

FROM DECISIONS TO RESULTS

Building a More Effective Government Through
a Transformed Office of Management and Budget

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PARTNERSHIP FOR PUBLIC SERVICE

The Partnership for Public Service is a nonpartisan, nonprofit organization that works to revitalize the federal government by inspiring a new generation to serve and by transforming the way government works. The Partnership teams up with federal agencies and other stakeholders to make our government more effective and efficient. We pursue this goal by:

- Providing assistance to federal agencies to improve their management and operations, and to strengthen their leadership capacity
- Conducting outreach to college campuses and job seekers to promote public service
- Identifying and celebrating government's successes so they can be replicated across government
- Advocating for needed legislative and regulatory reforms to strengthen the civil service
- Generating research on, and effective responses to, the workforce challenges facing our federal government
- Enhancing public understanding of the valuable work civil servants perform

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EXECUTIVE SUMMARY

The nation's next president will enter the Oval Office with big campaign promises to keep at a time when the public has expressed historically low levels of confidence in the federal government.

One of the biggest challenges and opportunities for the new administration will be strengthening government's ability to make programs and policies work more effectively to meet the needs of the American people and, in the process, fulfill campaign commitments and restore public trust.

To accomplish these goals, the president will have to get our complex, fragmented government to operate more cohesively. From combating the Zika virus to protecting the homeland, coordinating the activities of the White House, federal agencies, state and local governments and others involved in the delivery of critical programs and services has never been more important.

More than any other institution in the federal arena, the president will find the best bridge for turning priorities into reality, and providing this necessary coordination, oversight and assistance will be the Office of Management and Budget.

Results-driven leadership requires a strong center of government. OMB is the one executive branch agency with an enterprise-wide perspective that has responsibility for the federal budget, convening power,

policy and management levers, institutional expertise on how government works and knowledge about where the talent lies.

Over the years, OMB has been extraordinarily adept in what has been its primary focus—producing the president's budget. It also has been good at issuing guidance and direction, but less successful in following through to ensure its directives have been adopted and that the priorities and goals outlined in the president's budget have been met.

Part of the problem lies in OMB's own organizational structure and processes.

First, OMB is often trapped in its own silos. Fragmentation among its components—especially budget, management, regulation, information, procurement and technology—handicaps its ability to coordinate government-wide activities.

Second, OMB is rewarded for challenging agency proposals and operations. Its historical mission has been to protect the president from ideas that do not fit administration priorities and spending that would bust the budget. However, that too often has made OMB into what some refer to as the “agency of no” instead of an engine to drive the government toward success.

Third, OMB frequently finds itself caught up in relatively low-priority issues. This limits its ability to build a more effective government.

The next president will have the chance to transform the Office of Management and Budget into a primary coordination hub for translating decisions made at the White House and Congress into results for citizens. This can be done by targeting six areas:



IMPLEMENTATION

OMB should be the primary force for ensuring that federal agencies effectively carry out the president's decisions by serving as a catalyst for action, injecting a focus on implementation into the policy development process and tracking results to ensure the job gets done.



INTERAGENCY COORDINATION

OMB should be the focal point for spurring collaboration on issues that cut across federal agencies.



INTERGOVERNMENTAL COORDINATION

OMB should enhance collaboration among the federal, state and local governments.



INNOVATION

OMB should be the chief promoter of innovation across the government and a force in removing barriers that impede change.



INFORMATION AND EVIDENCE

OMB should drive the use of information and evidence across government to support decision-making.



INTEGRATION OF MANAGEMENT AND BUDGET

OMB should build linkages between its budget and management work to make sure that agencies connect spending plans with the capacity to get results.

If the incoming president and OMB leadership want to maximize the impact of government programs and functions, and streamline or eliminate unproductive activities, they should direct energy and resources on six targeted areas: implementation, interagency coordination, intergovernmental coordination, innovation, information and evidence, and integration of management and budget.

The agencies will remain responsible for operational capacity and must be held accountable for policy execution, but OMB can play a far more significant role in helping them achieve success.

As it stands today, OMB is operating with substantially fewer resources in both absolute and relative terms than it has had historically. At the same time, OMB is routinely assigned new responsibilities without increases in staff or funding, leading to an organization that is stretched dangerously thin.

This suggests the new OMB director will have to consider one of three options, or some combination, to transform the agency and enhance its government-wide coordination role. These are a reallocation of existing resources, an increase in funding or a reordering of priorities.

As part of this assessment, the new director also will need to determine how OMB should respond to crises and urgent requests from the White House without undermining its capacity to fulfill its core budget, management and government-wide coordination responsibilities. OMB also will need to address the fragmentation in its own divisions to focus more on getting effective results from policy decisions, and to do so by melting the barriers that too often separate OMB's actions into distinct, unconnected management and budget silos.

To address these and other critical issues, the new president will need to quickly name a strong OMB leadership team shortly after the election. Of particular importance are the director, the deputy director, the deputy director for management, and the administrator of the Office of Information and Regulatory Affairs.

OMB is a tiny agency with fewer than 500 employees and a budget of less than \$100 million, but it has gigantic responsibilities. When it succeeds, that success can ripple across the entire government. When it struggles, the negative consequences can be enormous. Fundamental steps to strengthen the organization and augment its role will make a big difference by improving government effectiveness, implementing the president's priorities and better meeting the needs of the American people.

THE MISSION OF OMB

The Office of Management and Budget is the largest agency in the Executive Office of the President. It serves the nation's chief executive in implementing and supporting the administration's budget, policy, management, regulatory and legislative objectives. OMB's director reports directly to the president and helps agencies implement administration commitments and priorities.¹

OMB carries out its mission through five processes that are essential to the president's ability to plan and implement priorities across government:

- Budget and policy development and execution
- Management, including oversight of agency performance, procurement, financial management and information technology
- Regulatory and information policy, including coordination and review of all significant regulations
- Legislative clearance and coordination, including agency testimonies and draft bills
- Executive orders and presidential memoranda²

OMB also oversees multiple cross-government councils, such as the Chief Information Officers Council and the President's Management Council, which comprises the chief operating officers of the executive departments and agencies who are typically deputy secretaries and deputy administrators. OMB also serves as an integral member of numerous other entities that are responsible for informing and integrating policy development and execution throughout the government.

1 Office of Management and Budget, "Office of Management and Budget Strategic Plan June 2014," <http://bit.ly/29qBN3f>

2 Ibid.

METHODOLOGY

The Partnership for Public Service set out to examine opportunities to transform the Office of Management and Budget and understand how the next president can use this central agency to drive better performance across government. Our objective was to explore how OMB can modernize its own processes, align its resources to its high-impact functions and ensure it is delivering the greatest possible value to the president, federal agencies and taxpayers. An advisory group of former federal leaders helped guide and frame our work.

From March to July 2016, we interviewed more than 70 experts, including current and former career and political OMB leaders, agency leaders, congressional staff and other experts in federal budgeting and management. These interviews were conducted through focus groups in March, April

and June 2016, and in-person and phone conversations. To encourage candid conversations, interviews with current OMB leaders were not for attribution. Some former federal executives agreed to be quoted, while others asked to remain anonymous.

Along with our interview findings, we gathered quantitative data on OMB through FedScope, the Office of Personnel Management's online human resources database, and the Partnership's *Best Places to Work in the Federal Government*[®] rankings. OMB also provided us with historical staffing data.

Finally, we conducted an extensive literature review of historical documents and budgets, scholarly and news articles, legislation and memoranda, and other relevant reports from both governmental and nongovernmental organizations.

TRANSFORMING GOVERNMENT

THROUGH THE OFFICE OF MANAGEMENT AND BUDGET

The new administration will need an enhanced OMB to meet its policy goals. A focus on the six areas that follow will help transform the agency to better serve the president and make government more effective.

THEME 1

IMPLEMENTATION



No policy decision matters unless it produces effective outcomes, but the government often falls short obtaining the results envisioned by presidents and Congress. OMB is best positioned to help. It has the tools, ranging from budget and regulatory review to management oversight. It can serve as a catalyst for identifying implementation challenges during policy development, addressing risks while they remain manageable and ensuring that the job gets done, especially on the issues most important to the president.

Connecting policies with implementation challenges

OMB, however, sometimes focuses on issuing orders, policy pronouncements and directives rather than on implementation. One OMB official interviewed lamented that the number of policies issued is often viewed as an informal measure of success by the OMB staff as opposed to actually determining whether the desired results are being achieved.

At a gathering of senior agency leaders during President Obama's second term, one participant said he had no idea how many OMB directives required his agency's attention. He asked his staff to put together a list of all the OMB executive orders and memos that the agency was supposed to be responding to and these numbered in the hundreds. Every other agency leader in the room was equally in the dark and asked for a copy of that list, including a senior OMB official.

The Obama administration issued 269 executive orders as of September 2016. The George W. Bush administration issued 294 executive orders.

The problem, according to a number of those interviewed, is not only that OMB issues so many policies, but also that these policies are not implemented by agencies because of the crush of other priorities, the lack of OMB

staff time to follow through or the difficulty for agencies to meet the requirements set forth in the orders.

"If you really stack up everything we put out and what we follow up on in terms of helping with implementation, the gap is huge," said an OMB official.

OMB surely cannot—and should not—itsself do the hard work of implementing the president's policies. However, OMB can pursue several strategies to help agencies, including having a full understanding of what it will take to get the job done.

"The White House makes decisions, but there is little appreciation for the personnel, budget, acquisition and operational constraints that impede execution of these decisions at the agency level," said Scott Gould, former deputy secretary at the Department of Veterans Affairs in the Obama administration.

