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Dr. D. James Baker



Having been nominated by President Clinton and confirmed by the U.S. Senate in May 1993, Dr. D. James Baker is now the longest serving administrator of the National Oceanic and Atmospheric Administration and under secretary for oceans and atmosphere at the U.S. Department of Commerce. In this position, Dr. Baker oversees more than 12,500 people at 375 locations in every state in the union and an annual budget of \$2.5 billion.

NOAA is responsible for all U.S. weather and climate forecasting, monitoring and archiving of ocean and atmospheric data, management of marine fisheries and mammals, mapping and charting of all U.S. waters, coastal zone management, and research and development in all of these areas. NOAA is the largest part of the Department of Commerce and manages the U.S. operational weather and environmental satellites, a fleet of ships and aircraft for oceanographic, surveying, fisheries, coastal, and atmospheric studies, twelve environmental research laboratories, and several large supercomputers.

Under Dr. Baker's leadership, NOAA has achieved many of the goals that were promised at its formation in 1970, and is now the leading organization of its type in the world. He guided the completion of the modernization of the National Weather Service; initiated new climate forecasting services; and merged civil and military environmental satellite systems. During his tenure, the funding for fisheries and coastal zone management dramatically increased and the backlog for mapping and charting the nation's coastal waters was greatly reduced. New partnerships were developed to deal with endangered and protected species issues. Management has been streamlined and modernized with an active strategic planning process. He has served also as U.S. Whaling Commissioner, as Chair of the Council on Environmental Quality, Co-Chair of the Committee on Environment and Natural Resources, and on the President's Council on Sustainable Development.

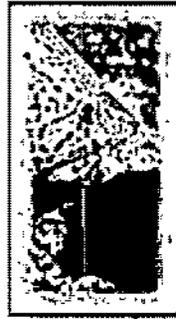
Dr. Baker is the author of the book "Planet Earth—The View from Space" and has written and spoken extensively about climate, oceanography, sustainable development, and satellite technology issues. He is a Fellow of the American Meteorological Society and the American Association for the Advancement of Science. He was awarded the Vikram Sarabhai Medal in 1998 for his "outstanding contributions to space research in developing countries" and an honorary Doctor of Humane Letters from Nova University. Before coming to NOAA, he was President of Joint Oceanographic Institutions Incorporated, Dean of the College of Ocean and Fishery Sciences at the University of Washington, and on the faculty of Harvard University. He was educated at Stanford and Cornell Universities. He was born in Long Beach, Calif., and is married to Emily Lind Baker. He and his wife reside in Washington, D.C.

● [Dr. Baker's Speeches](#)

Marine Protected Areas of the United States

The National MPA Initiative

- What is a Marine Protected Area (MPA)?
- What MPAs Provide the Nation
- The Challenges
- The National MPA Initiative
- The MPA List and Inventory
- The MPA Library
- The MPA Center
- The MPA Advisory Committee
- Agency Progress Reports



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The nation's oceans and coastal waters, and the regional economies and cultures they support, are threatened by an increasing array of pressures, including overexploitation, habitat destruction, pollution, invasive species, disease, harmful algal blooms, and the impacts of global climate change. These environmental effects are particularly acute in near-shore coastal ecosystems where human activities have the greatest impacts. If current trends continue, few of our marine ecosystems will remain unspoiled for future generations. Likewise, human uses of these resources, such as recreation, food production, and many others, will be diminished. Marine protected areas, in combination with other management efforts, are valuable tools to help preserve the nation's ocean and coastal resources, and ensure their future sustainable use by present and future generations.

America Responds: Executive Order 13158 on Marine Protected Areas Major Components of the National MPA Initiative

America Responds: Executive Order 13158 on Marine Protected Areas

On May 26, 2000, the President signed Executive Order 13158 on Marine Protected Areas (MPAs) to strengthen the protection of U.S. ocean and coastal resources. This significant milestone in ocean conservation directs the Departments of Commerce and the Interior, and other federal agencies, to strengthen and expand a national system of MPAs by working closely with state, territorial, local, tribal, and other stakeholders.



Initiatives developed in response to the executive order on marine protected areas, will help protect and preserve representative examples of important coastal ecosystems like the rocky intertidal shore at the Olympic Coast National Marine Sanctuary.

Marine protected areas, or MPAs, are normally established by

federal, state and local governments to protect important marine habitats and the natural and cultural resources they contain from overexploitation, destructive uses or other threats. MPAs are also established to provide valuable opportunities for recreation, enjoyment, and study. Like their more familiar counterparts on land, these protected areas contain some of the best of the nation's heritage of wild, natural places in the ocean. In this country, federal MPAs may be national parks, national marine sanctuaries, national monuments, wildlife refuges, fishery closed areas, and many others. Other MPAs, like the national estuarine research reserves, are federally designated and managed in partnership with coastal states. States have additional authorities to establish and manage marine protected areas, as do tribes and some local governments. Although each of these types of MPAs has a distinct purpose and authority, most share a common goal of conserving significant natural and/or cultural resources for present and future generations.

Recognizing the special role that MPAs can play in reversing the continuing loss of ocean habitats, Executive Order 13158 directs federal agencies to work closely with state, local and nongovernmental partners to create a comprehensive system of marine protected areas "representing diverse U.S. marine ecosystems, and the Nation's natural and cultural resources." Ultimately, this system will include new MPA sites, as well as enhancements to the conservation of existing sites.

Designing this national system, and effectively managing its component MPAs, is a significant challenge. The Executive Order outlines two parallel tracks on which the national endeavor should proceed:

Site and Network Design: evaluating the adequacy of existing levels of protection for important marine resources and recommending new MPAs and/or strengthening existing MPAs to establish a comprehensive and representative system.

Science-based Management: using science (both natural and social) to develop objective information, technical tools and management strategies needed to support a national MPA system.

The conservation challenge of Executive Order 13158 -- designing and creating an integrated national system of marine protected areas -- has never been attempted by our nation. To succeed, we must build a strong foundation of scientific knowledge that includes where the most critical ocean habitats and other resources are located, where and how new MPAs should be created, and how these MPAs should be managed. Furthermore, this information must be shared freely among all of the organizations involved in the use and conservation of our nation's marine resources, including government agencies, conservation groups, affected industries, and the general public.



The Johnson Sea Link submersible is one of the advanced technologies allowing scientists to gain a better understanding of the complex interactions within, and between ecosystems.

(top)

Major Components of the National MPA Initiative

Executive Order 13158 has many specific requirements for federal agencies. Following is a brief discussion of five principal components of the order.

The National MPA List. As the nation embarks on designing new MPA sites or networks of sites, we must have a comprehensive understanding of which areas are already under some form of enhanced place-based protection. The EO directs the Departments of Commerce and the Interior to develop and maintain a national list of MPAs in U.S. waters. Candidate sites for the list are drawn from existing federal, tribal, state and local protected areas programs. Work on the list began immediately after the EO was announced and continues. When completed, the list and the companion data on each site will serve several purposes, such as ensuring that agencies "avoid harm" to MPAs, providing a foundation for the analysis of gaps in the existing system of protections, and helping improve the effectiveness of existing MPAs. (See The MPA List and Inventory.)

The MPA Web Site. Central to the success of the national MPA initiative is information sharing. A great deal of information exists on MPAs, but it is often fragmented and not easily accessible. The EO directs the Departments of Commerce and the Interior to develop and maintain a publicly accessible Web site (mpa.gov) to provide information on MPAs and federal agency reports required by the EO. The Web site will also be used to publish and maintain the National MPA List (see above) and other useful information, such as maps of MPAs; a virtual library of MPA reference materials, including links to other Web sites; information on the MPA Advisory Committee; activities of the national MPA Center; MPA program summaries; and background materials such as MPA definitions, benefits, management challenges, and management tools.



The MPA Web site is only one of the actions being undertaken to inform the public of MPA activities. Through outreach



programs like the Gulf of the Farallones National Marine Sanctuary Visitor Center in San Francisco, people can learn about the importance of MPAs, and the precious resources they protect and preserve.

The MPA Federal Advisory Committee. Setting aside areas of the ocean for special protection is an inherently complex and often controversial endeavor. Consequently, it is very important that this initiative benefit from the ideas of a broad spectrum of interested and affected parties. The EO directs the creation of a Marine Protected Areas Advisory Committee to provide expert advice on, and recommendations for, a national system of MPAs. This formal committee, which will include nonfederal representatives from science, resource management, environmental organizations, and industry, is currently being established and will begin regular meetings in 2001. (See The MPA Advisory Committee.)

Avoiding Harmful Federal Actions. Federal agencies, through their varied authorities and activities in the ocean, have the potential to both protect and harm MPAs and the resources they encompass. EO 13158 contains an important policy directive to federal agencies to avoid harm to MPAs or their resources through activities that they undertake, fund or approve. Together with the National MPA List (see above), this directive will help to protect marine ecosystems from unintended and avoidable harm.

(top)

The MPA Center. Sound science and strong partnerships are essential to effectively manage MPAs and to ensure the success of the national MPA system. To that end, the EO directs the National Oceanic and Atmospheric Administration (NOAA) to create a Marine Protected Areas Center (MPA Center). In cooperation with the Department of the Interior and working closely with other organizations, the MPA Center will coordinate the effort to implement the EO, and will "develop a framework for a national system of MPAs, and provide Federal, State, territorial, tribal, and local governments with the information, technologies, and strategies to support the system." The Center will:

- develop the framework for a national system of MPAs;
- coordinate the development of information, tools and strategies, and provide guidance, that will encourage efforts both to enhance and expand the protection of existing MPAs, and establish or recommend new ones;
- coordinate the MPA Web site;
- partner with federal and nonfederal organizations to conduct research, analysis, and exploration;
- help maintain the National MPA List; and
- support the MPA Advisory Committee.

The MPA Center will be located in Washington, DC, with a small staff drawn from NOAA and other partner agencies responsible for the overall leadership and coordination of federal activities to implement EO 13158. In addition, the Center initially will be supported by two regional "centers of excellence" that will focus on specific themes relevant to the design and management of MPAs.



Underwater habitats, such as the Aquarius in the Florida Keys, provide a base of operations for scientists and educators to conduct long term in-situ projects.

The Center for MPA Science will collaborate with agency and nongovernmental partners to develop the science-based framework and tools to design and effectively manage MPAs. This center is located adjacent to the new NOAA National Marine Fisheries Laboratory on the campus of the University of California at Santa Cruz.

The Center for MPA Training and Technical Assistance will work with U.S. and international partners to develop and offer specialized training in MPA issues, and to develop technical products and services that enhance MPA conservation worldwide. This center is located at NOAA's Coastal Services Center in Charleston, South Carolina.

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Revised January 02, 2001 by MPA Webmaster
Site hosted by National Oceanic and Atmospheric Administration, U.S. Department of Commerce
<http://mpa.gov/mpadescriptive/natinitiative.html>

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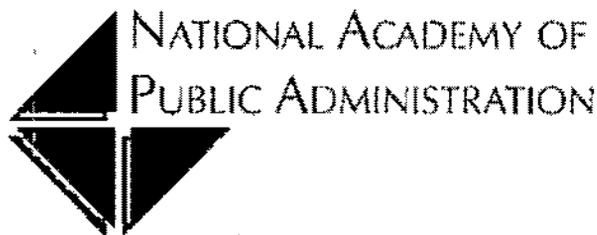
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A Report by a Panel of the
NATIONAL ACADEMY OF
PUBLIC ADMINISTRATION

*to the Director of Budget,
National Oceanic and
Atmospheric Administration*

Improving the NOAA Budget and Financial Management Processes



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Most reports and papers issued by Academy panels respond to specific requests and needs of public agencies. Projects also address governmentwide and broader societal topics identified by the Academy. In addition to government institutions, the Academy is also supported by businesses, foundations, and nonprofit organizations.

Foreword

The National Oceanic and Atmospheric Administration, the largest agency within the Department of Commerce, has the responsibility for carrying out a range of important activities for the nation. These include the forecasting of weather, charting the nation's oceans, managing its fisheries, and conducting research to improve the understanding and stewardship of the environment. These vital and varied responsibilities are now being carried out under a complex budget totaling more than \$2.7 billion in fiscal year 2000.

NOAA has been criticized by the Congress for not correcting several long-standing budgetary and financial management problems. As one of the steps taken by the agency to address these problems, the director of NOAA's Budget Office contracted with the National Academy of Public Administration to review the agency's budget processes and set forth recommendations that might be used to improve its operations. The Academy appointed a panel of experts, consisting of Academy Fellows and selected outside individuals to initiate and oversee this study, and named a study team to carry it out.

In the course of reviewing the NOAA operations, the Academy panel found that the agency had taken a number of positive steps to improve and strengthen its financial management and budget processes. However, these actions have not been enough to remedy the range of significant problems. Specifically, a major finding of the panel is the continued lack of a unified planning and budget process. It found that the planning and budgeting functions are not well integrated. In addition, the budget structure, now under review and discussion, is still not functional. The accounting system is outdated and as a consequence, the agency has difficulty in tracking funds once they are obligated.

The panel has made a number of detailed recommendations that address these problems especially covering the areas of strategic management, fundamental budget structure and process, and the role of the Budget Office itself. The Academy hopes that the ideas presented in this report will assist NOAA in developing the effective budget and financial management program needed to carry out the agency's important program responsibilities to the nation.

The Academy extends its appreciation to the Director of Budget Jolene Sullens who requested this study. It also wishes to thank the many staff throughout the line and staff offices for their cooperation and assistance in providing the information needed for the study and their valued guidance and assistance as the work was conducted.

Sincerely,



Robert J. O'Neill, Jr.

President

National Academy of Public Administration

NOAA FINANCIAL MANAGEMENT AND BUDGET PROCESSES

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Executive Summary

The National Oceanic and Atmospheric Administration (NOAA) is the largest agency within the Department of Commerce with a varied and complex set of program responsibilities. These include forecasting the weather, managing the nation's fisheries resources, charting its oceans, and conducting oceanic and atmospheric research. This diversity of activities is mirrored in the NOAA budget, which is broken into 88 program line items and further divided into 7,000 tasks. In addition, there are more than 130 congressionally initiated earmarks that exceed \$200 million in annual spending. The agency's fiscal year (FY) 2000 President's budget request totals over \$2.7 billion to fund its several line organizations.

Over the past several years, NOAA has been criticized for its "continued inability to address... serious budgetary and financial management problems..."¹ To assist in developing solutions to these problems, the director of NOAA's Budget Office in the Office of Finance and Administration, awarded a contract to the National Academy of Public Administration to (1) perform a broad review of NOAA from the start of the budget formulation process in the agency's line organizations, through the agencywide strategic planning process, to execution of annual appropriations and (2) provide recommendations for improvement. The Academy appointed a panel of experts and a supporting study team to carry out this study.

There are significant problems in NOAA's financial management and budget processes. A major concern of the panel is the disconnect between the agency's planning process and the formulation of the budget. The planning, budget formulation, and execution processes are not effectively integrated, and the budget structure is not functional. The process for determining requirements and appropriate funding for the agency's corporate central services, capital assets and facilities is ineffective. An outmoded accounting system makes tracking and accounting for agency funds difficult. Contributing to these problems is the diminished role and capacity of the agency's Budget Office.

