appear and will be pleased to answer any questions that the members of the committee may have.