Similarly, Charles Kieffer, staff director on the Senate Committee on Appropriations, pointed out that, "You can't be making public policy decisions in the absence of knowing how they will be enacted or executed."

OMB's career staff often have detailed knowledge of the issues that new policies will likely create. Closer coordination between senior White House officials and OMB career staff during the policymaking process could

help surface—and resolve—implementation challenges that may come down the line.

“OMB career staff live and breathe their agencies. Sometimes they know their agencies better than the agencies know themselves,” said Joe Kull, former OMB deputy controller for federal financial management during the George W. Bush administration. However, they are sometimes not consulted.

Championing implementation from the White House

A White House-based champion for management issues would help close this gap. The White House champion could serve as a chief operating officer with a special focus on ensuring implementation of the president’s most important promises and priorities, and collaborate with OMB’s director and the deputy director for management.

Interviewees suggested two options for this role. Because both current vice presidential candidates are former governors, each would be well positioned to lead the new administration’s focus on implementation, especially on the many domestic issues that require an understanding of interagency cooperation and the role of state and local governments. Another option, interviewees suggested, would be to enhance the role of president’s deputy chief of staff for implementation, a position created by the Obama administration in 2014 after the troubled launch of Healthcare.gov.

It would be important to differentiate the roles of the White House management champion and the deputy director for management. The White House management champion would ensure that programmatic policy priorities have a strong implementation strategy, drawing on the expertise within OMB, the White House, agencies and outside experts. The deputy director for management would retain the

responsibility for developing and overseeing government-wide management policies and chairing the President’s Management Council, the committee of deputy secretaries who serve as the chief operating officers of government agencies.

Both should have important roles in making sure that the president’s management agenda is taken seriously and implemented. Many of those interviewed said that crafting a management agenda should be an administration priority, with the plan shaped during the presidential transition to support the policy agenda and put into place soon after the inauguration. The Partnership for Public Service and the IBM Center for The Business of Government outlined a potential management agenda for the new administration in a report released in September, “Making Government Work for the American People: A Management Roadmap for the New Administration.”³

If the president charges OMB with playing a stronger coordinating role, the Government Performance and Results Modernization Act of 2010, with its strategic planning and performance management elements, could prove an appealing tool.

Acting as a catalyst

OMB also could take greater advantage of its ability to convene stakeholders and work toward stronger collaboration instead of relying on issuing directives.

“It is a mistake to think that you get things done in government just by issuing orders,” said John Koskinen, the IRS commissioner and former OMB deputy director for management in the Clinton administration.

Instead of issuing directives,

OMB served as a catalyst to increase agency use of micro-purchasing in the 1990s, a strategy which pushed aside cumbersome procurement regulations to allow procurement officials to spend up to \$25,000 on a government credit card through simplified procedures. Rather than requiring officials use micro-purchasing through a fiat, OMB worked informally with agency procurement leaders to double the government’s micro-purchasing.

Several interviewees said convening agency leaders around the administration’s high-priority goals and bringing together experts from outside the federal government with agency officials to devise new collaboration strategies also could be an effective implementation strategy.

This catalytic role can leverage action by building on expertise, and help OMB multiply its impact by building robust multi-agency networks devoted to advancing the administration’s policies.

³ Partnership for Public Service and IBM Center for The Business of Government, *Making Government Work for the American People: A Management Roadmap for the New Administration*, September 2016. Available at <http://bit.ly/2cicuNN>

RECOMMENDATIONS



The president should designate a high-level management champion. Implementation will only get serious and sustained attention if the president demonstrates that it matters. There is no better way of doing so than for the president to appoint a champion for implementation inside the White House, whether it is the vice president or a deputy chief of staff.



The new administration should come into office having developed a management roadmap to support its policy agenda, with the White House champion and OMB playing pivotal roles in seeing that it is implemented. A new report by the Partnership for Public Service outlines four key priorities for such an agenda: talent management, fostering enterprise government, promoting innovation and having a well-defined decision-making process across government.⁴



The president should hold agencies accountable for effective policy and program implementation. OMB should build on its efforts to use performance metrics to demonstrate whether results have been achieved and goals are being met.



OMB should hard-wire attention to implementation into policy deliberations. Policy debates at the highest levels of government would be stronger if OMB's deep understanding of government's operations were brought to bear early in the process. The president's advisors and OMB's career staff need to forge stronger ties from the earliest days of the administration.



OMB is often at its most effective when it uses its expertise and its role at the center of government to serve as a catalyst. OMB can convene stakeholders, learn from their operating experience, devise new problem-solving strategies and build cross-agency collaborations to carry them out. OMB can be an effective force multiplier.

⁴ Partnership for Public Service and IBM Center for The Business of Government, *Making Government Work for the American People: A Management Roadmap for the New Administration*, September 2016. Available at <http://bit.ly/2cicuNN>

THEME 2

INTERAGENCY COORDINATION



Fragmentation is a major government challenge—and no part of government is better placed to attack it than OMB. Whether the issue is food safety, protecting consumers, advancing public health or fostering economic development, OMB can help forge the coordination across agency boundaries to achieve more effective results.

Many of those interviewed, however, said OMB currently lacks a strong focus on interagency coordination and sufficient capacity to support it.

A large part of this problem flows from OMB's basic organizational strategy, which puts most of its employees in resource management offices where the task is overseeing the development of budgets for individual agencies and programs. OMB does not spend as much time as it should finding ways to get agencies to work together to achieve common goals.

Rafael Borrás, former undersecretary for management at the Department of Homeland Security during the Obama administration, said many of the most complicated issues he faced were deeply intertwined with work being done at other agencies, such as the Department of Justice. He said OMB could have been more helpful in leading interagency coordination.

"OMB's convening authority to deal with inter-departmental issues is special and underutilized," said Borrás.

On OMB's budget side, Robert Gordon, who served as the acting deputy director in the Obama administration, led the development of cross-cutting, outcome-focused strategies in social services programs. To support

this effort, he fostered the creation of agency evaluation capacity, an example of how OMB can use its strength to foster better management.

However, one interviewee said OMB often sidesteps these issues or takes a "command and control" approach based on issuing guidance and memos.

Others noted that OMB encourages collaboration through interagency councils, such as those for chief information officers, chief financial officers, inspectors general and chief operating officers. But this work, they said, is most often viewed as the responsibility of just the deputy director for management rather than a central mission of OMB as a whole.

There have been times, however, when interagency councils have advanced presidential priorities and provided a forum for feedback in developing and implementing new policies. For example, the Chief Acquisition Officers Council was instrumental in developing the Obama administration's new procurement initiatives, according to Beth Cobert, former OMB deputy director for management and current acting director of the Office of Personnel Management.

Spurring coordination through management reform, performance management and program design innovation

OMB's focus on using performance metrics to support cross-agency coordination has had some impressive results. In the Obama administration, for example, the Department of Veterans Affairs identified ending homelessness among veterans as one of its priority goals (see page 12). Pursuing this goal required close coordination with the Department of Housing and Urban Development as well as with states, local governments and non-profits. OMB helped support this effort through implementation of the president's management agenda, the Government Performance and Results Modernization Act and through Performance.gov, the website tracking the implementation of the president's priority goals. The result has been a dramatic reduction in veteran homelessness.

In OMB's resource management offices, staff members have used annual budget reviews to strengthen collaboration among the government's agencies in advancing science, technology, engineering and math educational initiatives. The offices also have had success in improving coordination on issues ranging from immigration to workforce training. The special perspective that comes from reviewing agency budget requests creates great opportunity for helping agencies weave their efforts more tightly together, but this has not been the norm.

Moreover, in the early years of the Obama administration, OMB led the development of new grant programs that created incentives for state and local government grantees to use prior research about what works in designing their programs and to partner with researchers to develop effective strategies to evaluate the impact of their projects. This

effort, described by The Brookings Institute scholar Ron Haskins in *Show Me the Evidence*,⁵ helped the departments of Education, Labor and Health and Human Services as well as the Corporation for National and Community Service develop strong evidence-based programs. The prominent role for evidence helped build bipartisan support in Congress.

Advancing cross-agency priority goals

In the Obama administration, OMB has led the administration's progress in addressing cross-agency priority goals under the Government Performance and Results Modernization Act. The broader strategic planning and performance management elements of the 2010 law provide new tools that OMB could use to strengthen cross-agency action.

The process also creates an opportunity for OMB to link budget allocations to cross-agency priority goals. That, in turn, is an opportunity to improve coordination within OMB by linking the work of the budget examiners with the efforts of OMB's management team in developing the president's management agenda. Putting money behind these cross-agency initiatives can make a difference.

Cobert noted that in the fiscal 2016 federal budget, Congress allowed OMB's director to transfer up to \$15 million from other appropriations to support cross-agency initiatives. While the amount was small, Cobert said, "a little bit of money goes a long way to make an inter-agency project work."

"It buys you a person or two whose job it is to ensure progress," she said.

⁵ Ron Haskins and Greg Margolis, *Show Me the Evidence: Obama's Fight for Rigor and Results in Social Policy* (Washington, DC: The Brookings Institution, 2015).

Strengthening the President's Management Council

OMB's deputy director for management chairs the President's Management Council, which consists of the government's deputy secretaries. The deputy secretaries typically serve as the chief operating officers of their departments and thus are the principal connections between the administration's policies and the department's results.

Those involved in the PMC regularly point to its potential for providing the chief operating officers the opportunity to connect with each other on items of strategic importance. Too often, however, deputy secretaries describe meetings as "drinking from a firehose," where OMB pushes priorities and information on agencies. Moreover, participants suggest that the PMC would be more effective if other members of the senior leadership team from OMB and the White House were involved and invested in its success.

