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The Trouble with the "Pass-the-Hat" Funding Model for Government Technology Projects

Federal information technology (IT) spending is approaching \$80 billion per year, and debate is swirling about who will pay for new government technology projects and how they will do so. The Government Accountability Office (GAO) [recently examined](#) one of the ways new projects are paid for: the “pass-the-hat” model, in which federal agencies contribute some of their funds to help support projects.

Rather than using funding expressly designated by Congress, a project under a pass-the-hat model is funded by contributions from other purpose accounts of multiple agencies, frequently prorated based on agency size or use. This model is different from “fee for service,” which also involves agency payments but is usually in return for specific services, such as payroll.

Many current transparency tools, such as [USAspending.gov](#) and [Data.gov](#), do not utilize a pass-the-hat model, but instead are funded from one central fund, the Electronic Government Fund (E-Gov fund), which is annually appropriated by Congress to pay for transparency and

technology projects. With Congress [having cut the E-Gov fund](#) by some 75 percent in the last fiscal year, pass-the-hat models may become a more attractive way to fund transparency initiatives in the future. But as GAO found, these models are inherently troubled and lack the accountability inherent in appropriated funding sources, making them less than ideal funding vehicles.

In its recent analysis, GAO focused on [Grants.gov](#) and highlighted a number of serious funding and governance challenges the site faces. Grants.gov is a large federal website, and as the GAO report notes, it serves as the portal for more than 1,000 federal grant programs from 26 federal agencies and processes some 250,000 grants each year. Grants.gov is intended to be a one-stop shop for federal grants: the site announces new grant opportunities from participating agencies, collects applications from potential grantees, and delivers them to the agencies for review. The only thing the site doesn't do is distribute funds directly to grantees.

However, Grants.gov is not performing well on the backend, and its pass-the-hat model is costing the government time and money, according to GAO.

Additionally, according to the GAO, the current funding system for Grants.gov is not equitable. The site, which is managed by the Department of Health and Human Services (HHS), uses a complicated formula for charging participating agencies. Essentially, Grants.gov contributions are based on agency size (as determined by the dollar amount of grants), percent of all grants posted to the site, and percent of applications submitted. However, the factors are not equally weighted, and as a result, the GAO found that large agencies are often penalized under the current model. For instance, the National Endowment for the Humanities (NEH) and the Department of Housing and Urban Development (HUD) have similar usage, with about the same number of grants available and grant submissions. But, since HUD is much larger than NEH, it is charged about \$259,000 more than NEH, almost three times as much (\$414,422 vs. \$155,159).

At the same time, some agencies get more help from the Grants.gov office than others. For instance, some agencies frequently ask for updated application forms, while others only update their forms every once in a while. This help is not accounted for in the Grants.gov funding model and thus is provided without charge.

In other words, Grants.gov is not charging agencies based on use or costs incurred.

A second problem with Grants.gov's pass-the-hat model is that it is difficult to enforce. Since Grants.gov relies on the agencies for its funding, it is susceptible to the agencies' whims. As a result, it takes months for the funding to come through, with most of it coming late in the fiscal year. As of Sept. 16, 2010, Grants.gov was short some \$370,000 in agency contributions for fiscal year (FY) 2010.

This is not an unusual situation for pass-the-hat projects, according to GAO, but the funding delay causes significant problems. "Until it receives its contributions," the report notes, "Grants.gov is generally not permitted to expend funds for system maintenance, upgrades, or

any other activities or purchases.” Instead, HHS must provide Grants.gov with basic funds to pay staff salaries and maintain office space until Grants.gov receives its member contributions.

Grants.gov’s erratic funding stream has real consequences. Contracted work must be pushed to the end of fiscal years, when funds are most likely to be available for the site, regardless of when the work is needed. Managing and enforcing the contribution agreements are costly and time-consuming endeavors, since the Grants.gov model still requires congressional involvement, as the contributing agencies need Congress to sign off on their Grants.gov contributions. Managers of other pass-the-hat projects, such as Benefits.gov and the Disaster Assistance Improvement Program, agree that the funding uncertainty inherent in the model is one of their greatest management challenges.

