The Treasury Department issues a financial report for the United States Government every year. This complicated report runs hundreds of pages long. It can be a difficult and sometimes depressing report to try to understand. But that simply reflects the fact that we have a massive and complicated government that is hard to understand.

In fact, a strong case can be made that, as long and complicated as the Financial Report of the U.S. Government is, it isn’t long enough.

The appearance of a comprehensive accounting in the annual financial report is arguably a surface impression, if not a mirage. The financial statements for the federal government are compartmentalized and summarized in ways that do not fully account for costs and the accumulation of debts for taxpayers.

That’s why recent efforts to establish a federal program inventory are worthy of scrutiny, if not support. A thorough federal program inventory would help citizens understand the full scale, scope and costs of government activities they are asked to support.

What is a “Federal Program Inventory?”

Back in 1993, Congress passed the “Government Performance and Results Act” (GPRA). The GPRA was aimed at providing comprehensive oversight and management of programs throughout the federal government. It required federal agencies to develop strategic plans based on long-term goals, as well as performance measures and results reporting.

The “Findings” introducing this law included the following: “waste and inefficiency in Federal programs undermine the confidence of the American people in the Government and reduces the Federal Government’s ability to address adequately vital public needs” and “federal managers are seriously disadvantaged in their efforts to improve program efficiency and effectiveness, because of insufficient articulation of program goals and inadequate information on program performance.”

In order to provide an accounting for federal government programs, you have to identify and list them all. That’s what a federal program inventory tries to do, in theory. The GPRA didn’t include the word “inventory,” and neither did the “GPRA Modernization Act” in 2010. But the latter act directed federal agencies to develop websites identifying all their “programs” with a view to laying a framework for evaluating and reporting on program performance.

In 2013, the Obama Administration released the first “Federal Program Inventory” required under this law. That announcement noted that the government already offered an accounting for agency programs in a variety of other venues, including the President’s Budget, Congressional Budget Justifications, USAspending.gov, and the Catalog of Federal Domestic Assistance.

One venue was conspicuous in its absence in that announcement, however. That was the annual Financial Report of the U.S. Government, which has been up and running in its modern format since the late 1990s.

In its May 2013 announcement, the Obama Administration touched on the topic of defining a “program” for the purpose of the inventory. It started with a broader definition used by the U.S. Government Accountability Office, but allowed each of the 24 CFO Act Agencies to individually tailor program definitions to “in a way that reflects the unique mission and operations of the agency.” The Obama Administration also committed to updating the inventory every year.

Things didn’t go so smoothly, however.

The 2013 inventory publication was based on agency-by-agency compilations, not a comprehensive overview on a consistent basis across different agencies. As a result, it did not effectively allow identification of duplication and inefficiency. In addition, the Office of Management and Budget (OMB) did not include tax expenditures in its program inventory. The federal government incurs tax expenditures for a wide variety of goals that overlap with other programs, with large dollar amounts (approaching total discretionary spending) involved.

Summarizing concerns arising upon the release of the inventory, Adam Mazmanian, the executive editor of Federal Computer Week, stated in a
May 31, 2013 article that the “inventory does not offer a total number of federal programs—something that government performance critics such as Sen. Tom Coburn (R-Okla.) have frequently sought. It doesn’t define what constitutes a federal program, nor does it provide the information in a uniform fashion. ... For an administration that has broken new ground in the use of online media, it is an uncharacteristically sprawling and inconsistent document.”

In 2013 and 2014, the Government Accountability Office (GAO) released several reports assessing the Administration’s lack of progress in developing a useful inventory. In a lengthy October 2014 report titled “Inconsistent Definitions and Information Limit the Usefulness of Federal Program Inventories,” GAO concluded simply that “to date, the approach used by the Office of Management and Budget (OMB) and agencies has not led to the inventory of all federal programs, along with related budget and performance information, envisioned in the GPRA Modernization Act of 2010.” The GAO made a number of recommendations to OMB, but as U.S. Comptroller General Gene Dodaro more recently testified, “as of March 2019, the executive branch had not resumed implementation of the inventory requirements.”

Back in April 2013, as some boots on the ground came to realize the first OMB inventory would be a less-than-valuable exercise, then-U.S. Representative James Lankford (Oklahoma) introduced the Taxpayers Right-To-Know Act in the House of Representatives. The bill passed the House in early 2014, but it has yet to pass the United States Senate. It remains alive and supported by the U.S. Comptroller General.

Under more strenuous terms, the proposed Act called for federal agencies to compile an inventory of all their programs annually, including an accounting for costs and expenditures, the number of program clients and/or beneficiaries, and the number of federal employees and contractors administering those programs, with a view to identifying duplication (and waste) of federal resources.