RECOMMENDATIONS



OMB should strengthen its focus on cross-agency collaboration. No part of government is better situated to tie together the elements of government needed to advance the president's goals. The annual budget review provides an unmatched opportunity for OMB to examine how different agencies are approaching similar problems. The president's management agenda will provide OMB with opportunities to help agencies toward common ends.



OMB should seek incentives to enhance cross-agency collaboration. Even small amounts of funding, driven by evidence, can have a big impact.



OMB should strengthen the President's Management Council. The PMC works best by helping the government's chief operating officers connect with each other instead of acting as a top-down system for bombarding them with directives. A staff within OMB dedicated to ensure the PMC's success should be a priority.

LESSONS LEARNED

FIGHTING VETERAN HOMELESSNESS: A SUCCESSFUL PARTNERSHIP

In 2009, one in every 10 people experiencing homelessness was a veteran, and on any given night there were more than 75,000 homeless veterans in towns and cities across America.⁶ In response, the president set an ambitious goal of ending veteran homelessness and in 2010 the administration launched a government-wide effort to do so. While there is more work to be done, the number of homeless veterans fell by 47 percent between 2010 and 2016. In 2016, communities across the country reported that fewer than 40,000 veterans were experiencing homelessness.⁷

OMB played a critical role by convening relevant agencies and helping to establish goals. Reducing homelessness among veterans was an effort coordinated by the departments of Housing and Urban Development and Veterans Affairs. Aside from HUD and VA, the Interagency Council on Homelessness, consisting of 19 secretaries and senior government leaders, and the departments of Education and Health and Human Services played a major role.

OMB helped ensure there was money from both departments to support this effort, coordinating budget requests to fund HUD housing vouchers that could then be used by the VA to place veterans in housing. OMB continues to track progress toward this goal on its Performance.gov website.

⁶ Department of Housing and Urban Development and Department of Veterans Affairs, *Veteran Homelessness: A Supplemental Report to the 2009 Annual Homeless Assessment Report to Congress*, 2009, 6. Retrieved from <http://bit.ly/2bf0BKg>

⁷ Department of Housing and Urban Development, "Obama administration announces nearly 50 percent decline in veteran homelessness," August 2016. Retrieved from <http://bit.ly/2aK8kl8>

THEME 3

INTERGOVERNMENTAL COORDINATION



It is impossible for the federal government to implement most of its domestic programs without effective partnerships with state and local governments. The federal government last year spent more than \$628 billion providing grants to state and local governments to support a wide variety of programs and policy objectives.⁸

For example, improving the relationship between police officers and citizens requires concerted leadership across all levels of government. All homeland security events begin as local events and require effective action from local first responders.

Unfortunately, coordination between federal, state and local governments often falls short.

In the recent water crisis in Flint, Michigan, poor coordination between the Michigan Department of Environmental Quality and the federal Environmental Protection Agency contributed to an epic failure. Flint citizens were exposed to dangerous levels of lead in their drinking water, and poor intergovernmental cooperation led to a slow response to the crisis.

Almost all federal social services are delivered by state and local governments through dozens of overlapping programs that make it difficult to coordinate ser-

vices for vulnerable populations. There is growing bipartisan awareness of the challenges but, as of now, no forum for bringing federal, state and local partners together to devise more efficient, effective ways to help program participants achieve greater self-sufficiency.

Engaging more effectively with state and local governments

OMB is well-positioned to help address this problem. It can reach across federal agencies to improve the coordination of national efforts as they affect state and local governments. However, OMB currently lacks sufficient capacity and expertise.

Robert O'Neill, executive director of the International City/County Management Association, said it is not so much a deliberate strategy to ignore state and local governments, but rather a case of "benign neglect."

⁸ Robert Jay Dilger, *Federal Grants to State and Local Governments: A Historical Perspective on Contemporary Issues*, Congressional Research Service Report No. R40638, March 2015, 1. Retrieved from <http://bit.ly/2dpJzZV>

Solving this problem, O’Neill said, requires OMB to build more knowledge of intergovernmental management issues into its staff. Few OMB employees have expertise or experience regarding how federal programs are managed at the state and local levels, he said.

In addition, O’Neill said, OMB needs to understand that its work is structured around agencies, programs and funding streams. In contrast, state and local governments are more focused on blending these streams to produce cross-boundary outcomes. O’Neill said the answer requires OMB to focus its work more on problem-based solutions than on agency- and program-based boundaries. Another interviewee said that this same thinking could apply to cross-agency, not just intergovernmental issues.

Creating a White House champion for intergovernmental issues

In discussing implementation of presidential priorities, we argued the need for a White House champion. The current presidential election presents a special opportunity for that champion to advance intergovernmental partnerships as well, with both of the Democratic and Republican vice presidential candidates having served as governors (and one as a mayor). The new vice president will be ideally equipped to build stronger and more effective relationships between the federal government and its state and local partners, in collaboration with the White House Office of Intergovernmental Affairs.

Deepening mutual understanding

Institutionalizing a new approach to intergovernmental issues—one that will also endure into future administrations—will require a strong role for OMB.

Many observed that OMB has a culture of hiring recent graduates who then move up through the

ranks without having experience outside the agency. This reinforces an inward-looking view rather than a culture focused on problem solving, especially for intergovernmental issues. Moreover, many of those interviewed suggested that the same issues spill over into OMB’s view of federal agencies.

The Intergovernmental Personnel Act provides a way to bring state and local government officials into OMB for rotational assignments—and to send OMB staff for details in state and local governments. Better knowledge about the challenges on both sides of the relationship would enhance OMB’s ability to coordinate, several of those interviewed suggested.

Moreover, OMB’s Community Solutions Initiatives, introduced during the Obama administration, has helped build knowledge about state and local issues among employees at federal agencies. OMB helped create a Delivering Outcomes with Communities training program that provides federal employees with the skills, resources and new perspectives to improve community outcomes.⁹ Participants have learned tactics for assessing and addressing the challenges that communities face and have made site visits to community-based organizations.

OMB also could encourage intergovernmental coordination by identifying, in collaboration with the vice president and White House policy councils, a collection of problems with intergovernmental implications, such as improving federal support of local infrastructure or improving the impact of anti-poverty or community development programs. OMB could lead working groups and forums with important stakeholders to devise strategies for solving these problems.

In addition, OMB could strengthen coordination by ensuring the sharing of data and information between levels of government, according to interviewees.

For example, OMB has helped coordinate data sharing between the Department of Veterans Affairs and local housing programs, which has been instrumental in efforts to fight veteran homelessness. The federal government has been less successful in sharing Medicaid data with states, hindering efforts to improve quality and control costs.

Recently, OMB has been working with the Census Bureau and federal agencies on ways to link data across federal, state and local agencies to generate useful information to inform policy decisions at multiple levels of government, while also protecting individual privacy. OMB could engage in a focused effort to strengthen and expand this coordination.

⁹ The Partnership for Public Service runs this training program for OMB.

RECOMMENDATIONS



OMB should support the work of a White House champion for intergovernmental affairs. The next vice president will be ideally prepared to elevate collaboration on intergovernmental issues. OMB can support that work and institutionalize it for future administrations.



OMB should bring state and local views more directly into its work. Tools including job rotations through the Intergovernmental Personnel Act could ensure that OMB takes advantage of insights from state and local governments in advancing collaboration.



OMB can help create intergovernmental partnerships on high-priority areas. Working with the White House policy councils, OMB can identify important issues on which it can build coalitions that collaborate across federal agencies to the federal government's state and local partners.



OMB should facilitate data-sharing between levels of government. Connecting data available at the federal, state and local levels can ensure a more effective government response in crucial areas.

LESSONS LEARNED

THE AMERICAN RECOVERY AND REINVESTMENT ACT

OMB successfully worked with state and local governments in implementing the American Recovery and Reinvestment Act, the centerpiece of the Obama administration's response to the 2008 financial crisis. Federal coordination with state and local governments was crucial to the act's success.

"States were major players in directly receiving funds, and in some programs, had distribution and oversight of funds going to nonprofits and local governments," wrote G. Edward DeSeve, special advisor to the president on implementing the Recovery Act. OMB worked closely with the associations representing state and local governments, such as the National Association of State Budget Officers and the National Governors Association.¹⁰

OMB asked states, as grantees, to provide feedback on implementation plans. OMB listened to state and local stakeholders and frequently changed implementation guidance based on their responses, said J. Christopher Mihm, managing director for strategic issues at the Government Accountability Office. Additionally, states' recovery coordinators often had direct access to OMB, which helped with swift issue resolution.

¹⁰ G. Edward DeSeve, *Managing Recovery: An Insider's View*, IBM Center for The Business of Government, 2011. Retrieved from <http://bit.ly/2dmRJ5n>

THEME 4

INNOVATION



The new administration will arrive with a long list of ideas backed by promises to make government work better. Doing so will require an innovative government.

But a number of current and former federal executives said they view OMB as an impediment rather than a champion for innovation. “There are some people at OMB who think their principal power is the ability to say no,” said Rob Nabors, a former deputy director of OMB in the Obama administration.

Interviewees said roadblocks can come from different parts of OMB. Analysts tend to be concerned about the cost of initiatives. Other analysts screen proposals for consistency with administration policy or evidence of effectiveness. More generally, interviewees reported, in seeking to protect the administration from harm, OMB officials often focus on the risks that proposals might create.

OMB, of course, is responsible for safeguarding the administration from risk and peril. After all, one of its principal responsibilities is to serve as guardian of the purse. Many worthwhile ideas, no matter how valuable, simply cannot be funded within available resources and presidential priorities. But an important part of its job is helping the government get to yes.