Despite these problems, the Obama administration might be considering such a model for funding transparency projects in the future. Congress is intent on cutting, not growing, budgets, with the E-Gov fund just one victim of many. Instead of fighting Congress for a relatively meager amount of money (\$34 million was the FY 2011 request from the administration), the White House may simply decide to skip the fight and pass the hat among the agencies, charging them for sites the E-Gov fund used to pay for.

However, congressional appropriations for specific transparency projects will ensure that important transparency websites remain online, rather than having their existence dependent upon the ability and desire of the administration in power to pass the hat to various agencies, seeking funding. If transparency projects, such as the IT Dashboard, are not funded adequately because an administration chooses not to go to bat for them, there is little accountability to the public. There are no hearings, no recorded votes, and too many potential reasons why the project wasn’t funded.

Agency Performance Modernization Points toward Increased Government Efficiency

In January, President Obama signed the [Government Performance and Results Modernization Act of 2010](#) (GPRA Modernization Act), updating a nearly 20-year-old law in an effort to increase government efficiency through funding choices. In April, the Office of Management and Budget (OMB) issued its [first directives](#) to federal agencies on how to implement the new legislation, and Congress has begun to [conduct oversight](#) related to the measure.

The [original Government Performance and Results Act](#) (GPRA) – passed in 1993 and signed into law by then-President Bill Clinton – helped shift the government from measuring its activities or agency outputs to measuring federal agency outcomes by evaluating the impacts a program or agency may have on the public or a segment thereof. In short, GPRA attempted to institutionalize performance budgeting, which creates a tighter connection between the amount of money Congress appropriates to a federal agency and how effectively the agency’s programs accomplish stated goals.

The Obama White House championed the GPRA revamping in part as a way to refocus the performance tool and move away from the [controversial Performance Assessment Rating Tool](#) (PART), which was developed by the Bush administration to measure program performance unrelated to GPRA's statutory requirements. Good government groups, including OMB Watch, criticized PART as a vehicle for inserting ideology into the funding of programs through the routine act of reviewing performance.

The revamped GPRA will begin introducing short-term performance reviews, conducted every quarter, of specific, high-priority performance goals related to an agency's core mission. The GPRA Modernization Act also seeks to institutionalize the sharing and use of best practices among federal agencies and the introduction of cross-agency goals.

The Obama administration hopes those cross-agency goals, along with the communication necessary between agencies to work toward them, will help eliminate some of the waste inherent in supporting multiple federal programs and agencies working on the same problem, [recently detailed](#) in a Government Accountability Office (GAO) report – mandated by the GPRA Modernization Act – on government waste and overlapping programs.

On April 14, OMB released its [initial directives](#) for federal agencies to follow when implementing the new law. The April guidance sets the stage for further, more specific guidance over the next year. Until release of those later directives, agencies are required to identify a chief operating officer (May 2), name a performance improvement officer from among senior executives (June 1), and begin reviews on near-term, high-priority goals (June 30), which each agency identified in its fiscal year (FY) 2011 budget. In addition, agencies must begin thinking about the priority goals they each will submit for the FY 2013 budget.

To examine how federal agencies are doing in implementing OMB's latest directives, two subcommittees of the Senate Homeland Security and Governmental Affairs Committee held a joint [hearing](#) on May 10. Jeff Zients, the government's chief performance officer, told the subcommittees that he expects most agencies to meet their near-term deadlines and that a new website, [performance.gov](#), will debut soon. The website will publish the names of each agency's chief operating and performance improvement officers, as well as an agency's performance against its priority GPRA goals.

John Griffith of the Center for American Progress recently rhetorically asked in a *Government Executive* [piece](#) whether the GPRA Modernization Act – suffused with government-speak about goals, data, and reviews – is just "another bureaucratic exercise in futility." Griffith says, "[N]ot necessarily." "When done well," he contends, "regular, goal-driven reviews can boost institutional performance dramatically."