All of these problems are interrelated. The lack of a unified planning and budget process is a contributing factor in poor relations with external stakeholders especially Congress, Commerce and the Office of Management and Budget (OMB). Problems in the corporate cost and budget execution processes accentuate stakeholder concerns because NOAA's line offices have difficulty knowing exactly what program funding they will have during the year. Both the line offices and external stakeholders have trouble tracking funds as they are obligated and outlayed due to an outdated accounting and budgeting system.

NOAA has taken numerous steps, described in detail in the body of the report, to deal with these issues. For example, the agency has made an extraordinary commitment to the development of a strong strategic planning program that is in line with the requirements of the Government Performance and Results Act (GPRA). Also, the Budget Office has taken a leading role in (1)

¹ Report 105-636 accompanying the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Bill, Fiscal Year 1999, page 79

strengthening the corporate cost process so that stakeholders are involved and have realistic planning numbers and (2) instituting measures to manually track and record items of congressional importance in the absence of an adequate accounting system. But these and other actions, taken independently of one another and often on a piecemeal basis, will not solve NOAA's planning, financial, and budgetary problems.

The panel report addresses three major areas requiring improvement. These are (1) strategic management, (2) fundamental budget structure and process issues, and (3) the role of the Budget Office. The panel's key recommendations are in the "Strategic Management" section. Of particular significance is the proposal to establish a Corporate Planning and Resources Board. Creating such a board will enable NOAA to act more as a single corporate entity in addressing the issues raised in these areas. The panel believes that these recommendations will enable NOAA to integrate its planning, budgeting, and management systems and provide the policy leadership and oversight required to ensure that all the report's proposals are effectively implemented.

STRATEGIC MANAGEMENT

Performance budgeting, or the linking of program performance information with an organization's budget request, is at the heart of strategic management. A performance budgeting process works well when the agency's key managers are fully accountable for results. To achieve this accountability, those managers must direct the outcomes of the process from planning through execution to the evaluation of performance. There are barriers to effective performance budgeting in NOAA. The panel's recommendations are designed to (1) provide NOAA opportunities for enhancing its strategic management program by eliminating these barriers and (2) foster institutionalization of the valuable progress the agency has already made.

The Corporate Planning and Resources Board

NOAA has been an innovator and leader in strategic planning and more recently has taken the initiative in addressing a range of fundamental problems with budget structure and process. However, it is now at a stage of development where a broader corporate-level management mechanism is needed in order to provide a high-level focus for these efforts, balancing the agency's corporate needs with program goals, and through its actions, improving relations with Congress and other key stakeholders. Strong leadership will be critical to achieving a robust corporate policy and oversight process. Top-level policy direction and oversight by a body of senior officials committed to a corporate, agencywide view of NOAA's interrelated programs is essential for long-term success. Such a group would combine the strategic planning and budget development processes under a single management structure that also has the responsibility for achieving performance goals and providing continuity between planning and budget.

Recommendation

NOAA should create a Corporate Planning and Resources Board composed of senior NOAA officials, including the assistant administrators, the chief financial officer/chief administrative officer (CFO/CAO), and key staff office heads. The board should be chaired at a high-policy level and should be the focal point for:

- **proposing agency requirements and resource levels**
- **coordinating the planning, programming and budgeting processes**
- **resolving major issues involving requirements and funding**
- **developing an overall strategy for implementing cross-cutting programs**
- **identifying and resolving major institutional issues involving capital assets, facilities, and services**
- **overseeing the improvements recommended in this report**

The board should be constituted separately from other NOAA senior management meetings and committees and should develop recommended long-term solutions and resource requirements. It should provide an orderly and structured flow of information and advice to the administrator for decisions on key program and policy issues. It should receive necessary staff support from the Budget Office and the Office of Policy and Strategic Planning (OPSP).

The Role of the Assistant Administrators

The administrator of NOAA brought a creditable planning process into the agency. However, the panel believes that the current process can be strengthened further by providing a more well-defined role for the assistant administrators who are responsible for implementing and managing the agency's programs.

The role of the individual assistant administrator (AA) during the strategic planning team (SPT) process is not clearly defined and varies from AA to AA and from office to office. For example, AAs play an uneven role in the selection of team leaders and similarly, they informally track and influence team activity. While the AAs can suggest team leaders, they do not make the formal selection. Their only current strategic role is to provide input into the development of guidelines that are sent to the SPTs, to participate in the review of SPT initiatives, and to have the opportunity to appeal items with which they disagree. As a consequence, the AAs, while responsible for carrying out the work, submit their budget ideas to SPTs through their team

members, but do not have invited opportunities (other than their suggestions for SPT guidelines) to contribute to the agency's planning and budgeting process in a formal manner earlier than April, when the review and decisionmaking stage takes place.

Recommendation

NOAA should strengthen the role of the AAs in the annual strategic planning process as a means of institutionalizing this process for long-term effectiveness. The AAs should be assigned a formal and more direct role in the process. The AAs, in conjunction with the director of OPSP and the director of budget, should:

- **conduct periodic progress reviews of the development of budget initiatives being proposed by the SPTs**
- **serve on the Corporate Planning and Resources Board to review budget initiatives**
- **take the lead in managing initiatives that involve more than one line office**

Strategic Planning and Budget Formulation and Execution Processes

NOAA does not have a system that brings planning and budgeting functions together into an effective performance budgeting program. Strategic planning is not sufficiently linked with the agency's budget formulation and execution process to be of substantive value to the agency, Commerce, OMB, and Congress in making resource decisions. The budget planning and execution structures are not the same. The Corporate Planning and Resources Board should, among other things, consider taking the steps recommended below.

Recommendation

NOAA strategic plans and management activities should include:

- **developing an agency annual performance plan that NOAA sends to the Department of Commerce**
- **restructuring the line office's annual operating plans and comparing obligations at the senior management level to these plans**
- **maintaining a clear link between cross-cutting initiatives and the budget structure, and tracking by senior management of progress toward these initiatives**

FUNDAMENTAL BUDGET STRUCTURE AND PROCESSES

Certain attributes are fundamental to the success of any agency in conducting an effective budget and financial management process. The panel identified four areas in which NOAA needs to improve its operations: (1) the budget structure, (2) the corporate cost process, (3) analysis of the agency's base budget, and (4) budget execution.

The NOAA Budget Structure

The current budget structure is based on the agency's organizational structure and the flow of funds as these have evolved over time. It lacks clarity. In addition, the combination of two presentations— strategic planning and the standard budget justification—into one budget document has caused confusion on the part of the agency, Commerce, OMB, and the congressional appropriations committees. These factors prevent these critical stakeholders from forming a clear view of basic NOAA operational activities and how new initiatives relate to base activities. In particular, the House Appropriations Committee has been severely critical of the agency in this regard.

In solving this problem, some in the agency believe that the budget structure should be recast to follow the cross-cutting logic of its strategic plan. Others believe that the key is to retain but significantly improve the current budget structure. The panel believes the second approach is preferable. While the effort will not be easy, it has the merit of working within a budget structure that represents programs familiar to the appropriations committees and other stakeholders and especially the general public.

The agency has established a Budget Restructuring Task Force to develop an improved structure. To develop an improved budget structure, the agency should:

- examine where funds flow within the agency and identify the specific operational activities that should be described in agency budget justifications
- ensure that the allocation and control of funds in the execution process fully matches the revised budget structure

This restructuring effort will be labor intensive, requiring detailed analysis of money flow, the agency's complex structure of line items and 7,000 tasks, and development of alternative scenarios for management's review. The task force will have to balance the need for clarity with the need for brevity.

Recommendation

NOAA should give the newly established Budget Restructuring Task Force top priority support. The task force should:

- **retain the current budget structure as a starting point**
- **identify and describe agency operations clearly and succinctly as possible agency operations, i.e., tell "the story" of NOAA in concrete, operational terms clearly understandable to stakeholders**
- **develop clear and easy to follow cross-walks from this basic structure to agency strategic planning or other cross-cutting initiatives**

Because of the intensity of the effort that will be required to accomplish a clarified structure, the panel suggests that the agency may want to consider beginning the effort with one line office as a pilot. There should be extensive consultation with Congress, OMB, and Commerce on this effort.

The Corporate Cost Process

Corporate costs are the funds required to direct and support the staffs responsible for central executive management and administrative services within the agency. In FY 2000, an estimated \$136 million will support the staff offices of the Office of the Under Secretary such as the Offices of Legislative Affairs, the General Counsel, the Chief Scientist, Policy and Strategic Planning, and others. It will also provide staffing to support carrying out services in the Office of Human Resources, the Office of Civil Rights, the four field administrative support centers, and major portions of the Office of Finance and Administration. The \$136 million includes \$51 million in appropriated funds and \$85 million in assessments on NOAA appropriated accounts.

Historically, the process for determining corporate cost requirements and assessments has experienced difficulties. Decisions on assessment levels have been made late into the current fiscal year and separate from the budget process, thereby making it difficult for line organization managers to know exactly what funds will be available to them. The process by which assessments are determined has been an informal one, which until recently has been closed to the line organization customers who have little opportunity to participate in establishing requirements and assessment levels. In addition, there have been significant problems in accounting for the use of assessed funds. The process has troubled line office management and caused concern on the part of the appropriations committees as well as financial managers within NOAA.

NOAA recognizes that it needs to create a fully accountable corporate cost process and is grappling with a number of problems including vexing accounting issues, improving the process

by which requirements are justified, involving customer organizations in the process, and developing a working capital fund. The process for FY 2000 represented an improvement over prior years but much more remains to be accomplished. For example, participants were able to review and recommend increases, that were proposed, but where base levels were unexplained. Also, while a year-end report was constructed for corporate costs, items that were overspent or reprogrammed were not reported until later in the process.

The process by which annual assessment levels are determined has been managed by the Office of Management and Budget within the Office of Finance and Administration (OFA M&B). This office has experienced significant capacity problems in recent years, and for the FY 2000 process, agency financial managers looked to the Budget Office to provide overall guidance and oversight. In fact, given the necessary and on-going interactions between the two offices in carrying out the corporate cost activities, the overall management of the function would improve by moving it to the Budget Office.

Despite progress in customer involvement and financial tracking improvement, these current improvement efforts will not necessarily ensure that the service and infrastructure needs of the institution are met. The reason for this is because the process focuses more on limiting costs than on addressing service requirements. Or expressed another way, the participants tend to be more geared to meeting "bottom-line" objectives than to carrying out their responsibilities as "corporate caretakers."

A well-functioning agency achieves a balance between the needs of its service and infrastructure functions and the program operations that these functions support. Such functions include common administrative services; facilities construction, repair, and maintenance; capital assets such as ships and planes; agency automation; and other needs. This is **not** simply a budget process issue. NOAA's institutional needs in this sense are not being formally addressed in a systematic manner at the agency level in the corporate cost process. The Corporate Planning and Resources Board will be in a position to elevate the corporate cost process to a point where it serves as an institutional planning capacity for the agency to (1) identify corporate needs, (2) perform alternative analyses to develop optimum solutions, (3) develop long-term action and resource plans to achieve the solutions, and (4) balance these requirements with programmatic goals and resource levels.

Recommendation

NOAA should take a series of steps that will lead to a fully open and accountable corporate cost process as follows:

- **place accountability with the director of budget, who is not now responsible for the process, by transferring the corporate cost function from the OFA M&B to the Budget Office.**

- **implement its plans for creating a working capital fund, which will place corporate cost activities on a fee-for-service basis in which service performance for funds provided can be measured. The working capital fund should be guided by a formal charter and operate under a board of directors composed of line organizations and central administrative service officials.**
- **convert nonservice activities now funded by assessments to appropriations. Congress has directed that all costs not clearly service in nature should be converted to appropriated funds subject to the annual appropriations process, and NOAA is preparing a reprogramming request to achieve this goal. NOAA management should provide all support necessary to effectuate this reprogramming.**
- **develop a clear and formal requirements process. A formal requirements definition and budget formulation and analysis process should be laid out with a schedule that feeds corporate cost estimates into the initial stages of the agency's annual budget process in February. This process should provide predictable assessment levels for line organization financial managers and inform them well in advance of potential costs outside of the agency's control.**

Base Analysis

In its annual strategic planning process, during the SPT cycle, NOAA conducts no on-going and systematic base analysis for reviewing program priorities or to determine the relative priority of base requirements compared to new initiatives. The SPTs focus on incremental enhancements as does the corporate cost process and, therefore, do not develop information about on-going activities in line office budgets. As a result, the agency cannot (1) identify how its program dollars are being spent; (2) undertake an effective prioritizing effort to ensure that the core needs of existing activities are being met and that lower priority base activities can be scaled back to fund emerging initiatives; (3) perform the analysis necessary to identify alternative and more effective ways of accomplishing program goals; or (4) meet the requirements of Commerce, OMB, and Congress for information regarding the full range of agency priorities including how incremental requests relate to base activities. The lack of priority information in the budget formulation process contributes to the problems the agency is having with these reviewing agencies.

The conduct of a base analysis by the agency would (1) assist in identification of tradeoffs within current resource levels to satisfy emerging requirements identified in the strategic planning process; (2) allow the agency to look for improvements and efficiencies and to evaluate the effectiveness of program performance goals; and (3) provide critical information regarding the adequacy of current resource levels to meet corporate service and infrastructure needs.

Recommendation

A comprehensive base analysis of all programs, including the NOAA-wide and line office corporate costs, which are part of the annual corporate assessments, and NOAA indirect costs, should be conducted as standard operating procedure in the agency's budget process. This is a crucial step in understanding agency-level financial issues as well as building credibility with Congress and other stakeholders. The Budget Office should design guidance to the line offices for preparation of a full base analysis for use by the strategic planning teams in the FY 2003 process. A "dry-run" should be undertaken during the FY 2002 process utilizing the work of one of the several line offices that now conduct a base analysis on their own initiative.

Budget Execution

The NOAA budget is not being executed at a sufficiently high level of quality, and a number of problems are contributing significantly to the perception that NOAA is not fully accountable for the way it manages its funds. These problems include (1) funds control, (2) managing congressional "assigned activities" and reprogrammings, and (3) tracking deobligations, carry-over funds, and reimbursable funds.

The process by which top agency management reviews financial operating plans is weak. The quarterly reviews of line office plans and progress by the senior management team do not include well-developed initial information on line office financial plans for the coming year or good information on progress against plans including analyses of variances from original base line plans.

NOAA is taking actions toward improving budget execution. In addition, NOAA is developing a new accounting system—Commerce Administrative Management System (CAMS)—for implementation at the start of FY 2002. The panel believes that it is critically important to move this new system forward. The current system is weak, providing untimely and inaccurate accounting of agency obligations and expenditures, and without a better accounting system, other NOAA improvements will not be successful.

All of these problems contribute significantly to the lack of trust the agency is experiencing from Congress and other stakeholders, and their expeditious solution is essential to restoring agency credibility.

Recommendation

- **NOAA should ensure that the management attention and resources required to implement CAMS successfully are provided**

- **NOAA should require major improvement in the line office financial operating plan process including development of initial baseline plans and informative updates on progress, using variance analysis, at the administrator's quarterly reviews. The Budget Office should prepare guidance for development of these plans and provide the independent analysis necessary for effective financial performance reviews during the year. Other agencies should be contacted regarding successful financial management and reporting techniques.**

THE ROLE OF THE BUDGET OFFICE

The Budget Office is positioned at the crossroads of all basic financial process activities and must serve as an effective switching station to ensure that these processes function well. This is true for formulating the NOAA budget internally, conducting budget negotiations with Commerce, OMB, and Congress, and working with OMB and Commerce to allocate appropriations to the line offices. A strong Budget Office is critical to NOAA's success in making systematic improvements in its financial management and budget processes.