Setting the tolerance for risk

Several interviewees worried about a “thinning tolerance for risk” in government, as Gregory Downing, executive director for innovation at the Department of Health and Human Services, put it. Doing hard things well requires executives willing to take chances, and solving a larger array of difficult problems will require a greater tolerance for well-founded risk-taking.

Throughout government, the appetite for risk-taking is diminishing. Dan Tangherlini, former head of the General Services Administration in the Obama administration, said, “In this environment, no one wants to commit to something they can’t accomplish 100 percent, or is so small that if they fail it won’t have consequences.”

Several participants in our focus groups contended that OMB could promote well-founded risk-taking by convening new political appointees and their general counsels right after the inauguration to explore the flexibilities that already exist in statute and rule. That can help new leaders find solutions to tough problems, especially when agency lawyers object to new ideas to protect their organizations.

Some of those interviewed said agency leaders sometimes feel they cannot experiment without OMB’s explicit permission. They said that OMB could play three useful roles: clarifying areas where agency leaders have flexibility to test new approaches; identifying areas that may be off limits; and helping agencies devise performance-based approaches to demonstrate when experiments pay off.

Finding a way to yes

These officials added that this approach would reinforce the message that OMB supports innovation. As one interviewee said, that would change the perception of OMB “from the agency that says no to the agency that says ‘yes, but’ or ‘yes, and.’”

More generally, several participants argued that OMB could play a valuable role by more often suggesting how the president and agency leaders can get to yes on high-priority issues through identification of potential roadblocks for these initiatives and by devising ways to solve them. OMB also could set standards for risk management so that it can help agencies know when they are taking risks, how much risk is worth taking, what the downside is and what opportunities risk-taking can offer.

Others interviewed said OMB could use its regular meetings with administration officials as listening sessions to identify the barriers that hinder new approaches to problem solving. The meetings could help officials throughout government pinpoint ways of thinking about and working through risks. Interviewees pointed out that OMB is in a unique position to use its authority over budgeting, procurement, financial management, information technology, performance and regulation to remove bottlenecks where appropriate.

Incubating innovation

Beth Cobert, the acting director of the Office of Personnel Management, said OMB is in a unique position to identify, pilot and then spread successful new ideas to agencies.

She cited the United States Digital Service, an office created inside OMB during the Obama administration. USDS has recruited and quickly hired private sector web designers, engineers, product managers and digital policy experts to help improve agency online services and internal operations. Through USDS, OMB brought new and creative thinking from the private sector into government. It then helped spread this digital service startup model to other agencies. After USDS was established inside OMB, other agencies such as the Department of Veterans Affairs established their own digital service teams. USDS, moreover, has developed a fellowship strategy for bringing great talent into government.

“A small group of full-time people at the center can hopefully create examples and promulgate them into agencies,” said Cobert. “OMB can play this incubator role.”

Another example is the Presidential Innovation Fellows, a program established by the White House in 2012 to attract top innovators into government for one year to tackle new ways to improve government processes and services. The program is administered as a partnership between the White House Office of Science and Technology Policy, OMB and the General Services Administration. In 2013, the program established a permanent home and program office within GSA.

Besides finding ways to bring in private sector talent to spur new ideas and thinking in agencies, a number of experts interviewed said OMB should play a more active role in identifying innovation already

happening in agencies and making sure these successful ideas are spread across government.

OMB has already done this in the case of acquisition innovation labs at the departments of Health and Human Services and Homeland Security. Through its lab, HHS within months merged multiple legacy information technology systems into a central web content management system.¹¹ At the same time, the DHS innovation lab acquired “critically needed cybersecurity services” in half the normal time.¹²

OMB’s Office of Federal Procurement Policy recognized that these labs advanced the government’s acquisition practices and could be replicated. In a March 2016 memo they directed all agencies to set up similar labs.¹³

Providing “air cover”

Downing, the HHS official, said agencies need support from OMB to test new ideas and manage risks, but added that agency leaders also must “provide air cover for experimentation.”

“When you’re really trying to change the culture, you need leadership that will stand behind you when you fail,” said Downing. “Instead, big failures have ended in risk aversion.” OMB, many interviewees suggested, could play a valuable role in providing air cover for innovation.

11 Office of Management and Budget, *Acquisition Innovation Labs & Pilot for Digital Acquisition Innovation Lab*, March 2016, 3. Retrieved from <http://bit.ly/21ldNOT>

12 Ibid.

13 Ibid.

RECOMMENDATIONS



OMB should convene agency leaders and their general counsels soon after the inauguration to identify and remove roadblocks to innovation. Through these conversations, OMB should help agencies develop a plan for where they can experiment with new approaches within existing laws and regulations.



OMB should improve the climate for sensible risk-taking. By focusing on prudent risks backed by demonstrable results, OMB can promote innovation in government.



OMB should incubate innovation. OMB should identify innovative ideas inside or outside government that can benefit agencies, provide a limited number of agencies with flexibility to test those ideas and spread successful strategies across government.



OMB should help bring in new talent and innovative thinking from outside of government. The United States Digital Service and the Presidential Innovation Fellows program provide great models for attracting new talent to government to solve difficult problems, and OMB can help continue and expand this approach.



OMB should champion effective innovative solutions. OMB can use an evidence-based approach to protect agencies experimenting with new strategies—and to transform its own culture by focusing on the road to yes instead of simply saying no.

MAKING OMB MORE EFFECTIVE

Advice from Former Leaders

LESSON 1

Start developing the president's management agenda immediately

A management agenda is about having a plan to implement the president's priorities. A new administration may have ambitious goals, but it also must have a roadmap to effectively carry out those programs and policies. Past administrations have found themselves embarrassed by agency missteps, ineffective programs or stalled agendas because of poor management.

"You never get a second chance to make a first impression," said Sally Katzen, former deputy director for management and administrator of the Office of Information and Regulatory Affairs in the Clinton administration.

Joshua Bolten, a former OMB director and later White House chief of staff for President George W. Bush, said a management agenda needs to be part of that first impression. Yet, Bolten said, management agendas often have been neglected.

Dan Tangherlini, who began his federal career at OMB and later became head of the General Services Administration, said pres-

idents often make the mistake of only focusing on the budget to push their priorities.

"The budget without management is just numbers, and management without budget is just words," said Tangherlini.

OMB should help craft a clear management agenda with initial priorities for making the government run better as part of the president's first budget. The president should expand and refine this agenda as part of the cross-agency priority goal process that is required by the Government Performance and Results Modernization Act in the administration's second year.

If the president and OMB fail to link the president's priorities to Government Performance and Results Modernization Act implementation, the president will miss a critical opportunity to provide leadership to agencies, and OMB's management side will oversee GPRAMA paperwork exercises that budget staff and many agency offices ignore.

LESSON 2

Don't waste OMB's career staff

The universal assessment of political appointees at OMB is that its career staff is a rich asset. The only difference between administrations is how long it takes them to realize this fact. Indeed, OMB veterans said they see the agency's central mission as serving the presidency, not one particular president.

"We serve whomever the president is, regardless of party," said one former OMB employee.

When Jim Nussle became director of OMB in the George W. Bush administration, he quickly recognized the value of OMB's career staff.

At the beginning of his term, Nussle found the career staffer who had been at the agency the longest and asked her to give him a tour of the office and tell him stories about her tenure. The two of them spent four hours walking the building and talking about the institution and to employees. With this simple and small gesture, Nussle sent a message of respect to career employees who sensed that the new director was listening to them. "Don't believe anybody who tells you that you can't trust them," Nussle said.

Many former OMB staff said that new appointees often fail to engage career employees quickly, usually to their detriment. This dynamic can damage morale at OMB. After the last presidential transition, OMB's *Best Places to Work in the Federal Government* score, which measures employee satisfaction and commitment, dropped more than 20 points. Interviewees said this decline was partially a result of career staff being shut out of important decisions and conversations.

Sooner or later, every new administration learns to appreciate the knowledge and experience of OMB career staff, said Sally Katzen, a former deputy director for management in the Clinton administration. "They know what works and what doesn't work and why," she explained.

Charles Kieffer, staff director on the Senate Committee on Appropriations who served in various positions at OMB, added: "OMB has the technical knowledge and contextual knowledge of how public policy gets done."

LESSON 3

Set priorities for the agency and employees

After being named director of OMB by President Clinton, Leon Panetta asked Assistant Director for Budget Barry Anderson how much time the director spends on the budget, management issues, regulations and the other functions.

Anderson said that he told Panetta, “That’s easy. You will spend 120 percent of your time on the budget, 10 percent on regulations and the rest on management.” As he was leaving OMB, Panetta recalled this conversation and told Anderson, “You almost hit it right on the head, except you underestimated the amount of time I spent on the budget.”

This story reflects the need for an OMB director to set priorities that go beyond the budget, or the annual process of producing the president’s budget will drown out all else.

A current OMB official said that staff members have “so many things competing for their attention,” from the budget, financial management and procurement to performance management, information technology, electronic government and regulations.

Without clear priorities, “everyone goes off on their own, working on what they see as their priorities,” said a current OMB official.

David Walker, the former comptroller general, said the new OMB director should work with the president and key White House personnel to help develop a plan of action for achieving the president’s key objectives. “You need to start with having a plan with priorities and defining what you’re going to accomplish in outcome-based terms,” he said.

LESSON 4

Engage Congress

Every president needs OMB officials who can connect well with lawmakers and key staffers on Capitol Hill.