Indeed, as Paul Posner, a professor of public administration at George Mason University and a well-known expert on government, recently reminded the joint Senate hearing, "[GPRA] is a success story and [those in and around government] shouldn't forget this." For a public that is habitually cynical about government and adheres to the conventional wisdom that Washington

"will never make progress" and that "reform is a fool's errand," GPRA has enjoyed "17 years of sustained progress through three administrations."

That is not to say that the effort will not face challenges. Success of the GPRA Modernization Act, like the original law, is going to require buy-in by the senior leaders of federal agencies. As John Kamensky – a senior fellow at the IBM Center for the Business of Government and a key player in the design of the original GPRA legislation – acknowledges to Griffith, "For agency senior leaders to make that commitment, the reviews must cover issues that they see as critical to their mission." He adds, "This will likely require agencies to rethink their existing set of priority goals."

With that said, the Obama administration shows no sign of soft peddling this reform. Indeed, the White House's entire [Accountable Government Initiative](#), which seeks to increase federal government performance using open government reforms to fight waste, fraud, and abuse, dovetails directly into the larger context of GPRA modernization and the idea that taxpayers should only pay for what works in the federal government.

EPA Suspends Chemical Reporting

On May 11, the U.S. Environmental Protection Agency (EPA) [suspended](#) the next submission period for the Toxic Substances Control Act's (TSCA) Inventory Update Reporting (IUR). The IUR is an inventory of chemical substances in commerce in the United States. The suspension came a month after the agency received complaints from House Republicans and the chemical industry about difficulties complying with new reporting requirements.

The IUR enables the EPA to collect and then make public critical information on the production, processing, importation, and use of certain chemicals. As previously reported in [The Watcher](#), "[T]he IUR provides exposure-related data needed to understand chemical risks – information that is vital to identifying chemical risks to the public and environmental health and crafting regulations to protect them."

Currently, the IUR rule requires companies to file a report every five years for each chemical on the TSCA Inventory that they manufacture, process, or import, including basic information on the chemical's usage. The EPA issued a final rule, with no previous notice or opportunity for public comment, which suspended the next reporting submission period, scheduled between June and September. The information that would have been reported would have included data from the previous five-year period, 2006 to 2010.

In 2010, the EPA [proposed many changes](#) to its IUR rule that would increase the information required to be reported, the frequency of reporting, and the number of companies that would have to file an IUR report. The agency, which had last amended the IUR rules in 2003, proposed returning to many of the pre-2003 standards. For example, the 2010 proposed rule included returning the reporting frequency from the current five-year cycle to every four years. It would have also reestablished the previous reporting threshold, dropping it from the current 25,000

pounds back to the original threshold of 10,000 pounds. The proposed changes [would have gone into effect](#) for the 2011 submission period.

However, the announced suspension means that, for the time being, companies are not going to submit any chemical information. The EPA sent the Draft IUR Final Rule to the Office of Management and Budget (OMB) on Jan. 20, and OMB held [at least six meetings](#) on the rule (five with industry representatives and only one with environmental and public health groups). The suspension of the next submission period, according to the EPA, is to allow additional time to finalize the proposed changes to the IUR. The agency also stated that delay was "to avoid finalizing changes to the reporting requirements in the midst of the 2011 submission period."

Interestingly, the EPA noted that the reporting delay addressed concerns raised by chemical companies regarding the short time span between the final modification rule and the next submission period. On March 4, representatives from the American Petroleum Institute, Conoco Phillips, Occidental Petroleum, and ExxonMobil [presented their concerns](#) on the Draft IUR Modifications Rule to the EPA, including that the current 2011 submission deadline is unrealistic and should be extended because the proposed modifications have not yet been finalized. Richard Denison and Allison Tracy of the Environmental Defense Fund [have provided detailed explanations](#) of industry's complaints on the proposed changes.