The capacity of the Budget Office has been greatly diminished in the past decade through downsizing and reductions in force. This has caused major problems in the ability of the Budget Office to (1) provide quality products to its customers, including allowances and financial analyses, based on accurate and up-to-date spread sheets; (2) design and operate open, clearly understood, and standard budget formulation and execution processes; (3) communicate with internal NOAA customers, Congress, and other external stakeholders; (4) develop a formal guidance system; (5) conduct a training and career development program within the NOAA financial management community; and (6) maintain necessary automated support systems to support spread sheets and the cross-walks needed between the traditional budget structure and the strategic planning structure. This has been accompanied by a severe loss of corporate memory in the Budget Office.

Concurrently, relations with Congress have also declined, and the urgency of establishing sound professional relations with the appropriations committees cannot be overstated. Congressional issues affect all parts of the panel's report including the usefulness of strategic plan information, corporate cost assessments, adherence to committee directives and reprogramming rules, and a new budget structure. The appropriations committees must be supportive of NOAA's improvement efforts. Even a perfect NOAA financial management process will not overcome substantive policy disagreements between Commerce and Congress in determining NOAA's annual funding levels. However, instituting important process changes will enhance NOAA's ability to better focus discussion with the committees on major program issues.

What should a strong Budget Office staff look like? The panel envisions a staff of mid-level to senior analysts, collectively possessing both execution and formulation skills, who are fully knowledgeable of the line office programs for which they are responsible. These analysts (1) are immersed in NOAA programs and understand substantive issues and the resource requirements

for supporting program operations, and they achieve this by participating in all key line office and NOAA budgetary activities; (2) view the line offices as their customers and provide expert advice and information to line office staffs about external issues and events; (3) provide expert analytical advice to NOAA management on resource issues including identification of alternative resource acquisition scenarios; (4) become the single most important source of information in response to the information needs of the line offices, Commerce, OMB, and the appropriations committees; and (5) provide a crucial bridge for line office customers and all other parties between formulation of the budget and its execution by functioning as a one-stop shopping center for budgetary information.

NOAA recognizes the urgency of moving the Budget Office towards this ideal set of capacities. In the past year, the agency has upgraded the position of the director of budget to the Senior Executive Service level and filled that position with a new person. The new director has hired key management and analysis staff and developed a vision for a high-performance organization. This includes the beginning of a partnership with customers to address capacity problems. The director has realigned Budget Office components to focus staff energy on making these improvements happen.

The panel is concerned that a number of factors, unless satisfactorily addressed by NOAA, will mitigate against success. These include the limited staff capacities of the Budget Office and the demands of daily workloads. Further, the specific capabilities of the OFA M&B, the corporate cost functions of which the panel has recommended be transferred to the Budget Office, must also be upgraded. NOAA will need to ensure that this unit operates at a high level of proficiency in order to fully implement the panel's corporate cost recommendations, including operation of a working capital fund. In addition, three studies (described in Chapter 3) in recent years have recommended various improvements in the agency's financial management practices, but these studies have not been effectively implemented.

An active partnership between the Budget Office and the line office financial community is critical to success in this effort. Development of communication, career development, guidance and systems capacities, a revised budget structure, base analysis, and a new corporate cost process cannot be done in a vacuum but will require both the acceptance, participation, expertise, and resources of the line offices. The Budget Office also needs to increase its role in helping the line offices.

Recommendation

NOAA should strengthen the Budget Office by:

- **instructing line office financial managers to form an active partnership with the budget office in undertaking the improvement efforts recommended in this report**
- **ensuring that the director of budget is a key participant in the policy making processes of the agency affecting financial matters**

- **tasking the Budget Office, along with the OPSP, with providing the staff work necessary to make the corporate board function well**
- **recognizing the critical role of the director of budget, and designating the Budget Office as the primary contact point with Commerce, OMB, and Congress in obtaining and providing factual information about the NOAA budget**
- **upgrading the capacity of the Budget Office and reviewing current staffing allocations, to the Budget Office to determine its ability to implement the panel's recommendations**

The chief financial officer/chief administrative officer should:

- **work with the line offices to plan and implement the training and career development experiences for budget and financial management staff throughout the agency. This will include the development of senior level staff capability envisioned above especially a program of rotation for Budget Office and line office financial staff members through progressively more responsible assignments in appropriate NOAA financial organizations, Commerce, OMB, and Congress**

The director of budget should:

- **act to restore the capacity of the Budget Office to communicate effectively with customers, Congress, and other external stakeholders**
- **consider reorganizing the Budget Office along programmatic lines, rather than functionally by formulation and execution, to provide a one-stop shopping focus for line office customers**
- **translate the individual improvement goals recommended in this report into specific milestone implementation schedules identify the interdependencies between individual schedules such that all goals move forward in a known, interactive, resourced, and manageable effort**
- **contact other agencies to obtain needed project management training for key Budget Office staff members**

To enhance relations with the appropriations committees, the director of budget should:

- **consult with and be advised by the appropriations committees on the specific changes that respond to their concerns and criticisms, especially regarding budget structure,**

explain how the agency improvement efforts solve problems, provide a timetable for implementation, and advise on how NOAA will keep them informed

- **seek advice on the need for specialized budget tables and analyses that will provide supplemental information for the appropriations process and seek input on such topics as improving funding estimates for NOAA's long-term capital cost**
- **establish a staff liaison within the Budget Office for coordinating all information activities regarding NOAA budgetary matters with the line offices, Commerce, and the appropriations committees**

Within a year, NOAA should review implementation progress to determine whether:

- **current Budget Office staffing allocations are sufficient**
- **the goal of a one-stop shopping center for budgetary information and expertise is being achieved**
- **the necessary active partnership with and support by the line organizations for the Budget Office's improvement efforts has developed**

THE PANEL'S APPRECIATION

The panel thanks the staff of the Budget Office, the line office financial managers and staff, Office of Finance and Administration staff, and many others within NOAA who gave their time and assistance to the Academy project staff in preparing this report. The full and candid comments by key Department of Commerce, OMB, and congressional appropriations committee staff members have been very much appreciated, as is the time offered by staff from Commerce's Office of the Inspector General, the General Accounting Office, and those federal agencies with whom the project staff visited for an outside perspective. This has been a rewarding experience, and the panel and project staff want to share their gratitude to so many who made it so.

Chapter 1

Introduction, Background, and Context

The National Oceanic and Atmospheric Administration (NOAA) is the largest agency within the Department of Commerce. The agency's FY 2000 President's budget request totals over \$2.7 billion to fund its several line organizations. "NOAA warns of dangerous weather, charts our seas and skies, guides our use and protection of ocean and coastal resources, and conducts research to improve our understanding and stewardship of the environment which sustains us all."²

NOAA is an agency with a large, varied, and complex set of program responsibilities. These include: forecasting the weather, managing the nation's fisheries resources; charting its oceans, and conducting oceanic and atmospheric research. This diversity of activities is mirrored in the NOAA budget. Two main accounts—operations, research, and facilities (ORF) and procurement, acquisition, and construction (PAC)—are broken into 88 program line items which are further divided into 7,000 tasks. In addition there are more than 130 congressionally initiated earmarks with an estimated \$200 million in agency spending. There are numerous other funds and financial activities, extensive reimbursable work for other agencies, and numerous transfers between the agency's line office budget activities.

Over the past several years, NOAA has been criticized for the quality of its financial management and budget processes and information. This criticism is reflected in the FY 1999 House Appropriations Conference report which states: "The Committee is frustrated by NOAA's continued inability to address ... serious budgetary and financial management problems..."³ Problems include but are not limited to:

- an overly complex and poorly defined process lacking necessary elements of accountability— visibility, predictability, and good information for its customers and stakeholders
- a budgeting system that does not adequately link to the agency's performance planning and measurement system and to appropriations committee expectations
- a corporate cost process that fails to meet the needs of the line office customers
- a lack of responsiveness to requests and directions from congressional appropriations committees

² NOAA Home Page, <http://www.noaa.gov/welcome.html>.

³ Report 105-636 accompanying the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Bill, Fiscal year 1999, page 79.

NOAA has taken steps to address these issues including the hiring of a new chief financial officer/chief administrative officer (CFO/CAO) and upgrading the position of director of the Office of Budget to the Senior Executive Service level. However, NOAA realizes that improvements will be limited if the business processes themselves remain unchanged. With a new management team in place, NOAA intends to rebuild its budgetary processes to respond to the Government Performance and Results Act (GPRA) and produce a more performance-based budget. To assist in this process, the director of NOAA's Budget Office awarded a contract to the Academy to study and provide recommendations for improvement of the NOAA financial management and budget processes.

Analytical Requirements in the Contract

The contract with the Academy asked numerous analytical questions including:

- How does the current formulation process enhance or impede NOAA's ability to achieve its program goals and performance plans?
- How can NOAA realign its budget to more effectively display its resources and improve the process as well as allocation of resources? How can NOAA realign to ensure performance budgeting?
- What information is available and needed for use in the budget formulation process, and do decision makers at the right levels have the proper information to decide in a timely manner among competing priorities?
- How is the base budget defined and reviewed, and what is its relationship to the strategic goals and performance outcomes of the agency?
- What are possible improvements to the budget execution process including information flow, resource allocation, and funds control, etc.—that would facilitate the process, ensure positive program performance, and ensure adequate funds control?
- How do different units and levels within NOAA interact in the budget process (diagram the flow), and what is the proper distribution of authority that will facilitate quality budget planning and decisionmaking?
- How can NOAA better manage its corporate costs process, and what is the impact of this overhead assessment on performance outcomes?
- How can the link between budget execution and budget formulation be improved?
- What mechanisms can be implemented to enhance accountability?

Contract Scope of Work

The contract with the Academy provided for a five-month study of the NOAA financial management but with a special focus on budget issues and processes. The scope of work required the Academy to:

- define the context (environment) within which these NOAA processes operate and how this context affects the NOAA processes (environment includes Commerce and the presidential and congressional budget processes)
- map the current formulation and execution processes at all levels of NOAA including the line offices and the Office of Finance and Administration (OFA) as a line office entity to identify the flow of information, internal communication strategies, and how the budget process connects to other related processes including strategic planning and financial management
- describe and evaluate the tools used for decision making in both the strategic planning, formulation, and execution processes
- identify and evaluate NOAA's strategies for implementing GPRA, Federal Managers Financial Integrity Act (FMFIA), and the Chief Financial Officers Act (CFOA)
- evaluate the current organizational structure and processes of the Budget Office and identify possible short- and long-term improvements including evaluating recent improvements, organizational changes, and other refinements that are being made
- produce a final report that summarizes the current issues related to the NOAA financial management and budget processes, identifies options, and provides recommendations for improvements including organizational changes

How This Study Was Conducted

The Academy convened a six-member project panel drawn from the Academy's fellows and other experts based on their familiarity with NOAA and/or experience with federal financial management and budget processes, general insights, and knowledge of the specific issues under study. Two of the panel members are recently-retired senior NOAA career executives with intimate knowledge of the agency's program and financial management processes. The panel was supported by a project team selected on the basis of their experience in federal planning and financial management processes. Biographical sketches of the panel members and project team members are in Appendix C.

Study Methodology. To answer the analytical questions posed to the Academy and to meet the terms of the scope of work, the project team gathered all relevant information by:

- reviewing materials such as internal budget documents; strategic and operational plans; executive performance plans; appropriations law and committee reports and tables; execution documents; reports from Congress, the Office of the Inspector General (OIG), the General Accounting Office (GAO) and independent auditors; and other documents regarding the requirements and implementation of GPRA, FMFIA, and CFOA [A full list is included in Appendix D]
- interviewing key process participants including, managers, line office officials and staff, and external stakeholder organizations such as appropriations committee staffs and individuals in Commerce's Budget Office, the Office of Management and Budget (OMB), GAO, and OIG [This included conducting a focus group with line office budget staff members. For all interviews, Academy staff prepared appropriate questions and/or "talking points" for interview participants prior to scheduled meetings. A full list of interviews is included in Appendix E.]
- conducting several "benchmark" interviews with officials in other federal agencies to identify best practices in relevant areas of the budget formulation and execution processes, performance budgeting, overhead assessment, and working capital fund management. Benchmark interviews are also listed in Appendix E⁴

The panel was provided with project team briefings and a draft of this report. It met three times (August 5, September 22, and November 3, 1999) to review and provide guidance to the project team on its approach, findings and recommendations, and the composition of this report.

The NOAA Financial Management Process and Context

The NOAA financial management and budget process operates within and through a complicated web of organizational, legal and cultural factors. The problems and potential for successful change must be understood in the context of these factors. Some of these factors are directly within NOAA's control. Others are only indirectly influenced by the agency. Nevertheless, a well-conceived and carefully implemented plan for putting current NOAA goals and panel recommendations into effect has the potential for achieving across-the-board changes in all areas where issues exist.

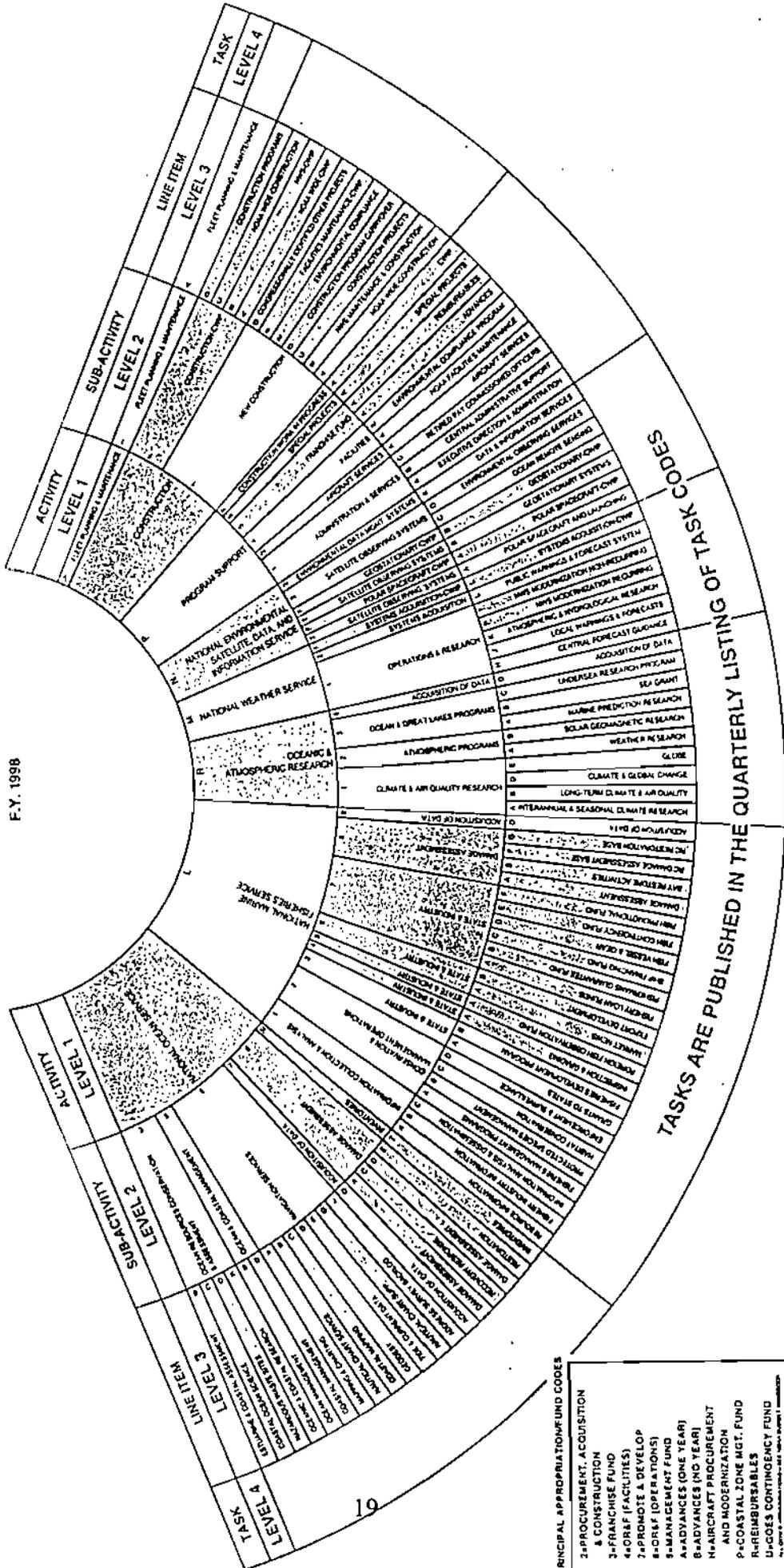
A Complex Budget. The NOAA budget is complex and managed in a complex manner. Two main accounts—ORF and PAC—total \$2.7 billion. These accounts are broken into 88 program line items which are further divided into 7,000 tasks representing funding assigned to NOAA managers. Figure 1-1, prepared by the NOAA Budget Office, portrays the NOAA program and budget structure.