During a past presidential transition, an OMB senior career staffer said he was anxious that the new director would not trust him because he had started working at OMB during the previous president’s term.

However, this staffer had developed a close working relationship with members of Congress and congressional staff on both sides of the aisle, and these individuals made clear to the new director that they had great confidence in him. The career staffer’s relationship with Congress not only helped his career, but it made him an asset to the institution and the new administration.

Time and time again, we heard that Congress and OMB do not always understand one another, that Congress does not understand the mission and mandate of OMB and OMB doesn’t know how to work with Congress. According to officials we interviewed, it is critical for OMB leaders to build and nurture relationships with members of Congress if they want to be successful.

It helps, of course, if the director already has a strong relationship with lawmakers and working knowledge of how Congress operates.

Jim Nussle and Leon Panetta were both congressmen before being named OMB directors. Former OMB Director Jacob Lew previously worked as a staffer and adviser on Capitol Hill, while former OMB Director Joshua Bolten had extensive dealings with Congress in his previous government positions.

“Regardless of party, having someone who understands the policy and how to get it done would be critical in an OMB director,” said Charles Kieffer, staff director on the Senate Committee on Appropriations.

Former OMB leaders said it also is important for program associate directors, deputy associate directors and branch chiefs to build relationships and engage in budget discussions often and early with lawmakers and their staff members. They said there should be frequent talks on long- and short-term issues, and continual efforts to find common ground and understand each other’s perspectives.

“You won’t solve everything, but you can get better solutions,” said Michael Fitzpatrick, former associate administrator of OMB’s Office of Information and Regulatory Affairs.

LESSON 5

Work closely with the West Wing

OMB is an important arm of the White House and driver of the president's priorities, requiring that leaders of the agency work in close coordination with the West Wing staff to best serve the interests of the administration.

Joshua Bolten, former OMB director and White House chief of staff for President George W. Bush, said the White House needs to "see OMB as a guardian and key facilitator of accomplishing its agenda."

Rick Mertens, a former deputy associate director at OMB, said "OMB is most effective when working with other players in the White House." Rob Nabors, former OMB deputy director, said OMB should play a constructive role and use its institutional knowledge to help the president find ways to succeed.

"Don't just say no to their ideas, but rather say, 'Yes, but here is a more creative way to do it,'" said Nabors. "Saying no to the White House or the incoming administration is the easiest way to get them never to talk to you again."

Nabors added that key OMB leaders and employees should have frequent communication with White House staff and understand each other's roles.

Former OMB Director Alice Rivlin said OMB's focus is on "governmental concerns" and it must find a way to "balance the West Wing's focus on political considerations." But Rivlin and others said that once the White House makes a decision, OMB's role is to implement it.

THEME 5

INFORMATION AND EVIDENCE



An information-age government needs an effective way of bringing data and evidence to address the most important issues. In the federal government, the lead agency for that effort should be OMB. Interviewees said that better information and evidence could serve as an important bridge between the management and budget sides of the agency, but that the information is often fragmented in ways that worsen the organization's internal tensions.

Basing decisions on evidence

Today, many of government's decisions are not based on strong evidence. In an article in *The Atlantic* magazine, Peter Orszag, former OMB director in the Obama administration, and John Bridgeland, director of the White House Domestic Policy Council during the George W. Bush administration, wrote that they were “flabbergasted by how blindly the federal government spends” without having the data to back up whether federal programs are working as intended.¹⁴

“In other types of American enterprise, spending decisions are usually quite sophisticated, and are rapidly becoming more so...,” they wrote. “But the federal government—where spending decisions are largely based on good intentions, inertia, hunches, partisan politics and personal relationships—has missed the wave.”¹⁵

OMB is at the core of this challenge. The president often turns to OMB for answers regarding how well a government program is working, but many interviewees

reported that OMB does not always have the data when it needs it. At times, it can take weeks for OMB to collect and synthesize the necessary data because of inconsistencies in how agencies collect and use information. At other times, OMB finds that it simply does not have good information on what works and why.

In its fiscal 2016 budget submission to Congress, the Obama administration acknowledged that almost all federal agencies could make greater use of their own or other agencies' data to build evidence.

“Many agencies have data that would be useful to other agencies, other levels of government, or outside researchers for these same purposes,” said the administration in its 2016 budget document. “At the same time, not all agencies have the technological infrastructure or the expertise needed to utilize, share, or link data themselves, nor does it make sense to fully duplicate these capacities at every agency.”¹⁶

14 John Bridgeland and Peter Orszag, “Can Government Play Moneyball?” *The Atlantic*, 2013. Retrieved from <http://theatlntc.com/1bKjqC2>

15 Ibid.

16 Office of Management and Budget, *Fiscal Year 2016 Analytical Perspectives of the U.S. Government*, 2015, Washington, DC. Retrieved from <http://bit.ly/2d01gxW>

Promoting evidence-based policymaking

The budgetary process is an important opportunity for OMB to lead the federal government toward better use of information and evidence.

The Obama administration in the past few years has made important strides in increasing the use of information and evidence in policymaking, but could do more, said OMB Director Shaun Donovan at a recent Bipartisan Policy Center panel discussion.

Ron Haskins, co-chair of the Commission on Evidence-Based Policymaking said additional progress requires making the case about the importance of evidence; by using evidence in shaping budgetary and management policy decisions; and by serving itself as a model for how more use of evidence can enhance policymaking.

“They are better positioned than anybody else to do that,” said Haskins. “OMB should play an active role. It’s going to take some convincing for agencies to open up the data and that’s a good role for OMB.”

The Commission on Evidence-Based Policymaking, created by Congress, will research how the government can better access, use and connect existing data and information to evaluate programs.¹⁷ OMB has assisted the commission by producing white papers on topics such as making administrative data accessible to researchers, the limitations of using the administrative data in evidence-based policymaking and issues impacting confidentiality.

Both Haskins and Katharine Abraham, the other co-chair of the commission, said that developing strong advocates for evidence-based policymaking in agencies is critical to expanding the use of this practice

to make informed decisions.

Abraham said OMB has provided some technical assistance, issued guidance and convened key agencies to “build coalitions of the willing” so that federal leaders see what works across agencies and can identify gaps in knowledge.

“There are a lot of cases where different agencies in different parts of government are facing similar challenges and they could learn from each other,” she said. “They should start systematically bringing together these interest groups. OMB could play a useful role in bringing different parts of the government together.”

OMB has sought opportunities for doing this. For example, in 2013 OMB created a small evidence team in its Economic Policy Division, which works with budget examiners and agencies to share evaluation practices and new program designs that focus on using and building evidence about what works.

Encouraging a culture of continuous assessment

Some agency leaders, however, have resisted evidence-based policymaking. They fear programs that do not show strong results will be eliminated.

Some interviewees said OMB can address these concerns by establishing a process of continuous evaluation so that no agency faces a single draconian evaluation. During the George W. Bush administration, OMB sought to integrate performance with budget planning and execution through the Program Assessment Rating Tool. OMB used this process to rate the performance of more than 1,000 programs, focusing largely on information technology, financial management, human capital and leveraging commercial best practices to modernize government services.

Those interviewed suggested that OMB could emphasize that the goal for most continuous evaluations would be to make programs

more effective rather than identify which programs should be eliminated. They added that OMB could encourage reallocating funds within an agency toward a more effective strategy, based on evidence, rather than simply eliminating the program. In some situations, however, the evidence may be clear that a program has outlived its usefulness.

Experts also suggested that OMB could support agencies by helping them recruit the specialized talent to use information and evidence more effectively. For example, OMB could champion the creation of an evidence-based policy fellowship program. This program would bring academic experts into agencies to help use data and evidence to improve their programs and to design evaluations. OMB could support the effort by identifying key areas of need and ensuring that fellows are working on projects that are a high-priority for the administration. The agency also could provide the political cover the fellows need to be successful.

In addition, it was suggested that OMB play a critical role in ensuring that funding is allocated for agencies to evaluate key programs. Interviewees said OMB could also encourage agencies to establish chief evaluation officers, as has been done at the Department of Labor.

Working with Congress

Interviewees pointedly suggested that OMB needs to work more closely with Congress to ensure that evidence and performance information are used in the appropriations process. “If you run an agency and you know that your performance measures are part of the dialogue you are having with your appropriators, you will pay greater attention to them,” said John Koskinen, the commissioner of the Internal Revenue Service.

¹⁷ Urban Institute, “Everything you need to know about the Commission on Evidence-Based Policymaking,” April 6, 2016. Retrieved from <http://urbn.is/1Q238sf>

Integrating evidence and performance

Within OMB, tensions between evidence and performance have mirrored the tensions between the budget and management sides of the agency. Some parts of OMB have advanced an information agenda focused on using research and evaluation to support better budgetary decisions and inform new program designs. Other parts of OMB have advanced an information agenda focused on using performance mea-

surement data to improve management. These two streams of information have rarely connected, and their separation within OMB is mirrored in many agencies.

For a movement in its relative infancy, there are insufficient resources and even less energy for the two streams of information to find themselves flowing separately. For a movement whose greatest power is connecting fragmented silos, it is even more troubling for the information flows to reinforce those silos.

There is great potential for integrating these flows of information—systematic evidence about what works based on rigorous research with performance information about policy outcomes. Integration will enhance OMB’s own ability to harness both types of information and will help agencies do the same, better connecting budget, policy and management functions.

RECOMMENDATIONS



OMB should be the federal government’s leader in bringing better information to government. OMB can continue to set standards for what constitutes strong evidence of success in government programs and can help identify which programs and approaches meet those standards. OMB itself should serve as the government’s model in using evidence to inform decisions to prevent the punitive use of that information and to convene agencies to champion the initiative.



