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Testimony of the Honorable Clay Johnson III,
Deputy Director for Management, Office of Management and Budget
before the
Committee on Financial Services
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The Bush Administration wants government programs to work – to achieve their intended results. We are systematically assessing programs to determine whether or not they work. If they don't, we figure out how to fix them.

So far, we have assessed programs that account for 60 percent of the Federal Budget – 607 programs in total. We ask of every program:

- Does it have a clear definition of success, and is it designed to achieve it?
- Are its goals sufficiently outcome-oriented and aggressive?
- Is it well managed?
- Does it achieve its goals?

This assessment invariably reveals ways a program can be improved, no matter whether the program is a top or poor performer.

This past year we assessed the collection of Federal economic and community development programs, and determined most were not accomplishing their intended results. We worked with agencies and stakeholder groups to find ways to improve targeting, as well as performance and accountability, key elements of the President's Strengthening America's Communities Initiative. The Federal Government invests approximately \$16 billion each year through approximately 35 grant and loan programs and tax incentives across 7 major agencies. With no administration-wide approach to guide these efforts, many of these investments are:

- largely uncoordinated,
- too loosely targeted,
- weakly leveraged,
- and not achieving results.

Most important, these programs often cannot demonstrate they are having any significant positive impact on the communities they serve. After more than 30 years and over \$100 billion dollars, the federal government can point to few examples of measurable success in improving communities.

Today, many of these programs focus on the number of households or businesses assisted, but fail to answer the question, “How were communities changed for the better?” However, where we do find examples of success we should be figuring out what makes them work, and then replicate them across the country.

One such example of success is Richmond, Virginia. There, the City Council worked with neighborhood associations to target funding to 6 distressed neighborhoods. By targeting certain areas and leveraging private sector involvement, average neighborhood funding increased by \$500,000. But the story doesn't stop there; more strategic targeting was accompanied by increased accountability. The results:

- a 17% drop in the crime rate (versus a 5% drop for the rest of the city);
- a 44% increase in assessed real estate value; and
- a 64% decrease in properties with code violations.

Unfortunately, the status quo does not support or provide incentives for this type of behavior. The fragmentation of programs, weak targeting, and most importantly, lack of accountability for results, does not adequately serve our most distressed communities. Structural change is needed.

The Administration proposes to address this problem by consolidating 18 of the government's community and economic development programs into a new approach, the Strengthening America's Communities Initiative, with a clear definition of success: economic growth and opportunity in communities where it would not have otherwise existed.

Additionally new eligibility criteria, based on job loss, unemployment levels and poverty, are proposed to ensure the funds are directed to the communities most in need of the development assistance.

Finally, and most importantly, it is proposed that communities be required to meet specific accountability measures to track progress towards the community's goals.

For those communities that show inadequate progress meeting the program's goals, a plan of action will be developed and technical assistance will be provided to ensure that future funds are strategically targeted and invested in proven activities.

Communities that are consistently unable to use taxpayer dollars to meet the accountability measures would stand to lose future funding.

Our proposal also includes a new and innovative approach to promote results. The Economic Development Challenge Fund will award bonus grants to low-income communities that demonstrate the potential to achieve the ambitious goals of strengthening ownership and increasing opportunity. To qualify, communities first must show progress in key areas known to stimulate economic development and community revitalization:

- People must feel safe
- Low-income children must have educational opportunity
- Local government must facilitate rather than impede investment

The Administration proposes to consolidate this new program at the Department of Commerce because its mission – creating the conditions for economic growth and opportunity – is most consistent with the mission of the new program.

The Bush Administration wants community and economic development programs to work. The President's Strengthening America's Communities Initiative establishes clear principles for reform. The Administration is ready to work with the Congress to enact enabling legislation. America's communities will be better for it.