⁴ Benchmark interviews were conducted within funds available in the basic contract 50-DKNA-9-90049. An option to the contract for doing an independent survey of cutting edge best practices regarding performance based budgeting among federal agencies was not exercised by NOAA due to budget constraints.

(Figure 1-1)

NOAA PROGRAM/BUDGET STRUCTURE

F.Y. 1998



TASKS ARE PUBLISHED IN THE QUARTERLY LISTING OF TASK CODES

There are numerous other funds and financial activities. These include seven accounts such as the Damage Assessment and Restoration Revolving Fund and several fishery finance accounts as well as many smaller financing accounts. The management fund as described in Chapter 3 was used to funnel funding to NOAA corporate offices—an estimated \$136 million in FY 2000 including \$85 million in assessments and \$51 million in appropriated funds. The management fund was also used by the individual line offices to manage the corporate costs that line offices assess on their own programmatic activities to meet requirements not funded by other means in FY 1999. These line office assessments total \$110 million. There are extensive transfers between line items for work done by one line office for another. NOAA also does a considerable amount of work for other agencies. Reimbursements from these agencies total an estimated \$203 million and 611 compensable work years in the FY 2000 column of the President's budget for ORF. NOAA must track approximately 60 "assigned activities," the term for specific congressional earmarks in the budget. These total approximately \$110 million or five percent of the agency budget. In addition, the agency experiences difficulty in making time consuming cross-walks between the basic budget structure and its strategic plan.

The Strategic Planning Process

The agency has a long standing commitment to a strong strategic planning process. NOAA's leadership continues to invest and strengthen the process at all levels as reflected in the following:

- **Organizational Leadership.** Annual guidance is provided by the DOPSP and the DBO that lay out the process and timelines to be followed by all line managers and the Strategic Planning Teams (SPTs). Specific roles are defined for the line and staff organizations alike. Accountability by the senior managers is called for in the form of individual performance plans, and their direct participation in the development and execution of the related operating plans is required.
- **Stakeholder Commitments.** NOAA has committed itself to ensuring an important role for the external participants in the yearly planning process. Constituent organizations are invited to participate in the SPT part of the cycle. Agency guidelines set aside more than six weeks for the SPTs' to develop and revise their plans with the expectation of incorporating ideas from the constituent workshops.
- **Management Structure.** Instructions are developed each year for program management that outline each step in the strategic planning process. SPTs are established with principals selected by agency management with membership that is representative from across the agency to help ensure the development of coordinated and programmatic sound ideas. Written guidelines are issued jointly from the director of budget and the director of the Office of Policy and Strategic Planning. A review is conducted by the Executive Management and Senior Management Teams in April to receive and decide upon the next year's priorities. Following the congressional appropriations actions, annual operating plans are developed by

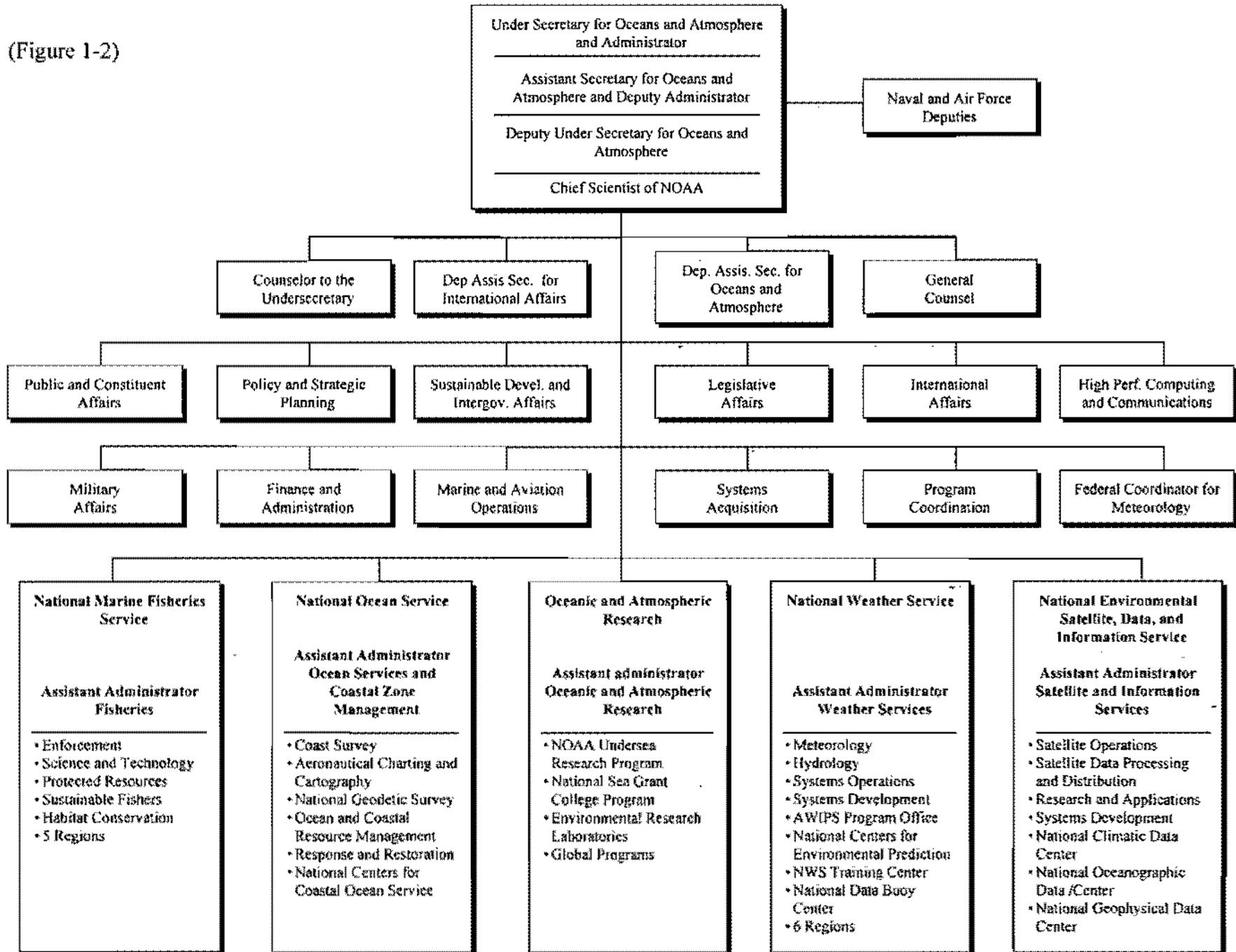
each of the AAs who report quarterly on their individual objectives against a set of milestones and performance objectives.

- **Performance Measurement.** All of the work done by the SPTs is carried out with a special focus on performance measurement. Each of the activities in the budget refer to the agency's strategic goals and in turn, the performance objectives are identified with the sub-activities.
- **Partnerships.** A team approach is taken throughout the agency's planning process. Members of the budget staff, as well as the planning and policy staffs, are involved with the work of the SPTs. The principle of collaboration underscores the strategic nature of the agency's operations and systems.

The Strategic Planning and Budget Formulation and Execution Processes

- **The Line Office Planning and Formulation Process.** In the fall of each year, the line offices conduct a program-requirements and internal resource planning process. While each process is somewhat different, they all have the following in common: (1) a planning process, unique to their own organization, which focuses on the traditional goals and budget line item activities of the organization; (2) a focus on the specific operational needs of the organization to carry out its mission within the organization's plans; and (3) full ownership by line office management.

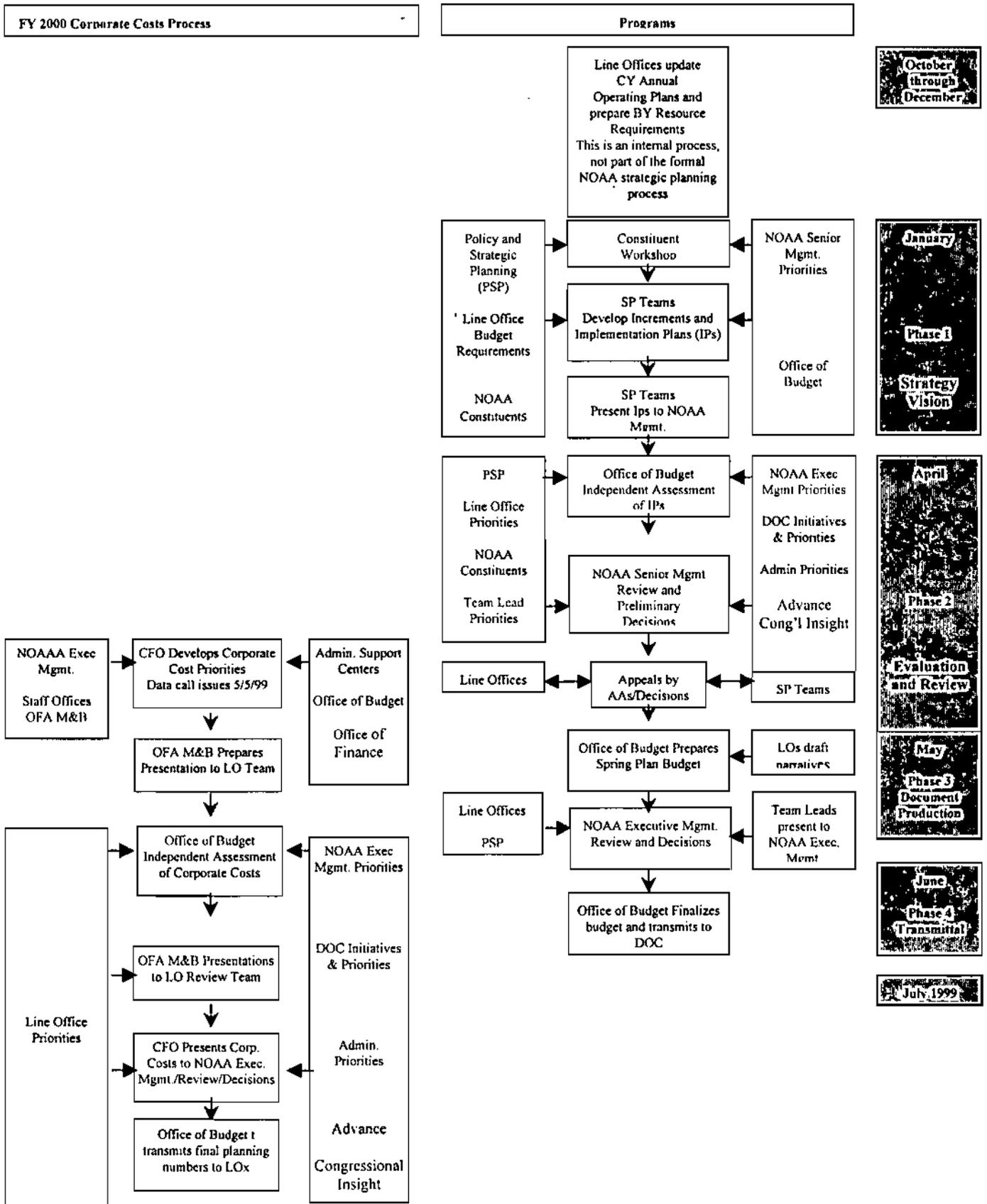
(Figure 1-2)



- **The Agency's Government Performance and Results Act Overlay.** Preceding the requirements of GPRA, NOAA developed an agencywide strategic planning process (described above) under the guidance of the Office of Policy and Strategic Planning (OPSP) and the OFA in the administrator's office. This process and the role of the Budget Office is depicted in Figure 1-3.

(Figure 1-3)

NOAA'S STRATEGIC MANAGEMENT PROCESS



- **The Department of Commerce and the Office of Management and Budget.** After the under secretary's decisions are made, the Budget Office incorporates them into the annual NOAA budget request that is provided in June to Commerce chief financial officer. This request is analyzed by several senior budget staff members who provide analytical advice to NOAA and Commerce management prior to submitting the request to OMB in September. OMB performs its own analysis for conformance with the administration's policy and budgetary goals. In performing this review, OMB fulfills its legal responsibilities lodged in the Budget and Accounting Act.⁵
- **The Congressional Process.** OMB provides the President's budget to Congress just shortly after start of its annual session. Congress, pursuant to its constitutional duties, begins the process of determining funding levels of the coming fiscal year.⁶ This work is done by the appropriations committees and, more specifically, subcommittees on the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies through a series of hearings and bill "mark ups."
- **The Budget Execution Process.** The execution process is similar to ones that are generally followed by other federal agencies. In preparation for the coming fiscal year, the division of budget execution located in the Budget Office works with the line offices to prepare financial operating plans based on the likely outcomes of the appropriations process. These are updated to reflect final congressional action. The funds are apportioned by OMB, and budget execution provides allowances to the line offices. These subsequently suballow the funds into the line items and tasks portrayed in Figure 1-1.

The AAs prepare annual operating plans by which their staffs will manage their organization's programs for the coming year. The line offices and other key NOAA components are depicted in the NOAA organizational chart (Figure 1-2).

Tracking of funds has been limited by several factors. One is that the NOAA accounting system, the financial management system, is out-of-date and does not provide real-time information to NOAA financial managers. However, there are several other problems, discussed in Chapter 4, that make it difficult to track obligations. These problems have contributed significantly to questions by Congress, OMB, Commerce, and OIG about NOAA's accountability for its appropriations.

FMFIA, among other things, requires that each agency head establish controls to ensure that "obligations and costs comply with applicable law."⁷ CFOA, "requires the preparation and audit of financial statements."⁸ In its review of NOAA's financial statements for the past three years, OIG has identified a number of weaknesses. NOAA has made steady progress

⁵ OMB Circular A-11, section 15.2, Page 7.