OMB should help agencies build the capacity to use evidence more effectively. OMB should help agencies prioritize funding to build and improve systems to collect and use data. OMB could champion an evidence-based policy fellowship program to help bring needed expertise to government and to enhance their ability to present this evidence effectively to Congress.



OMB should integrate evidence more effectively in its budget and management decisions. OMB should direct more funding in the president’s budget to programs that have evidence of success. It should insist that agencies develop stronger capacity to incorporate evidence into their work. And it should use evidence more effectively in its management and regulatory decisions by tracking and evaluating the results of the policies it issues.



OMB should integrate research findings about program effectiveness and performance management information to ensure both types of information are available and used for budget and management decisions. There is no more effective bridge between management and budget than information about what works.

THEME 6

INTEGRATION OF MANAGEMENT AND BUDGET

When the Nixon administration transformed the Bureau of the Budget into the Office of Management and Budget in 1970, Frederic W. Malek, the deputy undersecretary of what was then the Department of Health, Education and Welfare, outlined the major challenges the new agency faced. At the top of the list was the need to integrate management and budget. “Perhaps the most important job of the OMB should be to focus attention of the various operating departments on management—to try to mitigate against the natural impulse in the public arena to ignore management and concentrate on policy,” Malek wrote.¹⁸



Reducing OMB’s internal fragmentation

Little has changed since and it is unlikely that the next administration will definitively resolve the underlying tensions within OMB. However, if the administration is to have any success in implementing its priorities—and if it is to improve the coordination of an increasingly fragmented government—it will need to improve the integration of the management and budget sides of OMB. Indeed, this is the core of OMB’s fragmentation challenge.

There have been numerous attempts over decades to create greater synergy between the management and budget sides of OMB, but these efforts have not been consistent or sustained.

Linking policy decisions with policy implementation

Better connecting management with budget would have two major effects. First, it would help budget examiners better understand the management challenges faced by agencies in implementing their programs and policies.

Budget and policy are inextricably linked and, as IRS Commissioner John Koskinen said, “Budget examiners need to understand how the government runs and how management issues affect it.”

Second, it would encourage agency leaders to make operational issues part of the budget process. “If management is not done by budget examiners, agencies are not going to pay attention to management,” said Clay Johnson, a former OMB deputy director for management in the George W. Bush administration.

OMB’s current leadership brings the budget and management sides together every fall for the director’s review process in which budget staff present and defend their agencies’ submissions and analyze major budget issues facing agencies. While this weeks-long process has proven helpful in connecting the budget and management staffs, it has been insufficient.

During most of the rest of the year, the two sides of the agency rarely connect. That has caused serious problems in advancing the president’s management agenda. As one OMB official noted, “Nobody in budget land really understands what the president’s management agenda

¹⁸ Frederic W. Malek to George P. Schulz, “Priorities for the New Office of Management and Budget,” July 9, 1970. Retrieved from <http://bit.ly/2drq5Vo>

is.” And it has failed to link budget decisions with the results they are intended to produce.

If OMB does not close the gap between its management and budget functions, OMB’s internal fragmentation will continue and undermine the administration’s ability to achieve the president’s promises.

Understanding the roots of the management and budget tensions

Although the Nixon administration’s reorganization sought to heighten the focus on management and integrate it more into the budgetary process, budget issues continued to take precedence and pushed management aside.

The budgetary process has always been the foundation of OMB’s mission—and, even more so of its predecessor, the Bureau of the Budget. The budgetary process has a regular, predictable calendar with a standard output—the collection of presidential budget documents. It captures the president’s priorities by deciding what money should be spent on which programs. And most of the agency’s staff is devoted to producing the budget. At the same time, the process has become so routine that few question whether it has become too cumbersome or should be changed.

In contrast, the management side has a far smaller staff—about 50 of OMB’s 457 employees—and lacks continuity in part because of changes in direction with each new administration.

It is impossible and unwise to try to manage the entire federal government from OMB. It is always hard to determine which smaller bites to take and how best to leverage agency actions. Moreover, when OMB produces useful data on the success of an agency’s implementation, it has always been difficult to determine what impact this information should have on the budget—or which budgetary investments could best improve management results.

The Clinton administration tried to tackle this dilemma with its OMB 2000 initiative. The strategy, which began in 1994, sought to integrate OMB’s budget analysis, management review and policy development roles. The plan transferred some management staff into expanded budget divisions, which were renamed resource management offices.

This change was intended to improve decision-making and provide better oversight of executive branch operations. Rick Mertens, who served in a variety of capacities at OMB for 29 years, said that OMB 2000 pulled certain subject-matter experts from the management policy offices into the resource management offices to strengthen the management expertise of these offices. For a variety of reasons, however, the goal of OMB 2000 was never fully realized. Mertens said one reason was that the former management staff eventually assimilated and became largely indistinguishable from program analysts.

Charting the consequences of the tension

The budget side of OMB historically has tended to outweigh management. This has had important consequences.

First, the difficulty in bridging management and budget has aggravated OMB’s internal fragmentation, making it more difficult to integrate management insights into the budgetary debates.

Second, the tensions have made it harder to use the budget’s leverage to drive implementation improvements.

Third, several former federal executives said the internal tensions sometimes lead OMB officials to send mixed messages to agencies. The management side, for example, might direct an agency to address a management weakness without consulting or involving the budget examiner. The budget examiner, juggling com-

peting claims on the budget, might find it difficult to provide funding to support the management effort.

Bridging the gap

Despite the tensions, OMB has sometimes found great success by using important issues to link management and budget concerns. In 1999, OMB developed an aggressive, integrated and successful effort to deal with the Y2K Millennium Bug crisis. Analysts warned that when midnight struck on Jan. 1, 2000, many computers, from those running banks and power plants to those operating street lights and water purification plants, would fail to operate properly unless operators adjusted the computer software. It was a problem that stretched across federal agencies, across the intergovernmental system, across the sectors within the country and indeed across the globe.

The budget side of OMB allocated \$2 billion through an expedited process to help agencies convert their systems. OMB worked with the private sector to assist conversion efforts. OMB’s management arm collected quarterly reports from agencies on their progress and worked with them to solve challenges. As a result of the coordinated efforts, the country made it past New Year’s Day without a major crisis.

“There was openness, communication and everyone knew what their responsibilities were,” said Daniel Werfel, who served as OMB controller during the Obama administration. The key to this success was an integrated effort focused on solving a particular high-profile problem, he said.

Many of those we interviewed for this project said OMB’s role in solving Y2K was exemplary.

Several former government officials said that the new administration could build on this lesson, especially by identifying high-profile policy problems on which it wanted to make progress. These problems

could then drive the integration of OMB's divisions, especially its management and budget components, to support effective solutions. Focusing on problems rather than processes, they said, could prove effective in bridging the management and budget divide. It also could surface where specialized expertise is needed, which OMB can help recruit from other agencies or from outside of government.

Several interviewees suggested that the budget staff should be involved in creating and executing the president's management agenda and

should join the management staff's discussion of presidential priorities. They argued that this would generate commitment to each other's success.

Sean O'Keefe, former OMB deputy director, proposed that OMB institute a system for budget examiners to move through the agency to take different permanent assignments. "This will create a more fluid structure on the budget side which will give employees diverse perspectives, more professional development opportunities, and it will lead to an enterprise approach throughout OMB," said O'Keefe.

RECOMMENDATIONS



OMB's new director should redouble efforts to link the agency's management and budget branches. The tensions between the two branches are deep and long-lasting, but if OMB is to be the model for reducing the federal government's fragmentation, it must begin here.



OMB's new director should identify a small collection of high-priority programs and use them as the focus for integrating management and budget work toward effective outcomes in the model of the Y2K effort.



OMB should encourage employees to complete internal rotations to gain a broad perspective of OMB's work and improve coordination across divisions. OMB has taken steps in this direction by managing its Presidential Management Fellowship so that fellows can work in various OMB offices throughout their terms.

TRANSFORMING OMB

TOP INTERNAL CHALLENGES

To transform OMB as outlined in this report, the next administration will need to address a number of internal organizational challenges.

One central problem OMB faces is that, in seeking to reduce the fragmentation of government, its own staffing patterns sometimes only increase it. Its management and budget branches have too often failed to connect. There are many cross-cutting implementation issues on which the budget staff has more capacity than the management staff. And, most fundamentally, both of the branches often lack the expertise needed to address the issues identified in this report.

As long as management and budget work on separate tracks, as long as OMB's staff capacity is not aligned with its mission and mandate, and as long as OMB's leadership fails to take aggressive steps to resolve the agency's own fragmentation, OMB will not be able to serve the president to faithfully execute the laws.

There are some functions that need to be beefed up, such as the agency's information and evidence initiatives. There are some functions that need to be better coordinated, especially the management and budget components. And there are many important, emerging problems that need far more attention. The new director has many options to consider:

Reassess the agency's structure, processes and staff

Too many of the agency's exceptionally talented staff are spending time on activities with low returns. Investing more of them in high-value activities, focused less on the preparation of the budget and more on the results the budget produces, could transform both OMB and the federal government's outcomes.

Restructure budget reviews

OMB could avoid duplicating the budget reviews performed by analysts in the agencies. Several interviewees suggested that OMB should concentrate its efforts on areas where its staff has greater experience or a big-picture perspective rather than second-guessing knowledgeable agency staff. OMB staff time freed from areas in which they do not have a comparative advantage could be reallocated to higher-value-added work. This could include helping agencies develop solid implementation plans and coordinating with other agencies or outside stakeholders, which will strengthen the proposals and increase their chances of winning congressional approval.