The EPA's announcement also comes a month after House Energy and Commerce Committee leaders urged OMB to withdraw the EPA's proposed changes to the IUR. In a [letter](#) sent to OMB Director Jacob Lew on April 4, Energy and Commerce Committee Chairman Fred Upton (R-MI) and Environment and the Economy Subcommittee Chairman John Shimkus (R-IL) argued that the proposed rule fails to meet the requirements of the Paperwork Reduction Act and President Obama's Executive Order 13563 and "introduces needless burdens on the U.S. economy."

EPA's plans to finalize the proposed changes and to resume the chemical reporting requirement are unclear. The latest announcement states that the suspension is in effect until the IUR rule changes are finalized. However, there is no firm date for either the changes to be finalized or the suspension to be lifted. The agency acknowledged [comments](#) received from a coalition of environmental and public health advocates, including OMB Watch, but stated that it cannot respond to questions "about the appropriate timing for implementing the modifications until the modifications have been finalized."

The EPA's announcement was well received among [industry representatives](#), but public interest groups highlighted the problems with the decision, especially on public health grounds.

Matt Shudtz of the Center for Progressive Reform [said](#), "OMB continues to be a sluice gate to health and safety regulation, and it seems like industry's holding the controls. The public's health – in the form of protection from toxic chemicals – pays the price."

Declassification Board Seeks to Transform System

The Public Interest Declassification Board (PIDB) is [seeking public comments](#) on a [series of draft papers](#) offering recommendations on reforming the classification system. President Obama [called for the recommendations](#) for "more fundamental transformation" in tandem with his [2009 executive order](#) on classification.

The board's eight papers outline proposals intended to improve public access to formerly classified information and to better manage the transition from paper-based to electronic records. In addition, the board [invited public submissions](#) of recommendations, which the board has organized into categories and will release the week of May 16. The board will also host a [public forum](#) on May 26 in Washington, DC, to discuss the proposals.

PIDB is an advisory committee appointed by the president and Congress and staffed by the National Archives and Records Administration's (NARA) Information Security Oversight Office (ISOO). Congress created PIDB through the [Public Interest Declassification Act of 2000](#).

According to one of the board's papers, the ["staggering volume"](#) of classified material requires rethinking the current practices of classification and declassification. However, "the initial recommendations of the Board stop well short of anything that we would call transformation," [wrote](#) Steven Aftergood of the Federation of American Scientists' Project on Government Secrecy. There is [broad agreement](#) among government officials and experts that overclassification is a widespread problem. But according to Aftergood, "the Board does not propose any reductions in the scope of what is classified."

Instead, the PIDB proposals focus on technological and administrative reforms intended to ease the process of reviewing material for declassification. The board's [first paper](#) proposes creating software to assist the review process. The software would use rules and Bayesian inference to pre-screen material, allowing human reviewers "to focus exclusively on evaluating those pieces of information identified by the system" as requiring particular attention.

Another proposal would require classified digital information to bear [standardized metadata](#). Such metadata could improve information management and identify relevant agencies, facilitating the declassification process.

The PIDB also proposes to develop standard procedures for [handling congressional records](#) for potential declassification. Classified legislative records are not subject to the same provisions as executive branch records; however, they may contain information that originated in the executive branch. In a comment on the paper, NARA's David Mengel notes that a pilot project is now underway to review classified Senate records at NARA's National Declassification Center (NDC).

One of the papers does address the prospect of [reducing the amount of information that is classified](#). It also encourages broader use of discretionary declassification, paralleling Obama administration efforts to increase proactive and discretionary releases of information. However,

in a comment on the paper, The Constitution Project's Sharon Bradford Franklin and Alison Roach argue that the proposal "lacks specific and concrete steps that agencies should take in order to meet those goals."

An additional paper proposes ending the concept of [agency "ownership" of classified information](#). The current concept requires that a record be referred to each agency that contributed information before being declassified, which can be cumbersome and time-consuming. Instead, the paper suggests allowing either the agency that primarily authored the document to make declassification decisions, or making all declassification decisions centrally through the NDC.

Other papers propose reforming the handling of electronic classified information, prioritizing and streamlining the declassification of information of historical interest, and making a special category of information related to nuclear weapons subject to the general procedures of classified information.