⁶ Article I, section 1 and section 9, clause 7, U.S. Constitution.

⁷ OMB Circular A-123, Section I.

⁸ Ibid.

reducing the number of major weaknesses ("material weaknesses") from 11 in the FY 1996 statement to 2 in the FY 1998 statement. The remaining two issues (accounting for construction work in progress and improvement of monitoring of grant recipients) are specific technical issues the solutions to which are included in NOAA corrective action plans. Academy staff were told in an interview with OIG staff that NOAA's planned corrections are satisfactory responses to OIG findings. However, the OIG report also states that "controls over monitoring the budget should be improved." This issue is discussed further in Chapter 3.⁹

The Corporate Cost Process

NOAA annually assesses its program accounts to support overhead activities in two ways. The first are assessments by the NOAA central office to supplement appropriations for activities such as the under secretary's office and other executive direction activities as well as the service functions of OFA. This assessment activity is managed by OFA, specifically by the OFA Office of Management and Budget (OFA M&B). The activity has had little visibility to or participation by the line offices. The second type of assessments are those made by the line offices themselves to support their own overhead activities. The practice of assessing overhead has led to concerns both within the line offices and on the part of line offices with the NOAA central office. It has also resulted in constituent complaints to Congress about unanticipated reductions in funding levels for program activities. These are discussed in Chapter 3.

The NOAA Financial Management Organization

The CFO provides the overall leadership and direction for the agency's financial management operations. In carrying out the responsibilities of the office, the CFO works to ensure that the full range of needed administrative and support services are provided, including those related to human resources and the budget itself.

The NOAA Budget Office is the keystone within the financial management organization. Under the new NOAA director of budget, who came to the job in October 1998, the Budget Office is undergoing significant change. The director of budget is the first Senior Executive Service member to serve in the position and has been given the resources to fill 37 positions in the organization, including seven previously unfunded vacancies.

Even though the Budget Office and the OPSP jointly sign all guidance transmittals, the Budget Office has played a routine but not a significant role in the agency's strategic management process, nor has it recently played a leadership role within the NOAA financial management community. This is at least in part a function of a decline in staff capacity which has occurred over the past decade. The role and capacity of the Budget Office are discussed in Chapter 4.

⁹ Memorandum for Dr. Baker, from Johnie Frazier, NOAA's FY 1998 Financial Statement, Audit Report No. FSC-10869-9-0001, page 2, March 1, 1999.

OFA also houses the Office of Finance which is responsible for operation of the financial management system and for implementation, at the beginning of FY 2002, of the CAMS, NOAA's new accounting system. The Office of Finance is also responsible to the head of OFA (the CFO/CAO) for coordinating the development of corrective action plans in response to OIG reports including their reviews of the annual NOAA financial statements and for ensuring that NOAA meets the requirements of the CFOA for a "clean audit."

Each line office also maintains a financial function mirroring the formulation and execution functions contained in the Budget Office. While organizational structure and names differ, each maintains the capability to support its AA in conducting the annual operational planning process, formulating the traditional operating budget, and executing that budget.

Chapter 2

Strategic Management

Strategic management, to be effective, must have a system that connects resources to results and adheres to a decisionmaking process that is corporate in nature. The critical parts of such a system consist of (1) a sound budget structure that reflects the strategic planning of the organization, (2) the means by which program performance and obligation of funds can be clearly tracked during the fiscal year against agreed upon plans, and (3) built-in assurances for holding key managers fully accountable for the results of their individual and collective actions.

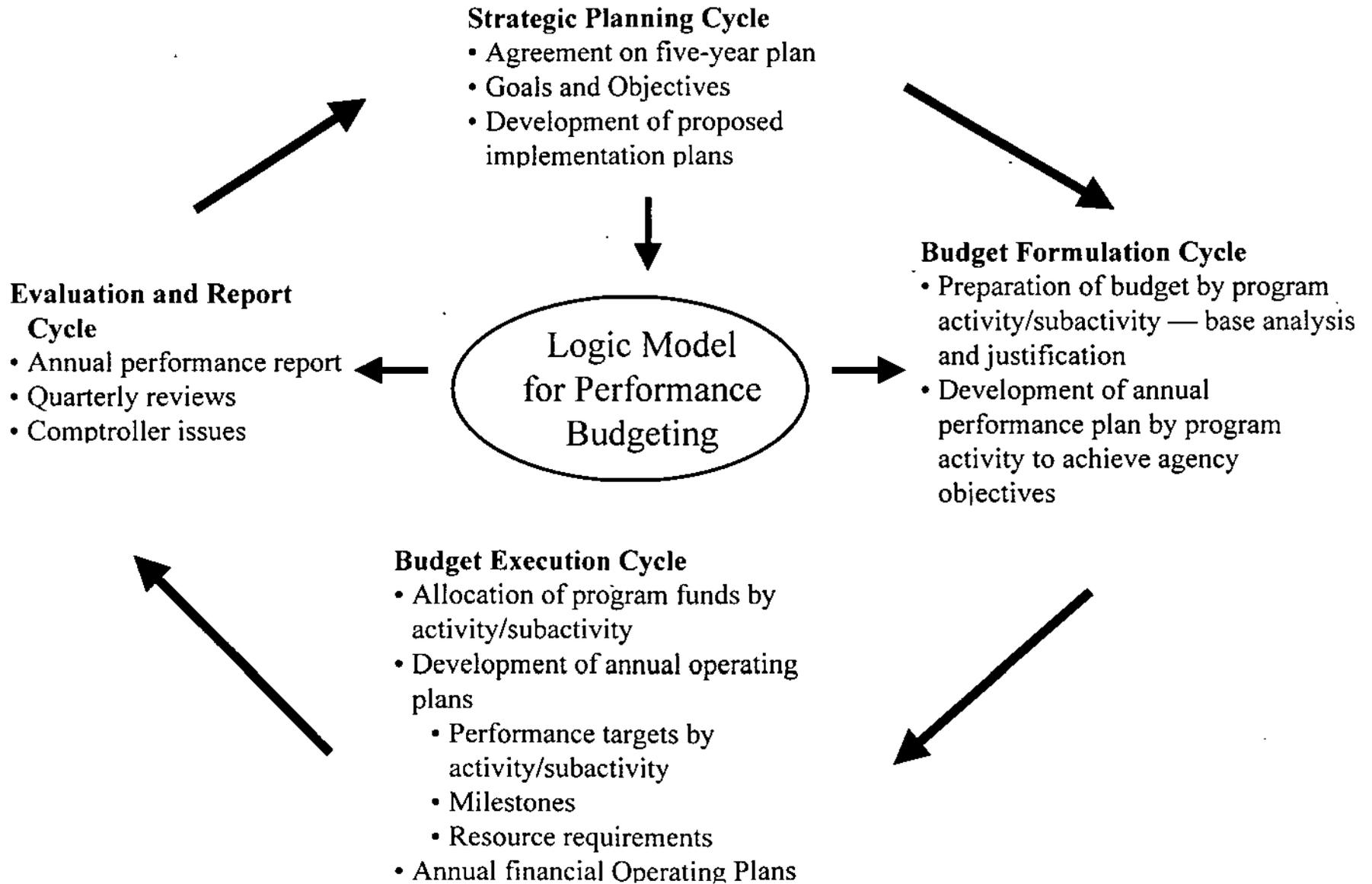
An illustrative strategic management program that represents the flow of the interrelated components is diagrammed in Figure 2-1. Each component is an important part of the whole. The strategic plan sets the organization's direction with its presentation of vision and mission. An annual operating plan describes the agency's approach to accomplishing its work in a clear statement of measurable objectives. The budget serves as the means by which the organization's plans are executed. The performance measurement system assesses how well the work is being carried out. The glue that keeps these parts functioning as a whole and ensuring the necessary nexus between planning and budgeting depends on the full and ongoing commitment and investment made by all members of the senior management team.

A comprehensive review of NOAA's strategic management touched on all aspects of the overall system. Planning and budget staff throughout the organization were interviewed; all guideline materials were collected and read; and many of the agency's line managers were asked to provide their views and insights regarding the NOAA's approach to strategic management. This assessment highlighted the significant efforts that have been made by NOAA's leadership in trying to make strategic management a success. There have been many accomplishments including achievements in building strong partnership relationships with outside organizations and attention to the importance of a strong performance measurement system.

However, the interviews with NOAA staff revealed a number of barriers to effective strategic management. Primary among these is the lack of a corporate focus for overseeing and giving direction to agency wide planning and the execution of its resources. Of equal and related importance is the study's finding that the assistant administrators are not fully invested in all phases of strategic management. Finally, the strategic management tools that include strategic planning, performance budgeting and annual performance reporting do not now come together at the senior management level in a fully integrated manner. This chapter addresses each of these barriers.

(Figure 2-1)

STRATEGIC MANAGEMENT PROGRAM



THE CORPORATE PLANNING AND RESOURCES BOARD

NOAA has made good progress in its strategic planning program and correcting fundamental budget structure and process problems. However, there remain significant problems in NOAA's financial management and budget processes. A major concern, discussed later in this chapter, is the disconnect between the agency's planning process and formulation of the budget. The planning, budget formulation, and execution processes are not effectively integrated, and the budget structure is not functional. Chapter 3 contains the panel's findings that the process for determining requirements and appropriate funding for the agency's corporate central services, capital assets and facilities is ineffective. An outmoded accounting system makes tracking and accounting for agency funds difficult to do in an effective manner. Contributing to these problems is the diminished role and capacity of the agency's Budget Office which are described in Chapter 4.

This Corporate Planning and Resources Board is needed to provide a high level of focus for these efforts, balancing the Agency's corporate needs with program goals, and, improving relations with Congress and other stakeholders. Strong leadership will be critical to achieving a robust corporate policy and oversight process. Top-level policy direction and oversight by a body of senior officials committed to a corporate, agencywide view of NOAA's interrelated difficulties is essential for long-term success. Such a board would combine the strategic planning and budget development processes under a single management structure that also has the responsibility for achieving performance goals and providing continuity between planning and budget. In carrying out its responsibilities, it would both set policy directions and provide management oversight on key issues to ensure that appropriate action was being taken. Individual board members would be called upon from time to time to take the leadership in those areas for which they already carry institutional responsibilities, such as in planning, budgeting and information systems.

Among the responsibilities of the board, the panel includes:

- overall policy guidance to integrate the entire spectrum of planning, budgeting and management. This includes oversight of the agency's strategic planning process and the balancing of programmatic and institutional requirements within the process
- proposals of appropriate corporate service levels over time and the budgets necessary to support them
- overall operation of a formally chartered working capital fund
- development of a facilities construction and maintenance master plan
- identification of capital assets requirements and long-term plans to meet the agency's needs for ships, planes, and other capital assets in balance with programmatic requirements

- oversight of improvements recommended by this report for strengthening of the NOAA's financial management capacities and improving operations of the corporate cost process
- identification and evaluation of the usefulness of other agency boards or groups with existing planning duties in the areas of facilities, information technology, or agency infrastructure

The role of the budget office and the OPSP will be crucial to the success of implementing the panel's capacity recommendations. These two staff offices, which during the recent past have been working together on planning and budgeting activities, are well positioned to further this relationship and provide the necessary support to the board in its effort to revitalize NOAA's planning and resource acquisition processes. Their work would include the development of agendas, tracking of action items, performing and overseeing planning and analytical tasks assigned by the board, and preparing working papers well in advance of meetings to support effective board decision making.

If the agency establishes a Corporate Planning and Resources Board, other existing boards could be identified and reviewed as to their purposes and functions. If some or all of them seem to be overlapping or duplicative, the agency could determine whether they are still needed or if certain aspects of their charters should be changed.

Recommendation

NOAA should create a Corporate Planning and Resources Board composed of senior NOAA officials, including the AAs, the chief financial officer/chief administrative officer, and key staff office heads. The board should be chaired at a high policy level and should be the focal point for:

- **proposing agency requirements and resource levels**
- **coordinating the planning, programming and budgeting processes**
- **resolving major issues involving requirements and funding**
- **developing an overall strategy for implementing cross-cutting programs**
- **identifying and resolving major institutional issues involving capital assets, facilities, and services**
- **overseeing the improvements recommended in this report**

The board should be constituted separately from other NOAA senior management meetings and committees and should develop recommended long-term solutions and resource requirements. It should provide an orderly and structured flow of information and advice to the administrator for decisions on key program policy and budget issues. It

should receive necessary staff support from the Budget Office and the Office of Policy and Strategic Planning.

THE ROLE OF THE ASSISTANT ADMINISTRATORS

The administrator of NOAA brought a creditable planning process into the agency. However, the panel believes that the current process can be strengthened further by providing a more well defined role for the AAs, who are responsible for implementing and managing the Agency's programs.

The role of the individual AA during the SPT process is not clearly defined and varies from AA to AA and from office to office. For example, AAs play an uneven role in the selection of team leaders and similarly, they informally track and influence team activity. While the AAs can suggest team leaders, they do not make the formal selection. Their only current strategic role is to provide input into the development of guidelines that are sent to the SPTs, to participate in the review of SPT initiatives, and to have the opportunity to appeal items with which they disagree. As a consequence, the AAs, while responsible for carrying out the work, submit their budget ideas to SPTs through their team members, but do not have invited opportunities (other than their suggestions for SPT guidelines) to contribute to the agency's planning-budgeting process in a formal manner earlier than April when the review and decision-making stage takes place.

In addition, once a cross-cutting initiative is developed, approved and funded, there is no corporate management of the initiative. Similarly, strategic planning goals during the execution year are managed by separate line offices rather than by a single action officer. Once funds are provided for the initiative, they are divided among the participating line offices, and no one is in charge of coordinating their overall implementation. The AAs can play an important role by being assigned the lead in overseeing a particular initiative that crosses line offices. Currently, the SPT leaders do not perform this role, and authority is not vested in anyone except for that portion that resides within a line office.