Redefine OMB's work products

OMB could change its focus from producing the president's budget to focusing on producing results flowing from the budget. A very large share of OMB's staff time is devoted each year to producing the budget and its sup-

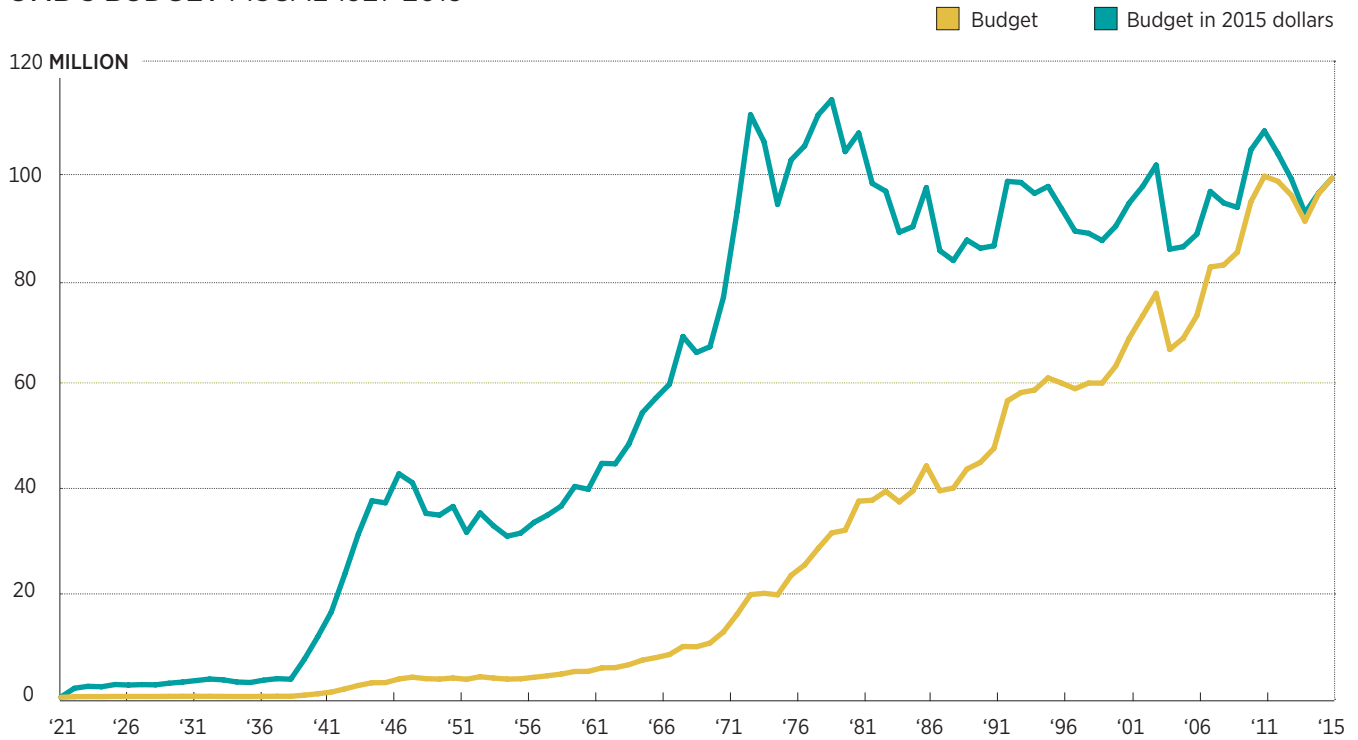
porting documents. Highly skilled staff members spend vast amounts of time producing these documents, many of which are never used. In other cases, the staff create very detailed backup materials, even for what many OMB staffers call "fake mandatories"—proposals for mandatory programs that have no chance of passage. As one interviewee argued, "If you could shift all that OMB staff time toward a more productive emphasis on implementation, the country would be better off, and I'm doubtful anyone in the White House or anyone else would notice."

Moreover, an interviewee said, OMB has a whole division of very talented budgetary experts who produce technical volumes full of tables that have a very limited readership. These documents help provide a valuable perspective on the federal government's extremely complicated enterprise, and they provide a measure of transparency into this important sphere of the government's action. However, one interviewee noted, "I don't think these volumes have ever been audited for usefulness—imagine what folks of such talent could do if working to make government programs more effective."

"The real challenge here is rethinking what belongs in a budget," explained Robert Gordon, who served as acting deputy director of OMB. "That's a complicated task that needs buy-in from both parties in Congress. Until this happens, OMB staff will have less time than they should to focus on implementation."

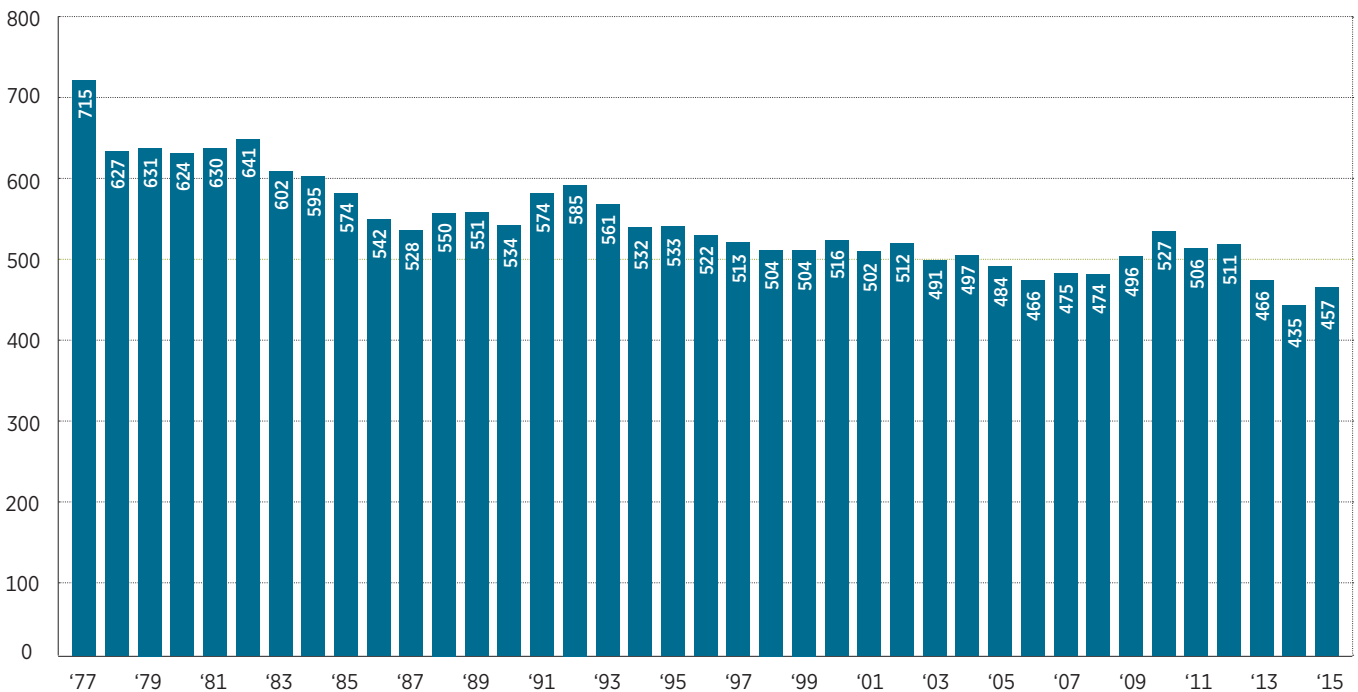
OMB has not considered, in a very long time, what the budget documents should look like, and how it should conduct its budget and management reviews. In fact, many of OMB's major budget review processes are idle, waiting for a return to the old budget processes focused on annual budget submissions and congressional appropriations on a regular, predictable cycle. Those days are unlikely to return. Even if they do, the old OMB processes will prove a poor fit for the federal government's increasingly complex strategies and tools. Only a fundamental transformation of OMB will help it serve the purposes for which it was created—in an environment its creators could not have imagined.

OMB'S BUDGET FISCAL 1921-2015



Notes: Changes in the accounting and reporting of the federal budget prevent exact year-to-year comparisons and comparisons between various sources. Inflation-adjusted budget numbers were compiled using Consumer Price Index data published by the federal government in mid-2016. Does not include the budget for Information Technology Oversight and Reform.
Source: Federal Reserve Archive of the Federal Reserve Bank of St. Louis, and Office of Management and Budget

TOTAL FTEs AT OMB FISCAL 1977-2015



Note: Does not include the staff for Information Technology Oversight and Reform.
Source: Office of Management and Budget

Reallocate employees among the divisions

Current OMB officials said the number of employees in each branch has not been reviewed comprehensively for several years, nor has there been an evaluation of whether the branches should be reorganized.

Reconsider how the divisions work

The director could focus OMB's processes on issues that cut across multiple related agencies. For example, the Income Maintenance Branch examines income support programs in the departments of Health and Human Services, Agriculture and the Treasury as well as the Social Security Administration. Because the government's biggest challenges do not fit neatly into program- or agency-based silos, OMB could expand this model to other branches and charge them with integrating budget, policy and implementation analysis to achieve important policy objectives.

Increase OMB's staff

Over the years, OMB's responsibilities have increased, but its staffing, in the long run, has trended downward. See page 30, which reflects OMB's core staff, but not the employees at the United States Digital Service, a major initiative of the Obama administration. Additionally, OMB's inflation-adjusted budget has been stagnant since the 1970s (see page 30). Many interviewees made strong and impassioned arguments about the need to increase OMB's staffing. There's little doubt that because of OMB's ability to leverage action across the government, small investments in added staffing could produce outsized impact.