In turn, the proposed Taxpayers Right-To-Know Act would require the OMB to produce an annual report identifying duplication of effort, and recommending specific means by which to reduce duplication, waste and inefficiency. It also calls on the U.S. GAO to evaluate and report on the progress of specific federal agencies in meeting the directives in the law.

**Nobody Wants to Be Eliminated**

Many publicly-funded government programs are supported by vested interest groups, even if they burden the average citizen. And the programs themselves can live on simply to serve the self-interest of the people who work on them. These motivations help explain why efforts to develop a federal program inventory and identify executive branch duplication and waste have yet to bear fruit a full decade after more-or-less explicit directives were given in the GPRA Modernization Act of 2010.

For all of its merits, unfortunately, the Taxpayer’s Right-To-Know Act may just be banging its head against the wall. The proposed legislation still directs the OMB – in the executive branch -- to do what executive branch agencies simply don’t seem to want to do.

Putting more teeth in the directive to OMB may be a step in the right direction. But Congress could also consider a more fundamental change in course.

The Government Performance and Results Act of 1993 was not the first step down the yellow brick road of producing a federal program inventory. Back in the early 1980s, in a set of hearings titled “Congressional Oversight of Federal Programs,” the House Rules Subcommittee on the Legislative Process heard testimony from Harry Havens, Assistant Comptroller General. Amidst discussion of legislation that would have the GAO – the audit arm of Congress – lead the development of a federal program inventory, Havens submitted a statement for the record:

There has been an increasing concern that we may not have a totally consistent definition of terms as to what is a program and which elements, in fact, are programs. ... So we are in the process, again, of working on that problem which has been a problem since 1974 when we started working on it. I think we would be prepared to implement bill 58 at the time it would be called for in that bill.
In November 2019, the Defense Department (DoD) issued its latest annual Agency Financial Report. The financial statements for the entire United States government are auditable. Such was the case for the DoD in 2018: The OMB stated that its statements were not asserted that its statements were not financial statements, unless the agency received another disclaimer (failing) audit opinion on its financial statements, but the DoD component entities, posing significant financial issues that undermine the trustworthiness of our federal government over time. But in other words, the apparently impossible task was already completed almost 40 years ago!

Granted, it would be a harder task today, given the growth in scale and complexity of our federal government over time. But that growth in scale and complexity – and the cost -- is what drives the urgent need for a program inventory today.

Don’t Let the Perfect Be the Enemy of the Good

Just do it, Congress – and don’t defer to the OMB. Consider putting the GAO in charge of developing a program inventory, and do what it has proved it could do in the past. The GAO may step on some toes, and the result may not put all the right pieces in all the right boxes. But it could be a step in the right direction, especially in reasserting greater control in the Congress, where it belongs.

The OMB’s past efforts weren’t entirely in vain, of course. In particular, the OMB developed a program that could serve as a model for categorizing programs today. The OMB’s initial program inventory efforts in 2012-2013 were certainly compartmentalized by agency, but they also developed a pilot effort at identifying programs relating to “trade, exports and competitiveness” – not within an individual agency, but across 11 different agencies and other entities.

Any future program inventory need not restrict itself to one model, and one of the models to consider could supplement and/or completely replace the “agency by agency” compilation of programs. Whoever leads the next inventory effort could include a more-or-less comprehensive (remember, please don’t let the perfect be the enemy of the good) categorization of programs based on topic, not department or agency.

In fact, this perspective could be one of the best lenses through which to view the lay of the land in terms of how many different entities are spending time (and money) at doing duplicative (and expensive) work.

In that spirit, consider the following four examples of frameworks for cross-agency program inventory management:

Research and Development (R&D)

Here’s a broadly framed category for identifying and aggregating large-scale spending in programs across all categories of government. Research into health, environment, financial services, national security and a host of other topics areas cost billions of dollars annually, and can put taxpayers in a position of subsidizing parties that reap and reward themselves with the fruits of publicly-funded but risky projects.

Compiling R&D “programs” would include formal government agencies identified and defined by research agendas, as well as research conducted under broader departmental initiatives. An R&D inventory would include a thorough examination of “make or buy” decisions of federal government research activities, including the outsourcing of research to academic and other “private sector” organizations.