The AAs, in their role as members of the Corporate Planning and Resources Board, should raise their level of involvement and become even more active in the NOAA strategic planning process through:

- increased participation in the development of general planning guidelines for new budget initiatives
- developing line office budget initiatives for submission to the SPTs
- providing leadership on cross-cutting initiatives where appropriate
- developing annual operating plans in collaboration with the other AAs whose line offices contribute to the achievement of particular agency goals

- conducting periodic reviews to assess and present the progress of the SPTs to the board
- conducting periodic reviews to assess and present progress of cross-cutting annual operating plans to the board

Recommendation

NOAA should strengthen the role of the AAs in the annual strategic planning process as a means of institutionalizing this process for long-term effectiveness. The AAs should be assigned a formal and more direct role in the process. The AAs, in conjunction with the director of OPSP and the director of budget, should:

- **conduct periodic progress reviews of the development of budget initiatives being proposed by the SPTs**
- **serve on the Corporate Planning and Resources Board to review budget initiatives**
- **take the lead in managing initiatives that involve more than one line office**

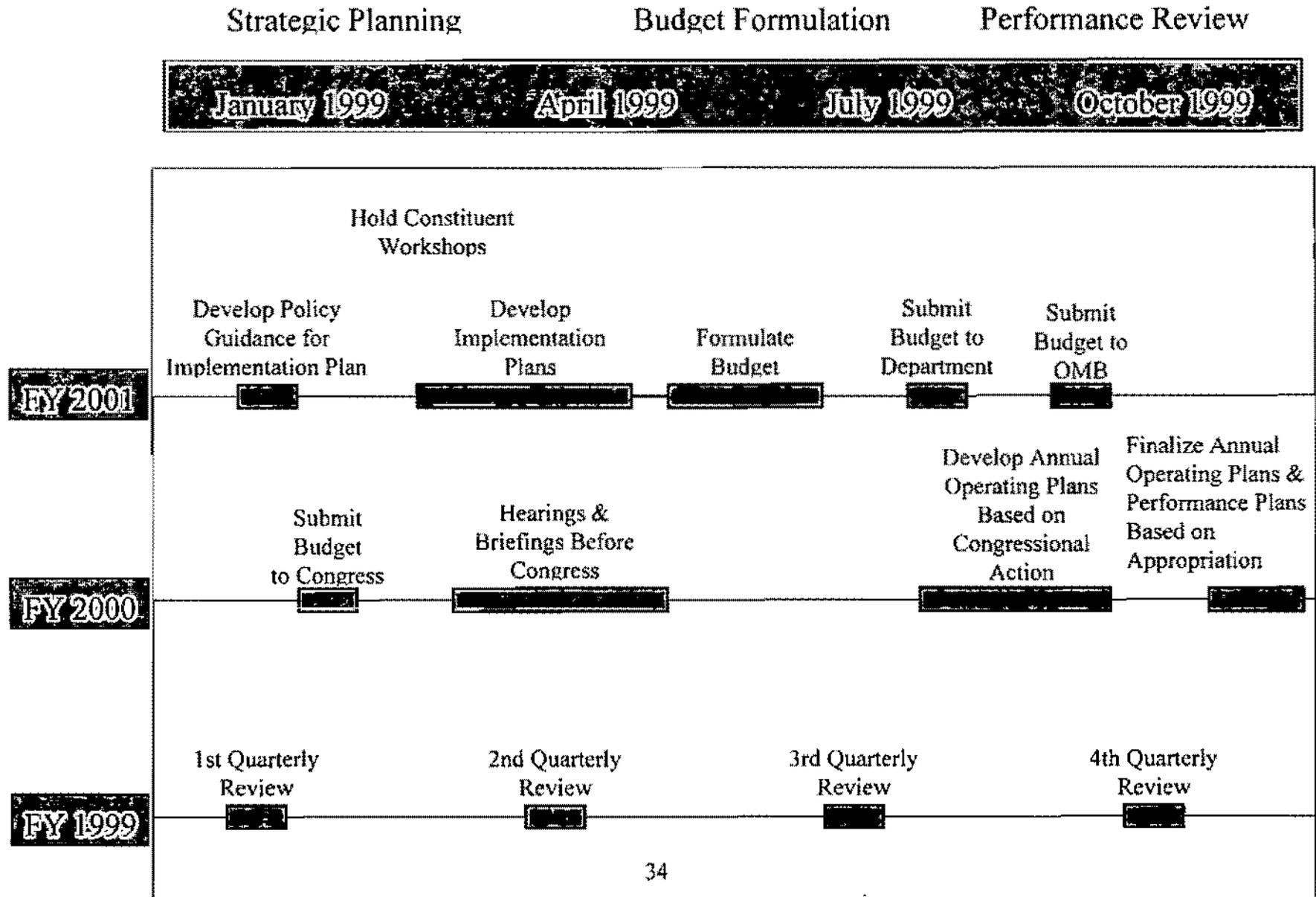
STRATEGIC PLANNING AND BUDGET FORMULATION AND EXECUTION PROCESSES

NOAA's planning and budgeting functions do not come together to form an effective performance budgeting program. Strategic planning is not sufficiently linked with the agency's budget formulation and execution process to be of substantive value to the agency, Commerce, OMB, and Congress in making resource decisions. The budget planning and execution structures are not the same.

The current agencywide process follows an approach represented in Figure 2-2. Issuance of corporate guidance followed by constituent workshops launch the strategic planning portion of the program that begins in January and concludes in April with presentations by the SPTs to the under secretary and NOAA senior management. These presentations cover the teams' priority recommendations in the form of implementation plans. The agency's strategic planning goals and objectives guide the total process. Each of the Agency's goals are very visible during this four-month planning period, but are only somewhat influencing throughout the balance of the planning and budgeting process.

(Figure 2-2)

STRATEGIC PLANNING AND BUDGET FORMULATION AND EXECUTION PROCESSES



Upon completion of the review and decision-making process in April, the implementation plans are referred to the Budget Office which in turn converts the priorities and the base programs into the agency's budget. Examples of this traditional budget and a strategic planning presentation from the 1999 budget submission are included in Figure 2-3.

(Figure 2-3)

STRATEGIC

National Ocean Service Contribution to the NOAA Strategic Planning Goals and Objectives

	FY 1997 Enacted		FY 1998 Enacted		FY 1999 Base		FY 1999 Req		Inc/Dec from Base	
	FTE	Amt.	FTE	Amt.	FTE	Amt.	FTE	Amt.	FTE	Amt.
Advance Short-Term Warning and Forecast Service										
Enhance Observations and Predictions		150		100		100		100		
Total ASTWFS		150		100		100		100		
Implement Seasonal to Interannual Climate Forecast										
Implement Prediction systems										
Maintain and Improve Observing and Data Delivery Systems		2,500		2,500						
Total ISICF		2,500		2,500						
Predict and Assess Decadal-to-Centennial Change										
Characterize Global Climate Forcing Agents										
Understand the Role of Oceans in Global Change										
Guide the Rehabilitation of the Ozone Layer										
Provide Prediction, Assessment, and Human Impact Information										
Ensure a Long-Term Climate Record										
Total PADCC										
Promote Safe Navigation										
Build Nautical Charting Database	89	16,450	175	24,950	175	24,950	175	27,450		2,500
Update Nautical Surveys	304	25,391	294	31,240	294	31,379	294	23,479		(7,900)
Provide marine Predictions	125	12,500	141	11,350	141	11,350	141	11,000		(350)
Establish National Spatial Reference Systems	208	20,167	197	20,700	197	20,700	197	19,159		(1,541)
Provide Modern Aeronautical Charts/Products	129	13,400								
Total PSN	855	87,908	807	88,240	807	88,379	8707	81,088		(7,291)
Build Sustainable Fisheries										
Advance Fishery Prediction	11	7,350	14	8,600	14	8,600	14	9,200		600
Total BSF	11	7,350	14	8,600	14	8,600	14	9,200		600
Sustain Healthy Coasts										
Protect, Conserve, and Restore Habitats	48	46,475	137	61,333	246	70,394	246	69,685		(709)
Promote Clean Coastal Waters	257	43,199	243	48,241	243	46,870	243	58,037		11,167
Foster Well-Planned and Revitalized Coastal Communities	19	28,233	19	25,131	19	25,131	19	25,298		167
Total SHC	324	117,907	399	134,705	508	142,395	508	153,020		10,625
Total for NOS	1,190	215,815	1,220	234,145	1,329	239,474	1,329	243,408		3,934

TRADITIONAL

		1997 Actual ^a		1998 Currently Available ^a		1999 Base		1999 Estimate		Increase/ (Decrease)	
		Prsnl.	Amt.	Prsnl.	Amt.	Prsnl.	Amt.	Prsnl.	Amt.	Prsnl.	Amt.
Comparison by activity/subactivity											
<u>National Ocean Service:</u>											
Navigation Services	Pos./BA.	605	73,667	630	76,050	630	76,050	630	68,759	0	(7,291)
	FTE/Obl.	614	15,467	576	84,769	576		576		0	
Ocean Resource Conservation and Assessment	Pos./BA.	261	66,468	319	76,499	428	81,828	428	80,403	0	
	FTE/Obl.	264	65,708	316	83,297	425		425		0	
Ocean and Coastal Management	Pos./BA.	70	59,185	100	67,050	100	67,050	100	79,700	0	
	FTE/Obl.	71	58,508	97	70,650	97		97		0	
Acquisition of Data	Pos./BA.	186	16,495	196	14,546	196	14,546	196	14,546	0	
	FTE/Obl.	241	15,729	321	15,437	231		231		0	
Subtotal, National Ocean Service	Pos./BA.	1,122	215,815	1,245	234,145	1,354	239,474	1,354	243,408	0	3,934
	FTE/Obl.	1,190	215,412	1,220	254,153	1,329	0	1,329	0	0	0

^a The above detail of obligation and BA is inconsistent with the President's appendix. These amounts reflect more accurately the actual distribution of prior year recoveries and FY 1998 carry over.

Issues Regarding Linking Strategic Planning and Budgeting

Strategic Planning and Budgeting Functions Are Not Operationally Linked. As a consequence of the agency's decision to develop and present two budgets in a single budget document, there is confusion and misunderstanding on the part of both reviewers and decision makers at all levels. While the "traditional budget" as prepared by the NOAA Budget Office reflects the adjustments stemming from the approach of the SPT implementation plans, there is no easy, "user-friendly" way to link to the agency's strategic goals and objectives.

NOAA Does Not Prepare an Agency Performance Plan. The GPRA legislation requires each Agency to prepare an annual performance plan that contains the annual performance goals covering program activities in an agency's budget request. OMB calls for the performance plan to display, by program activity, the funding needed to accomplish a stated performance goal.

Since NOAA is not an agency as defined by GPRA, it is not required by statute to prepare its own performance plan. It now provides information to Commerce that in turn develops a departmental performance plan covering each of its bureaus. However, it may be beneficial for NOAA to prepare a plan which is submitted with its proposed budget to Commerce.

As GAO has pointed out, developing strategies that will effectively bring planning and budgeting structures together is difficult and requires a balancing of the two. Once achieved, the organization will see the level of integration of planning and budgeting activities that the operating organization is seeking.¹⁰ By Commerce taking responsibility for developing the agency's performance plan, the department in effect can limit NOAA's ability to think through all of the necessary inter-connections between the planning goals and objectives and the budgeting structure. By not developing its own plan, NOAA is less apt to see how it can be best used as an integral part of the strategic management program.

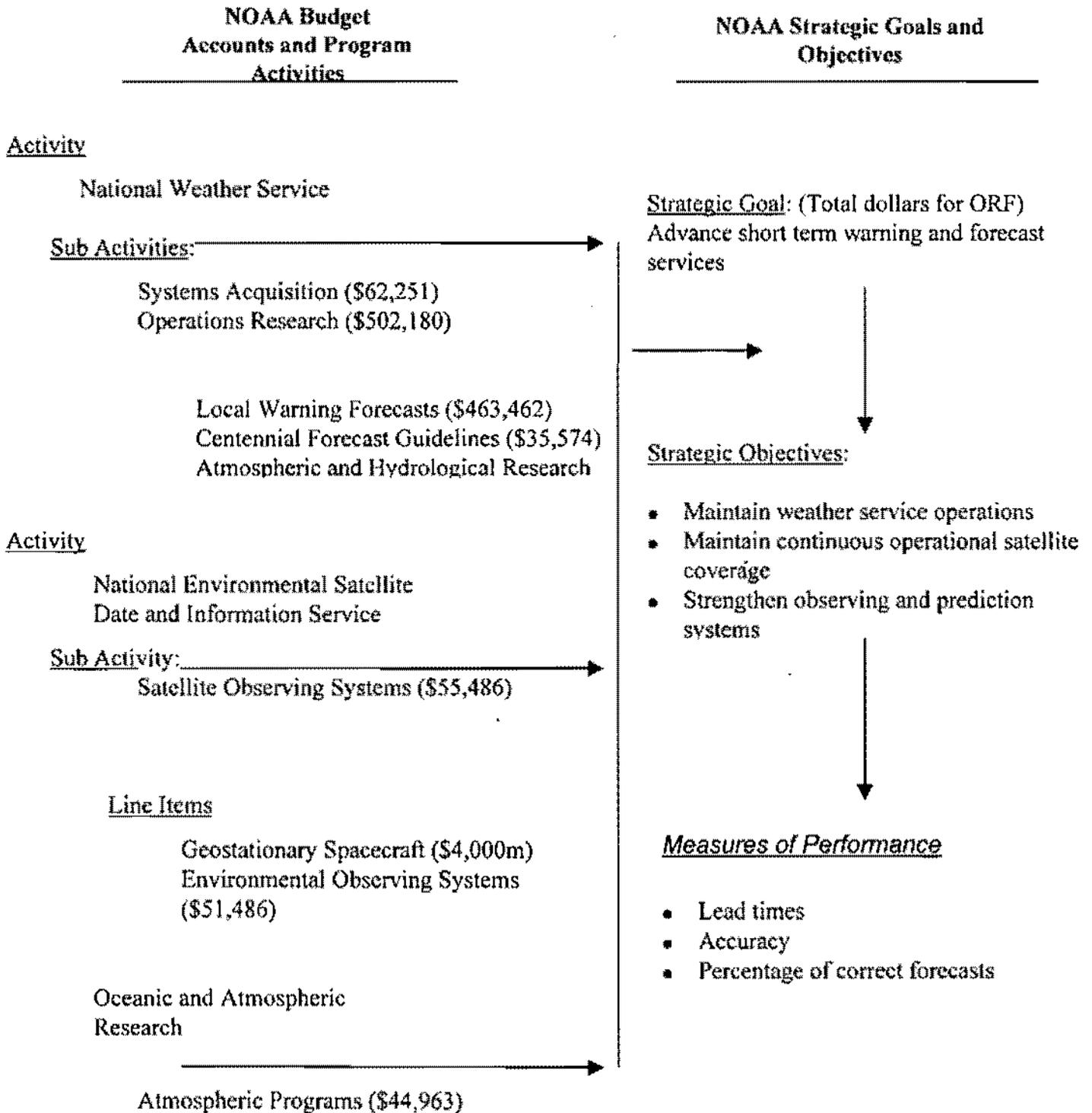
The development by NOAA of an agency annual performance plan will not be duplicative of Commerce or other agency effort. It will be an important complement to the agency's budget restructuring effort by showing how requested resources will be used to accomplish strategic goals and objectives. Upon completion and submission of the plan by NOAA to Commerce, the department would integrate this report into Commerce's presentation to Congress.

Figure 2-4 displays how the performance plan might be developed. It would follow the logic already being used by the agency, i.e. program measures and justifications as presented in its 1999 budget submittal to OMB. This particular example displays only the budget information for the ORF portion of the budget that is relevant to the Strategic Goal: Advance Short-Term Warning and Forecast Services.

¹⁰ GAO/AIMD/GGD-99-67, Initial Experiences Under the Results Act In Linking Plans With Budgets, April 1997, Report to the Committee on Government Affairs.