Seek employees with experience outside OMB

Many current OMB analysts have worked only inside the agency. Interviewees pointed out that this reinforces a culture that sees relationships with agency employees as one of "us" versus "them." More analysts with experience outside OMB could

bring a broader perspective to issues, open the staff to new views and stimulate more effective problem solving.

Several of those interviewed said OMB could require that its employees have experience elsewhere in government or in another sector before they join the Senior Executive Service, or give added weight to candidates who do. The Department of Defense and the intelligence community have implemented similar policies to encourage diversity of experience for SES candidates. As part of this initiative, OMB could develop a rotation program for high-performing GS-15 staff to rotate to other agencies.

Manage existing talent

There is broad consensus that OMB needs to invest much more in professional staff development, especially in creating strong managers and supervisors. Many managers have been promoted to supervisory positions because they are "super analysts."

"No good manager or leader at OMB will ever be recognized for being a good manager," one OMB official said. OMB needs to do more to ensure its managers are prepared to lead. OMB should strive to provide management training to help those individuals make the transition from staff to management, according to former OMB officials.

Manage firefighting

Many interviewees reported that they often found themselves thrown unexpectedly into high-priority demands from the White House. Such requests create a tough dilemma for OMB staff members. On one hand, the most important part of OMB's mission is supporting the president, so if the president and the president's staff urgently need help, OMB's employees want to provide it. In fact, OMB never wants to be in the position of not responding to the president's pressing needs. OMB, after all, is the principal repository for the deepest expertise in the Executive Office of the President.

On the other hand, OMB staffers suggested that the pace of such requests is increasing, and the urgent ones make it hard to deal with the important elements of their jobs. At worst, too many of these requests force OMB to be reactive rather than providing objective analysis that represents its strongest suit, in the process diluting the work product.

Interviewees suggested three ways in which these "firefighting" requests could be handled:

Screening

A former high-ranking official in OMB said that one of the director's top jobs is to protect the staff: to filter out low-priority requests from the White House and to focus in on requests for high-priority issues. Only the director can do that well, the official suggested.

SWAT teams

OMB's director could create a small SWAT team of first-tier management consultants to provide quick response to big challenges; to organize the agency's ongoing response; and to convene experts, both from within and outside of government for longer-term issues such as the breach of millions of federal personnel records from the Office of Personnel Management or the troubled launch of the Healthcare.gov website.

Data service

The OMB director could also create a small executive secretariat to field lower-tier—but still urgent—information requests from the West Wing. Because such requests are always important and are unlikely to decrease, OMB's director should proactively craft a strategy to deal with them responsively without OMB's staff becoming overwhelmed. OMB also must find a way to filter requests coming from other sources that sap the time of agency employees, including requests from Congress, the OMB communications office, the Government Accountability Office and elsewhere.

CONCLUSION

The Office of Management and Budget finds itself at a historic moment. Trust in government has fallen precipitously. The new president will come to office determined to deliver on campaign promises and the big, important and inescapable governance challenges that await. But those promises, along with the governmental policies and programs, will have little meaning unless they can be effectively implemented and serve their intended purposes.

OMB is the one center-of-government agency that can play a pivotal role in ensuring effective implementation across the entire federal landscape.

Besides its important budget responsibilities, OMB can and should be doing more as a facilitator, a collaborator and a convener to embed greater use of evidence-based decision-making at the agencies, to reduce barriers to innovation and spur experimentation of new ideas for better governance, and to enable greater interagency and intergovernmental coordination. OMB also must do more to link management challenges with budgetary decisions to make sure agencies connect spending plans with the ability to get results.

Taking on a more significant role in these areas may require more resources, and it certainly will mean reordering priorities, making some internal staffing changes and altering how work gets done without undermining the critical budget functions.

This report lays out many of the issues facing the agency, cited by current and former OMB executives and federal leaders, and provides ideas to help guide the organization's next director to make progress implementing the new president's agenda and improving government performance.

All the steps outlined are centered on making OMB a more effective agency so it in turn can help to better coordinate our government's efforts to serve its citizens. This is both the singular challenge that OMB faces—and the singular opportunity that is within its grasp.

OMB and the Presidential Transition

OMB can play a critical role in the 2016-2017 presidential transition by assisting the incoming administration in the budget, regulatory and management arenas. The agency contains a majority of the career staff in the Executive Office of the President who will remain on the job with the change in administrations. Their experience and knowledge provide a critical thread of continuity.

The effectiveness of OMB staff in the post-election period depends on the level of cooperation, transparency and information offered by the incumbent administration. During this election cycle, President Obama and White House Chief of Staff Denis McDonough have made a commitment to help facilitate a smooth transfer of power. They have worked closely with both presidential campaigns in the pre-election period, and have pledged to do the same for the president-elect after the November election. Through our interviews, we identified a number of important steps that OMB can take to support an effective presidential transition.

OMB career staff should assist the president-elect's transition team and prepare an Introduction to OMB for all political appointees

The career staff should be prepared to help the president-elect's transition team understand the processes, deadlines, challenges and opportunities that they will face in seeking to push through the administration's policy and budget priorities, and how they might navigate the system to best achieve their goals. The OMB staff should be prepared to flag problems that might hinder program and policy implementation, and highlight opportunities to leverage existing processes to achieve goals.

In addition, OMB staff should prepare an Introduction to OMB for all political appointees across government. New political appointees often have little understanding of OMB and the important role it will play in guiding their agencies. The briefings should include an introduction to the regulatory process, specific deadlines for the preparation of the new administration's first budget and an overview of the performance review process required by the Government Performance and Results Modernization Act. The briefings should be substantive and provide appointees with an understanding of the quality of support that OMB career staff can offer and the benefits of early collaboration on policy initiatives and implementation challenges.

Organize a formal session with prospective Cabinet members and their deputies to introduce them to OMB

The White House should organize a retreat for Cabinet members and their deputies in the first month or two of the administration to brief them on a range of issues, including the role of OMB and the budget process. The retreat should include sessions on understanding the president's budget as a statement of policy; where and when Cabinet secretaries can have an impact on the budget; and how departments can coordinate with the White House and OMB on budget, policy, management and implementation issues.

Begin work on the fiscal 2018 budget prior to the inauguration

By law, the president's first budget must be submitted just two weeks after the inauguration. New presidents typically do not meet this deadline and instead submit a broad outline of budget priorities in March. To meet even this timeline, work on the budget must start well before the inauguration.

After the election, officials from the incoming administration should provide as much direction as possible to OMB so that the customary first part of the new budget, a broad outline of budget priorities, can be issued by March.

The new OMB director should be selected and involved in planning the fiscal 2018 budget at least a month prior to inauguration. In addition, the new administration should seek permission to have a few OMB staff assigned to transition headquarters to facilitate the budget preparation process. Moreover, the new administration may find the Government Performance and Results Modernization Act a useful tool for signaling and organizing its priorities, since it provides a strategic plan and the metrics to use in judging its success.

Finally, the new administration should conduct an immediate assessment of OMB's budget to determine if specific functions need increased staff to meet their responsibilities. As noted earlier, OMB's staff size is near its lowest point in recent history.

Use OMB staff to develop a coordinated legislative, management and regulatory agenda in concert with the fiscal 2018 budget

Simultaneous with the development of the fiscal 2018 budget, the administration will also be developing legislative, regulatory and management agendas. Rather than crafting these agendas in isolation, the new administration should develop a coordinated, integrated strategy and use the expertise of OMB staff to assist in this effort. This can ensure that the administration is speaking with one voice to the rest of the executive branch, to Congress and to citizens. It can also reduce the chance that one element of the strategy can create impediments to others.

Appoint OMB leaders quickly and engage OMB career staff in substantive conversations

The president-elect should announce the nominees for top OMB positions well before Inauguration Day, and work with Congress to win quick Senate confirmation. These positions should include, at a minimum, the director, deputy director, deputy director for management and the administrator for the Office of Information and Regulatory Affairs. The OMB director should promptly appoint all program associate directors.

The director, deputy directors and politically appointed associate directors should be viewed as a team whose knowledge and experience complement each other. They also should include and work closely with top OMB career staff in their deliberations. OMB staff should provide insights to helping the new administration get things done. This includes providing the easiest possible path for new initiatives and warnings about ideas that could prove difficult to implement.

“OMB plays a critical role in helping the new administration figure out what they can actually do,” said former OMB Director Alice Rivlin. Previous senior OMB leaders, including former directors, said failure of the new administration to use OMB’s staff to develop policy and budget proposals and tap their expertise could set back the new administration’s initiatives.

Meet with leaders from the White House to explain OMB’s role in supporting the policy councils

OMB’s political leaders should connect early with White House and policy council staff. The White House functions best when OMB, the president’s personal staff and the policy councils all work as a team to implement the administration’s agenda.

Interviewees reported that OMB and the policy councils have at times viewed each other as adversaries, competing for influence and the president’s attention. They also noted that policy discussions in the councils often fail to connect with OMB’s management concerns. Both problems can undermine the president’s effectiveness, lead to mixed messages for agencies about the president’s priorities, and frustrate advancement of the new president’s agenda.

OMB can support the councils by identifying where are currently available to advance the president’s priorities; highlighting gaps that need to be filled through presidential and congressional action; identifying where information and expertise exists within federal agencies to solve problems; exploring regulatory changes that might be needed to implement the president’s policies; helping policy staff negotiate the legal and regulatory requirements of new policy ideas; and eliminating administrative barriers that impede the president’s goals.

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