Legal Expenses

The cost of government is driven significantly by the cost of developing, administrating, and adjudicating law. Through a cynical lens, Congress, and state and local legislatures, can be viewed as factories, staffed by lawyers making lots of long, complicated laws that help other lawyers make lots of money. But government accounting standards do not help us understand how lawyer-intensive the cost and debt burden facing citizens is.
Consider the Financial Report of the U.S. Government. We are presented with two statements effectively comprising an income statement. The first, titled “Statement of Net Cost,” reports total expenses by department, but does not break down those totals by expense type. From there, the report includes a “Statement of Operations and Net Position,” which aggregates total net cost across departments, subtracts that total from nine revenue sources, leading to a boom-line “net operating cost.” But the breakdown of the sources of cost, including legal expenses, is not available in the overall financial report of the U.S. government.

In the annual report for 2019, the word “legal” appears 31 times, but never in the context of how costly legal services expenses are for the government. The next place to look to try to find an accounting for legal expenses is in specific agency financial reports. In the latest annual report for the U.S. Department of State, for example, the Statement of Net Cost aggregates expenses across seven warm, fuzzy, noble-sounding missions including “Peace and Security,” “Democracy, Human Rights and Government,” “Health, Education and Social Services,” “Humanitarian, Economic Development, and Environment,” and “Administration of Foreign Affairs.” There is no category for legal expenses.

For the federal government, for the purpose of the program inventory, the GAO, OMB or whoever leads the effort could define a broad program category for “Legal Expenses,” then document the scale and scope of legal expenses across the entire federal government, with a view to identifying waste, fraud duplication of effort. Granted, legal expenses could be part of other cross-agency programs, but again, the goal should not be to add up all the costs to a “right amount,” or to put all the right pieces in the right boxes. The goal should be to inform Congress, and the American public, about the scale, scope, and effectiveness of how their tax dollars are spent.

**Insurance Activities**

The federal government can be viewed as more than just a factory filled with people making, administering and enforcing laws. Our federal government acts like an insurance company for a wide range of markets and industries, and through a wide range of formally separate and discrete entities providing functionally similar forms of insurance services.

Deposit insurance, flood insurance, unemployment insurance, health insurance, farm credit system insurance, pension insurance, and social insurance are just some of the formal programs offered through the federal government. Implicit insurance such as risk-sharing arrangements and broader financial market safety net arrangements through the Federal Reserve and the Treasury are also important.

A thorough federal program inventory would explore the massive web of federal government insurance-like activity, and include a critical review of the difficult accounting issues attached to any effort to understand the extent of duplication/overlap of effort, and the total cost of subsidies extended through these programs.

**Federal Grants to State and Local Governments**

The Federal government provided roughly $750 billion in grants to state and local governments in fiscal year (FY) 2019. Grants were provided for a wide range of programs and policies. A 2019 Congressional Research Service report identified “Health Care,” “Transportation,” “Income Security,” “Education,” “Job Training,” “Social Services,” “Community Development,” “Environmental Protection” among the programs supported by federal grants. Each of these policy areas can overlap with others. And each of them can include programs subject to debate over different definitions.

But as soon as you define “program” not in terms of the name of the policy area, or the name of the federal entity or department, but in broader terms such as “Federal Grants and Loans to State and Local Governments,” that could be a way of stepping back from definitional and/or turf battles into more a more productive allocation scheme. Then, you do the hard work of identifying federal grants and loans to state and local governments – all of them – with a view to understanding the full scale, scope, and efficiency of grant and loan making.
This would be a timely project, as grants are now mushrooming with the economic/pandemic crisis. “A crisis is a terrible thing to waste,” the saying goes. Well, it also goes that it’s terrible to be wasteful in a crisis. This element of the federal program inventory would include loans as well as grants, including loans through the Federal Reserve’s new “Municipal Liquidity Facility.”

Many state and local governments are now in very difficult financial circumstances, in part because of the COVID-19 pandemic. But many of the governments in the worst shape are there because of long-standing failures of their own accord – including balancing their budgets with planned borrowing proceeds as well as politically-sensitive expectations for greater federal grants in a time of crisis.

A careful federal program inventory would carefully account for all federal grants and loans to state and local governments.

Conclusion

These last four examples only scratch the surface. The 2013 OMB pilot for programs affecting “trade, exports, and competitiveness” provides another example. And it might appear difficult to establish a set of broad “program” areas that discretely includes all federal programs – unless you put an “All Other” category into the mix.

A quote from Marcus Aurelius goes “Waste no more time arguing what a good man should be. Be one.”

We need to develop a federal program inventory now, and we need to stop letting the perfect be the enemy of the good. Arguments over definitions should not keep this important project from going forward. And the inventory shouldn’t be required to “add up” exactly. Broad program categories and a more global perspective can help move it ahead.

In turn, Congress should take a step back, and reconsider asking OMB to do what it hasn’t done in the past. It may be time to pass the torch to the GAO.

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