(Figure 2-4)

**Annual Performance Plan
NOAA FY 1999
Budget Estimates(\$Millions)
Operation, Research and Facilities**



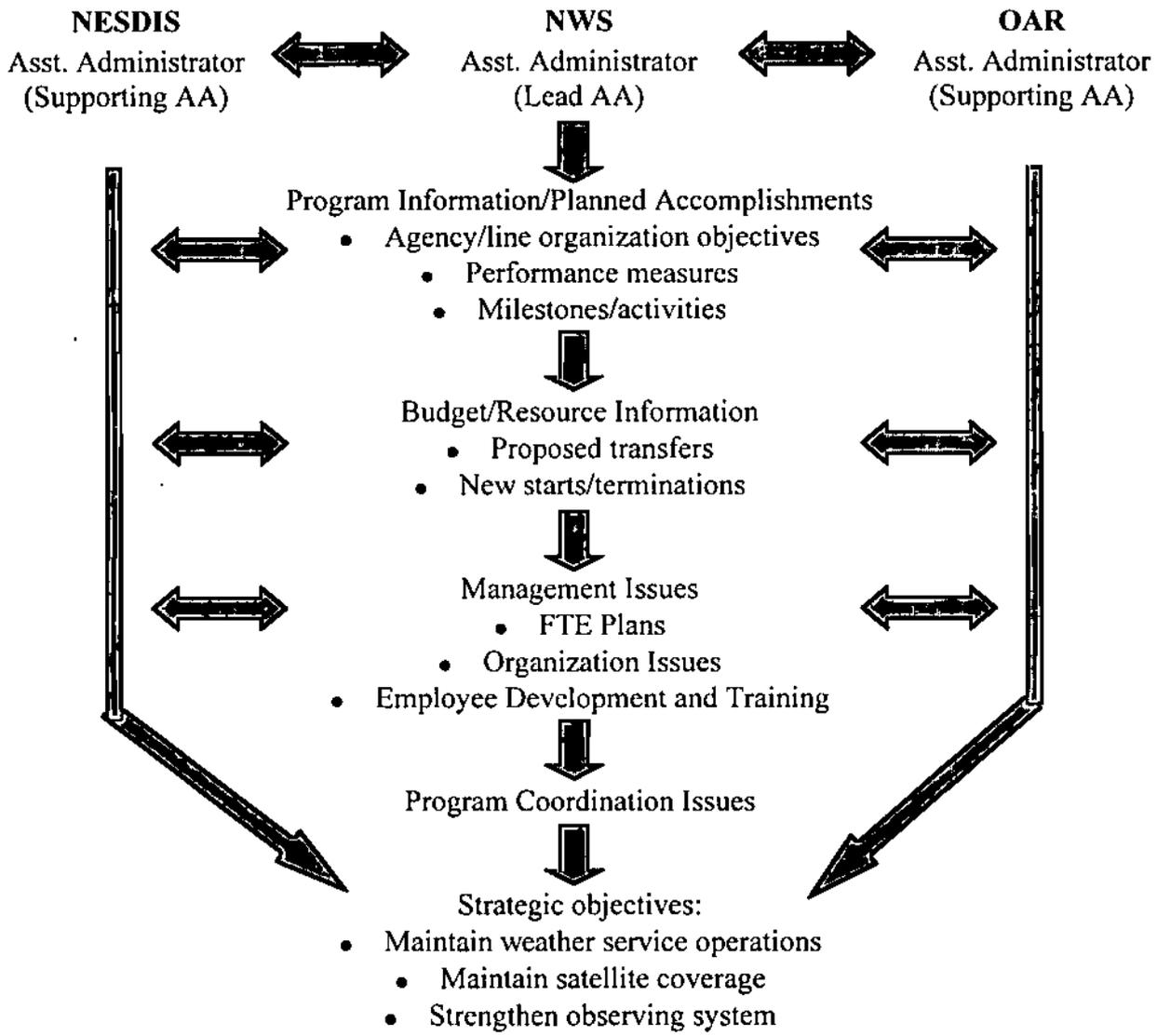
Strategic Planning Is Not Linked With Agency Annual Operating Plans. There is no effective linkage between the Agency's strategic planning process and its line office annual operating plans. As is pointed out in this year's planning guidance to the line organizations, the SPTs want to establish a stronger linkage between budget formulation and execution. SPTs see the growing importance of creating a systematic approach that brings the component parts of the planning and budgeting process closer together. However, once SPT implementation plans are acted upon by senior management in April, the SPTs have little continuing roles or involvement in the agency's strategic planning program for the balance of the year. While the annual operating plans reference the agency's major performance measures and the AAs will conduct annual briefings on work conducted by their respective line offices, they do not describe how the appropriated resources by line item will come together to accomplish the NOAA strategic objectives. Performance and obligations are not tracked against these plans.

Figure 2-5 offers a model for linking annual operating plans with cross-cutting strategic goals.

(Figure 2-5)

Annual Operating Plan

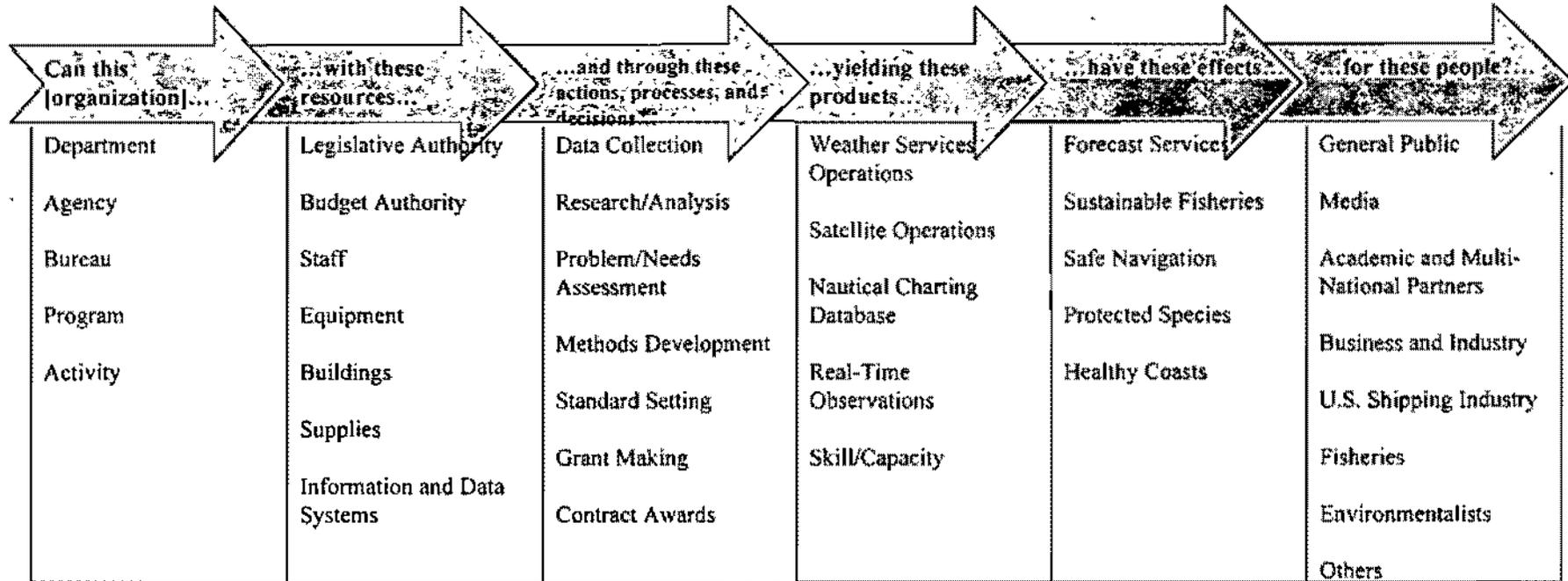
Strategic Goal: Advance Short-Term Warning and Forecast Services



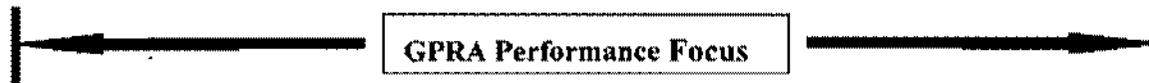
Performance Measurement Is Only Focused on the Agency's Strategic Goals and Objectives. While the agency has invested itself strongly in developing performance measures for its most important strategic priorities, performance measures have not yet been developed and are not yet in place throughout the operating levels of the organization. Figure 2-6 provides an approach that is useful for infusing performance measures throughout the line items in the agency's budget structure. The approach assists in identifying outcomes and the resources needed by them at each level of NOAA programs. By involving all organizational units and their activities, the agency will be better able to describe not only how all of its resources contribute to the accomplishment of its agreed upon objectives but especially how individual performance targets are relevant and interrelated to program operations and to resource allocation decisions.

(Figure 2-6)

The Essential Performance Question



Organizational Input → Process → Output → Outcome → Customers



How well?
How much?
How fast?

Annual Performance Report. Just as it is important to the agency's performance budgeting to develop an annual performance plan, so too is it important to have a stronger role in the development of its annual performance report. NOAA, by emphasizing a high priority on performance targets, is clearly demonstrating the value it places on accountability and "end of year" performance. The agency should take the leadership in preparing a complete NOAA report of accomplishments.

Recommendation

NOAA strategic plans and management activities should include:

- **developing an agency annual performance plan that NOAA sends to the Department of Commerce**
- **restructuring the line office annual operating plans and comparing obligations at the senior management level against these plans**
- **maintaining a clear link between cross-cutting initiatives and the budget structure, and tracking by senior management of progress toward these initiatives**

Chapter 3

Fundamental Budget Structure and Process Issues

Certain attributes are fundamental to the success of any agency in conducting an effective budget and financial management process. The panel identified four areas in which NOAA needs to improve its operations. These are (1) the budget structure (2) the corporate cost process (3) analysis of the Agency's base budget and (4) budget execution.

THE NOAA BUDGET STRUCTURE

NOAA's current budget structure is based on the Agency's organizational structure and the flow of funds. As this configuration has evolved over time, it has resulted in a lack of clarity - one that prevents critical stakeholders from forming a clear view of basic NOAA operational activities and how new initiatives relate to base activities.

In particular, the House Appropriations Committee has been severely critical of the agency in this regard. Since 1996 the Appropriations Committee has criticized the agency's budget structure. As early as the first year after NOAA followed a strategic planning approach in developing its budget, the agency was instructed by the committee to "develop a budget structure that displays the amounts requested under a true program office and activity structure. This structure should identify and segregate amounts requested for headquarters and field office components of various activities as well as indicate the amounts intended for external grants or contracts."¹¹

In an interview with the project team, subcommittee staff expressed strong hope that the Academy report would discuss the structure issue. Staff expressed a wish that the agency would present a more "classic budget structure" in which "the conference report table would look like it has a clear relationship to the programs NOAA runs." Staff provided an example in which NOAA had been asked how much it spent on a particular fish species program as part of assessing a requested increase. NOAA was not able to provide a definitive answer because "the activity is spread into so many pieces that no one has any sense of how they all add up to spending according to a clear plan." Staff further expressed interest in knowing how funds are spent for internal laboratory activities, grant programs, and other such activities and stated that the primary goal of restructuring should be a "true structure where numbers are related to operational activities and execution relates to formulation." Staff expressed an openness to working with NOAA to develop a new structure, as long as that structure gave the committee the ability to identify what is being conducted in the NOAA base budget and how requested increases relate to those base activities.

¹¹ Report 104-196 accompanying the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Bill, Fiscal Year 1996, Page 61.

In addition to these House committee concerns, Commerce analysts, OMB examiners, and Senate staff interviewed by the Academy project team articulated a desire to see a more clear discussion of the base and how increases relate to the base.

The agency's budget justifications provide a combination of strategic planning and traditional budget information. The justifications are prefaced with information about the individual line office role in agency cross-cutting strategic goals. This is followed by information presented in the agency's traditional budget structure that has developed over the years and according to which the appropriations committees provide funds to the agency. This combination of two presentations has caused confusion on the part of the agency, Commerce, OMB, and the committees.

Appropriations committee staff indicated to the project team that even without the confusion engendered by combining strategic planning information with traditional budget information, the budget structure that has evolved over time does not provide sufficient information on which to make informed judgments about necessary appropriations levels. The project team's review of agency budget justifications confirms this judgment. In many cases, the justifications provide minimal information about major portions of a line office's budget. The three or four pages of narrative often fail to provide good information about how and where the money is being spent on operational activities or how requested increments relate to these base activities.

In solving this problem, some in the agency believe that the budget structure should be recast to follow the cross-cutting logic of its strategic plan. Others believe that the key is to retain, but significantly improve, the current budget structure. The panel believes the second approach is preferable. While the effort will not be easy, it has the merit of working within a budget structure that represents programs that are familiar to the appropriations committees and other stakeholders and, as importantly, familiar to the general public.

The agency has established a Budget Restructuring Task Force to develop an improved structure. To develop an improved budget structure, the agency should:

- examine where funds flow within the agency and identify the specific operational activities that should be described in agency budget justifications
- ensure that the allocation and control of funds in the execution process fully matches the revised budget structure

This restructuring effort will be labor intensive, requiring detailed analysis of money flow, the agency's complex structure of line items and 7,000 tasks, and development of alternative scenarios for management's review. The Task Force will have to balance the need for clarity with the need for brevity.

Recommendation

NOAA should give the newly established Budget Restructuring Task Force top priority support. The task force should:

- **retain the current budget structure as a starting point**
- **identify and describe as clearly and succinctly as possible agency operations, i.e., tell the “story” of NOAA in concrete, operational terms clearly understandable to stakeholders**
- **develop clear and easy to follow cross-walks from this basic structure to Agency strategic planning or other cross-cutting initiatives**

Because of the intensity of the effort that will be required to accomplish a clarified structure, the panel suggests that the agency may want to consider beginning the effort with one line office as a pilot. There should be extensive consultation with Congress, OMB, and Commerce on this effort.

THE CORPORATE COST PROCESS

“Corporate costs” are the funds required to direct and support the staffs responsible for central executive management and administrative services within NOAA. In FY 2000, an estimated \$136 million will support these activities. The \$136 million is composed of \$51 million in appropriated funds and \$85 million in assessments on appropriated funds allocated to line office programs. The \$51 million is appropriated under the program support activity in the ORF appropriation for executive direction and administration, and central administrative support.

Issues with the Corporate Cost Process

Historically, the process for determining assessments on line office programmatic line items has caused tension between the line offices and the administrative functions that are funded by the assessments. The line office have tended to feel that assessed funds are not used effectively. Administrative officials, on the other hand, perceived that the line offices do not appreciate the resource levels required to sustain services. The process has been characterized by a lack of communication and partnership. Issues include the following:

Timeliness and Integration. Decisions on corporate cost assessment levels have been made late in the current fiscal year and have occurred outside of the budget process. For example, the levels for FY 1999 were determined in March, 1999, six months into the fiscal year. Such late decisions mean that the line offices and staff offices do not know until late in the fiscal year how much funding is available for program activities. When levels assessed above prior years are

levied late in the year without prior notice, the line offices have to reduce program funding below estimated levels thus causing programmatic disruption and lack of trust.

Accountability to Line Office Customers. There has been no formal and predictable requirements formulation process characterized by (1) service office development of required service levels and associated budgetary needs; (2) analysis of service office estimates by budget professionals including base activities and associated increments to determine which high priority needs can be funded by reallocating lower priority base activities; (3) review of base activities for efficiencies through reengineering, outsourcing or other techniques; and (4) establishment of service performance goals pegged to resource levels. The line office customers have had, until the 2000 process, little say in the establishment of assessment levels.