The board's proposals have provoked a robust discussion in the comments. Those debates will likely continue with the response to the public submissions and at the public event scheduled later in May. There is no doubt that the current declassification system is failing; the various proposals deserve careful and open-minded consideration by the administration and Congress.

More than 100 Organizations Make Environmental Right-to-Know Recommendations to Obama Administration

On May 10, on behalf of more than 100 public interest organizations, OMB Watch presented [a set](#) of detailed environmental right-to-know recommendations to the Obama administration. Collaboratively drafted and endorsed by advocates from across the country, the recommendations aim to expand access to environmental information, equip citizens with data about their environmental health, and empower Americans to protect themselves, their families, and their communities from toxic pollution.

Though the Obama administration has launched [several notable projects](#) to improve transparency and accountability over the past few years, many environment and health advocates believe that Americans still lack adequate information to protect themselves, their families, and their communities from environmental harm. The 103-page report entitled, [An Agenda to Strengthen Our Right to Know: Empowering Citizens with Environmental, Health, and Safety Information](#), offers specific recommendations on a variety of issues to address the perceived gaps in environmental information.

The Recommendations

The report is divided into five chapters, each corresponding to specific needs:

1. Improving access to information
2. Improving existing information sources
3. What new information is needed
4. Environmental justice
5. Empowering communities

Each chapter includes specific recommendations, organized under a number of subtopics.

Many of the recommendations involve detailed proposals calling for specific changes to how a certain agency performs a particular function. For example, chapter one includes recommendations for agencies to improve their Freedom of Information Act (FOIA) policies. These recommendations include increased training of FOIA officers and auditing FOIA responses to review the consistency and extent to which FOIA officers are fulfilling FOIA requests. Other recommendations, including creating new public affairs office policies, are more general, calling on the federal government to implement broad changes to reverse years of secrecy and isolation from the public.

There are three key priorities woven throughout the recommendations:

- Environmental justice must always be considered – Minority and low-income communities have historically borne a far greater proportion of environmental harm than other communities, and several recommendations address the need to improve data on this issue.
- Health risks from chemicals need to be better tracked and communicated to the public – There is a great need for more and better data on potential impacts to vulnerable populations, such as pregnant women and children, without overuse of restrictions such as trade secrets.
- Public participation has to start with the government – While there are many communities, organizations, and individuals across the country who are interested and concerned about environmental issues, the first steps to getting those people to engage must come from the government.

The report also includes several steps that the government can and should get started on right away. They include:

- Increase the collection and distribution of environmental justice data
- Fill data gaps on the harm from chemicals, as well as address information shortfalls on safer alternatives
- Ensure product labels disclose all ingredients and their associated risks
- Forge the Toxics Release Inventory into a more powerful disclosure tool
- Develop a unified facility reporting system

- Provide for worker and public participation.

The Environmental Information Initiative

The report is part of OMB Watch's Environmental Information Initiative (EII) project and is the result of a year-long collaborative effort. The project began in January 2010 with a small conference of advocates representing public health groups; labor organizations; local, state, and national environmental groups; and academic researchers. OMB Watch then organized several listening sessions across the nation and conducted interviews with advocates in various regions to gather information from stakeholders and to develop a draft agenda of policy recommendations.

In November 2010, nearly 100 public interest advocates from around the country convened in Washington, DC, to [provide input](#) on the recommendations. White House policy advisor Steven Croley, EPA Chief Information Officer Malcolm Jackson, and officials from the Departments of Interior and Health and Human Services spoke to the advocates and discussed several of the administration's open government initiatives, setting the stage for conversations on how to move the administration's transparency agenda forward and address environmental concerns.

Using input from conference participants, including a recommendations panel of 11 advocates with various backgrounds, OMB Watch finalized the recommendations and released them in report form on May 10.

Moving Forward

Several organizations have begun highlighting the report's significance to their work. [Beyond Pesticides](#) emphasized the importance of the report for addressing the current pitfalls with pesticide use and illness reporting data, noting that the recommendations include calls for required reporting and disclosure of this information. The [Government Accountability Project \(GAP\)](#) discussed the report's role for updating federal whistleblower protection policies, stressing that increasing transparency would protect workers and consumers, thereby strengthening food safety. GAP executive director Mark Cohen told OMB Watch, "The report is a significant tool for promoting greater government transparency and accountability." [Climate Science Watch](#) focused on the report's role in improving access to information and technical and policy experts, particularly for scientists, researchers, and the media.

OMB Watch, along with participating groups, is developing advocacy strategies to move forward with recommendations and make the most progress possible before the end of Obama's current term.

Obama Administration Weighing Rules to Keep or Repeal

On May 18, the Obama administration is expected to take the next step in its process for reviewing federal regulations. Agencies and the White House sit at an important crossroads: will

they defend existing regulatory safeguards or weaken rules in an attempt to appease special interests?

Federal agencies are to submit to the White House by May 18 their preliminary plans for reviewing existing regulations. President Obama instructed agencies to develop the plans in a Jan. 18 [executive order](#). Agencies are to make their plans public within two weeks.

Both defenders and critics of regulation are anxiously awaiting the plans. The plans, which are likely to differ from agency to agency, may provide information on which rules, if any, agencies plan to target for reform or repeal, thereby drawing the battle lines for upcoming debates over certain safeguards. The plans are also expected to propose an ongoing process agencies will use to evaluate existing rules now and in the future.

Obama indicated May 12 that his administration will likely eliminate some federal requirements. "We're actually looking through the entire *Federal Register*, which is where they keep all the regulations, and we're going through them and seeing what are some of these old laws that don't make sense anymore," [Obama said](#) at a town hall event televised on the CBS Early Show. He added that the administration is looking at "the regulations or paperwork burdens that we can eliminate while still making sure that we're getting the job done." However, Obama also called much of the criticism of regulation "overstated."

[Criticism of regulation](#) has come from all over Washington in recent months. Republicans and some Democrats in Congress have accused agencies of setting new health, safety, and environmental standards without adequately considering the rules' impacts on regulated industries. They have said that regulations hurt specific industries and slow job growth, even though the [body of research](#) on the subject shows that regulations actually help on an economy-wide basis.

Businesses have been lobbying the administration to eliminate critical protections. The Business Roundtable, a coalition of top corporate executives, has submitted to the White House two lists of proposed and existing regulations that the group wants withdrawn. The [second list](#), sent to Obama in April, is dominated by requests to eliminate environmental protections for clean air, clean water, and safe oil drilling practices, among others. The letter also emphasizes the group's desire to shape implementation of the landmark health care reform law.

Obama has articulated his views on regulation cautiously. He has at times reinforced conservative rhetoric by casting federal requirements as a burden on businesses but has also spoken of the importance of health and safety standards. In a Jan. 18 *Wall Street Journal* op-ed that announced his executive order, Obama [wrote](#) about the need for a "balance" between the costs of regulation and their benefits to society. One week later in his State of the Union [address](#), Obama said, "When we find rules that put an unnecessary burden on businesses, we will fix them. But I will not hesitate to create or enforce commonsense safeguards to protect the American people."

The "look-back" plans agencies are required to submit will provide another clue to the administration's posture toward regulation. Observers will also look to see whether the plans contain any specific rules to be targeted and whether those rules are also on the hit lists compiled by industry, such as the one submitted by the Business Roundtable.

Industry lobbyists have not limited their demands to looking back at existing rules; they have also targeted new and proposed rules for delay or outright elimination. For example, the U.S. Environmental Protection Agency (EPA) announced May 16 that it would delay "indefinitely" the implementation of a new boiler and incinerator standard that was designed to reduce toxic air pollution and prevent thousands of heart attacks and asthma attacks. According to the Associated Press, EPA [made the move](#) "in response to a request from industry groups."

After making their look-back plans public, agencies are required to collect public input, according to a [memo](#) issued by White House Office of Information and Regulatory Affairs Administrator Cass Sunstein. The Sunstein memo requires that agencies make their plans final between July 18 and August 6.

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