Traceability of Funds. A third accountability issue is a lack of traceability of funds. This has occurred in two ways. First, the appropriated and assessed funds are placed in a holding account called the management fund where they are commingled and in turn allocated to the receiving organization. Here they lose their identity so that the origin of funds received by an organization cannot be traced. Second, there is no relationship between how the assessment is distributed and how it is accounted for. The funds are assessed on the basis of a formula that has developed over time. The origin of the formula has been lost as staff turnover has occurred. However, the NOAA financial management system (FIMA) in turn accounts for the assessment based on labor costs. The money is assessed in one manner and accounted for in another, and, therefore, actual obligations in each line item and sub-allowance are never fully predictable. Because these sums are not huge, it is a problem at the margins of the funds management process. But, because it affects many accounts, it contributes to an unease about how appropriations are managed.

Congressional Concerns. Accountability for funds appropriated is a multifaceted concern by subcommittee staffs, especially in the House. One aspect of this has been corporate costs. Responding to concerns expressed by constituents, the House appropriations committee included language in its report accompanying the FY 1999 NOAA appropriation bill that stated under the Program Support heading:

"In addition, the Committee does not believe that funding for headquarters and policy functions should be augmented through the practice of overhead assessments, and instead believes that such amounts should be wholly requested and funded from within the Executive Direction and Administration line item under the heading. The Committee was disturbed to learn that, despite the fact that no increase was required or provided to support these functions in fiscal year 1998, NOAA in fact increased funding for these activities by 6.4% by levying additional assessments against the line organization and their programs. Such augmentations to headquarters and policy functions, at the expense of NOAA programs is unacceptable to the Committee."

Further, the committee directed NOAA to:

“request direct appropriations to fully fund these requirements under the Executive Direction and Administration item under this heading.”¹²

While this language was not included in the report accompanying the FY 2000 bill, interviews with committee staff confirm that this subject remains a concern to both the House and Senate staff.

Staff Capacity. In recent years staff capacity has declined. The OFA M&B is formally responsible for managing the process by which corporate cost requirements are established. The effects of repeated downsizings and reductions in force in the past 10 years have been to eliminate the institutional memory in this office, and the staff lack the necessary background and training in the budget skills needed for managing a resource requirements process.

Line Office Overhead. Another accountability issue is the corporate costs assessed by the line offices on their own programmatic activities to meet line office requirements not funded by other means. As measured by the flow through the management fund, line office assessments on their programs in FY 1999 were approximately \$110 million, an amount which exceeds the \$85 million in assessments made by the central office. No recent analysis has been done of the uses of these internal line office assessments within NOAA. In the absence of such analysis, no assumptions can be made about their effectiveness. However, NOAA management, OMB, and Congress need to have a clear idea about the uses to which overhead funds are put. The central concern should be: Do the central corporate activities and the line office corporate activities complement each other and operate as efficiently as possible? NOAA may want to consider performing an analysis of line office overhead assessments to develop a clear idea about the uses to which these assessments are put and whether the central corporate activities and the line office corporate activities complement each other and operate in as fully efficient a manner as possible.

NOAA Actions To Improve the Process

Accountability is the key issue involving corporate costs: accountability to the CFO/CAO for management of assessed funds, accountability to customers for benefits received, and accountability to Congress for funds provided for programmatic activities. NOAA recognizes that it needs to create a fully accountable corporate cost process and is acting on the problems in the process.

Traceability of Funds—A Reprogramming. NOAA has prepared a reprogramming request to the appropriations committees to remedy the disparate methods of distributing and accounting for assessments. Future assessments will be based on labor costs as well as accounted for by labor costs, bringing into line the two methods. The reprogramming will remedy the current

¹² Report 105-636 accompanying the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Bill, Fiscal year 1999, page 96

maldistribution of assessments by subtracting from or adding to line items the amounts necessary to bring assessments in line with a labor cost distribution formula. In addition, the reprogramming will convert assessment funds now identified for executive direction and administration accounts into appropriated funds for inclusion directly in the program support activity in ORF in response to the FY 1999 House committee directive. The reprogramming is in the review process.

A Working Capital Fund (WCF). One of the main concerns on the part of line office service customers is an accountability issue—they do not have a clear idea of what services they receive in return for dollars assessed. Conversion of the service components of the corporate cost assessments into a WCF, coupled with the reprogramming to convert nonservice components to appropriated funds, should provide both customers and Congress assurance that NOAA is using its funds for intended purposes.

NOAA is considering creating a WCF. The CFO/CAO's FY 1999 annual operating plan calls for creation of a WCF for field activities along the lines of a July 1998 report on administrative service centers.¹³ The director of budget has gone further and instructed her staff to develop plans for a full WCF to cover all service activities.

While the main ingredients of a successful WCF operation are known to the director of budget and several of her senior staff members, these ingredients bear repeating for others outside of the Budget Office. The fundamental principle of a WCF is fee for service. A clear path exists from the provision of money to the amount and quality of the service received in return. To ensure this crisp accountability, a well managed fund generally has the following components: (1) an oversight body that determines service levels and requirements budgets; (2) customer representatives who participate as partners; (3) a charter specifying the service activities properly included in the fund, its operations, and its membership; and (4) the performance objectives of the service activities.

The Department of Health and Human Services Service and Supply Fund, managed by the deputy assistant secretary for budget, is one example reviewed by the Academy project staff. The management of the Service and Supply Fund is characterized by all the components described above. Its manager told project staff that there are numerous others that are similarly constituted and managed within the federal establishment.

Improvements in the FY 2000 Corporate Cost Process. The FY 2000 process saw significant improvements through the efforts of the director of budget and the Chief of OFA M&B. Decisions on FY 2000 and preliminary FY 2001 assessment levels were made in August 1999, almost two months prior to beginning of FY 2000. The FY 2000 process is depicted in Figure 1-3 in Chapter 1. The process included a series of meeting with key line office financial executives. The meeting involved participatory decisions on corporate service budget requirements. The goal of these meetings was to reach consensus on service and budget levels

¹³ The Report on Changes needed to Transform Administrative Support Centers into the Best Federal Administrative Service Providers, July 23, 1998 for the Deputy Under Ssecretary.

and present them to the deputy under secretary. The OFA M&B chief's goal for FY 2001 is to "integrate development of the annual corporate requirements into the NOAA spring planning process."

The Academy project staff interviews with key participants from all of the line offices indicate that the line office participants feel this process was better than in the past because they had had a significant role in the outcome. They also felt that the process requires further improvement in a number of areas. The NOAA corporate cost review team received voluminous materials, but these were generally at the last minute and lacked analytical information about the base budgets and requested increments of the requesting organizations. Numerous increases were justified as "unfunded liabilities" including Commerce WCF charges, rent, and the CAMS development costs. Other increases were requested as "base shortfalls" to pay an organization back for expenses already absorbed in its FY 1999 base. Both raised equity issues. For "base shortfalls," the line office team members asked, since these increases had already been funded in the base, what were the requested "base shortfalls" really for? For both items, the line office members asked, since the line offices are not able to increase appropriated funds to absorb such costs, why should the requesting service organizations be able to do so at line office expense? Budget numbers often did not tie together or to total bottom lines.

Factors Mitigating Against Successful Implementation of Improvement Plans

NOAA is making good progress in its management of corporate costs. It is clear that NOAA's new financial management team recognizes the issues and is committed to addressing them. But, the panel is also concerned that a number of factors exist that, if not addressed, will mitigate against successful improvement.

Diffusion of Responsibility for the Corporate Cost Process. There is ambiguity in the assignment of responsibilities for successful management and improvement of the process. The chief of OFA M&B is formally responsible, but the line office financial and senior NOAA officials look to the director of budget as the senior budget official for a successful process. Responsibility and accountability, therefore, are not congruent.

Accountability for a successful process should be lodged with the director of budget for several reasons. The director of budget, as a member of the Senior Executive Service and as director of the agency Budget Office, has a more overarching responsibility to work with both the line offices and with executive direction and administration and OFA office heads to require a better process and to make it happen. Second, efforts to upgrade the capacity of the Budget Office (see Chapter 4) need to extend to the OFA M&B staff as well. Finally, this important process needs to be meshed with the overall flow of the NOAA budget process, and chances are better that this will happen if the process is the responsibility of the executive in charge of the overall process and is able to link similar activities together.

The project staff met with the deputy assistant secretary for budget at the Department of Health and Human Services to benchmark various budget processes. The DASB has responsibilities similar to those of the director of budget at NOAA. It includes the Office of the Secretary

Budget Office which is the equivalent of the NOAA OFA M&B. The Office of the Secretary is one of the department's operating divisions, and the Budget Office handles the budget formulation and execution for this OPDIV which supports the Secretary's staff offices. This relationship permits the deputy assistant secretary for budget to ensure that the budget operations of the Office of the Secretary run smoothly, and it is an arrangement which has worked well for several decades.

Ineffectiveness of Prior Studies. A number of prior studies by internal NOAA teams have recommended changes to address the above issues. The recommendations of these studies would improve accountability of the assessment process to customers by providing for customer oversight and by more closely tying assessments to services rendered. However, very little has been done to put these recommendations into practice. The studies and their recommendations include the following:

- The Report of the Overhead Study Team, October 1, 1996, to the deputy under secretary which recommended:
 1. an Overhead Oversight Committee to review all items proposed for payment from assessments
 2. the committee to be composed of "representatives of line and staff offices"
 3. assignment of costs based on specific workload measures
- The Report of the More Open Budget Process Team, April 7, 1997, to the under secretary which recommended establishing:
 1. a NOAA Budget Advisory Council to advise on a number of items including assessments and funding levels for OFA and executive direction and administration
 2. a council to be composed of Deputy AAs, the NOAA CFO/CAO and other top officials.
- The Report on Changes needed to Transform Administrative Support Centers into the Best Federal Administrative Service Providers, July 23, 1998 for the deputy under secretary which recommended:
 1. a Customer Advisory Board to increase customer involvement in field services
 2. creation of a working capital fund to fund the administrative service centers, a \$20 million component of corporate costs
 3. development of performance-based service agreements between the service centers and customers
- **The Need for Implementation Planning.** The improvements to be undertaken by NOAA are numerous and complex, and the staff capacities required to accomplish them are not strong. The panel believes that OFA, under the direction of the director of budget, needs to take a project management approach to the effort to improve the corporate cost process. The director of budget should explore with other agencies the means of obtaining project management skill training for her staff. This involves techniques for (1) developing specific milestone charts, resource levels, and performance expectations for each goal and (2) integrating specific goal milestone charts into a total implementation activity through critical

path analysis. Such implementation planning provides staff with a visible and objective set of sign posts for continuing the improvement effort and serves as a means of ensuring in-house critics and the staff of the House and Senate appropriations committees that NOAA is taking firm action to remedy its problems.

The Need for a High-Level Focus on NOAA Corporate Service and Infrastructure Requirements

Current process improvement efforts have not yet demonstrated the capacity at the broader corporate level effort to ensure that the service and infrastructure needs of the institution are met. A well-functioning agency achieves a balance between the needs of its service and infrastructure functions and the program operations that these functions support. They include common administrative services; facilities construction, repair, and maintenance; and capital assets such as ships and planes, agency automation, and other needs.

This is *not* simply a budget process issue. It is an issue of how NOAA plans for and meets its "institutional" needs. Many of the issues raised in the 2000/2001 process went beyond the usual run of the mill requests to larger institutional issues including the physical needs of the Silver Spring office complex, which houses most of the line office central offices; a major list of maintenance needs in the Western Area Service Center; continuing major funding needs for development and implementation of CAMS; and the need to develop a facilities master plan. However, in the decision making forum for the 2000/2001 process, there was no information on which to identify the basis of the needs or coherent plans and resource strategies to meet them. NOAA's institutional needs in this sense are not being formally addressed in a systematic manner at the Agency level in the corporate cost process.

NOAA has, however, recognized the need to address these infrastructure issues. A seventh SPT, the Infrastructure Team, was established in 1999 as part of the FY 2001-2005 planning process. The Infrastructure Team has a broad charter including construction and maintenance, fleet maintenance, information technology, human resource "infrastructure," and administration and services. Its charter also includes working with the other six SPTs on cross-cutting initiatives.

The I Team's work had limited impact on the process. Time and resource constraints prevented the team from effectively interacting with the other SPTs or to developing the needed guidelines for reviewing requests, establishing operating standards, and prioritizing agency needs. In addition, the team was required to operate under the same 10 percent guideline as the other SPTs and selected only 4 initiatives from a list of 20. Under the 10 percent guideline, a total of \$9.2 million was approved against an estimated five-year need of \$92 million for these four initiatives alone.

This effort was a credible first attempt to address NOAA's infrastructure requirements at the corporate level. However, without a close and on-going institutional tie to the administrative organizations having the infrastructure responsibilities that are also included in its charter, the Infrastructure Team will have neither the necessary support nor resources for satisfactorily fulfilling its charter.

The Corporate Planning and Resources Board will be in a position to elevate the corporate cost process to a point where it serves as an institutional planning capacity for the agency to (1) identify corporate needs, (2) perform alternatives analyses to develop optimum solutions, (3) develop long-term action and resource plans to achieve the solutions, and (4) balance these requirements with programmatic goals and resource levels. The board will need to consider how to simultaneously improve the existing corporate cost process and meld the incipient Infrastructure Team's approach with the process to ensure balanced treatment for its infrastructure requirements in the annual planning and budget process.

What is needed to achieve a robust institutional planning and resources process?

- **Accountability of Central Administrative Functions to Customers.** Customer organizations and NOAA management must be assured that all reasonable alternatives have been explored and that the resource strategies will obtain the best value for the money. This applies to services provided by a new WCF as well as to appropriated funds in the annual budget process. Institutional organizations need to see clearly the line offices as their customers, and the line offices need to feel treated as such.
- **Legitimacy and Value of Institutional Functions.** Conversely, customer organizations need to accept the legitimacy of the institutional side of the house. Once assured that they are getting the best value for scarce money and that they are a valued customer, NOAA program officials need to accept their institutional counterparts as partners in the effort to accomplish NOAA programs.
- **Planning/Formulation/Analysis.** A planning process is needed to identify institutional requirements, develop resource strategies, and provide the alternatives and other analytical tasks necessary for informed decisions.
- **Partnership.** Customer organizations should not only participate in the planning process but, together with key corporate managers, make resource allocation recommendations to NOAA executive management.
- **A Formal and Chartered Process.** The expectations and parameters of the process must be go beyond informal and unrecorded agreement and be rendered into a charter which spells out expectations, process, participants and operating rules. Without this formality, a WCF becomes subjected to decisions to add nonservice components, thereby undermining hard won accountability.
- **A "Board of Directors."** The process cannot work without continual management interest and attention. Senior executive participation is necessary to ensure successful operation. The Corporate Planning and Resources Board recommended in this report should take responsibility for setting the policy direction for corporate costs.

Each of the three studies cited above recommended an oversight body with duties tied to the particular focus of each study. The Academy project staff visited Goddard Space Flight Center, which a decade ago faced corporate cost issues similar to those of NOAA. Experiencing static appropriations and increasing requirements, the administrative functions were supported by a growing "tax" on flight projects, and flight project managers resented the rising and unpredictable "tax."

As part of its strategic planning activity, Goddard created an Institutional Planning Committee composed of one half of the center's Executive Council, the equivalent of NOAA's senior management including AAs. The Institutional Planning Committee has a broad charter to be the steward of the institution. This includes all administrative functions, repair and maintenance of the physical plant and specific scientific equipment, and quality assurance activities in support of customer organizations. The Institutional Planning Committee manages a requirements planning process supported by strong budget analysis, and it develops multiyear resource plans to meet center needs. The IPC annually presents its recommendations to the full Executive Council for decision.

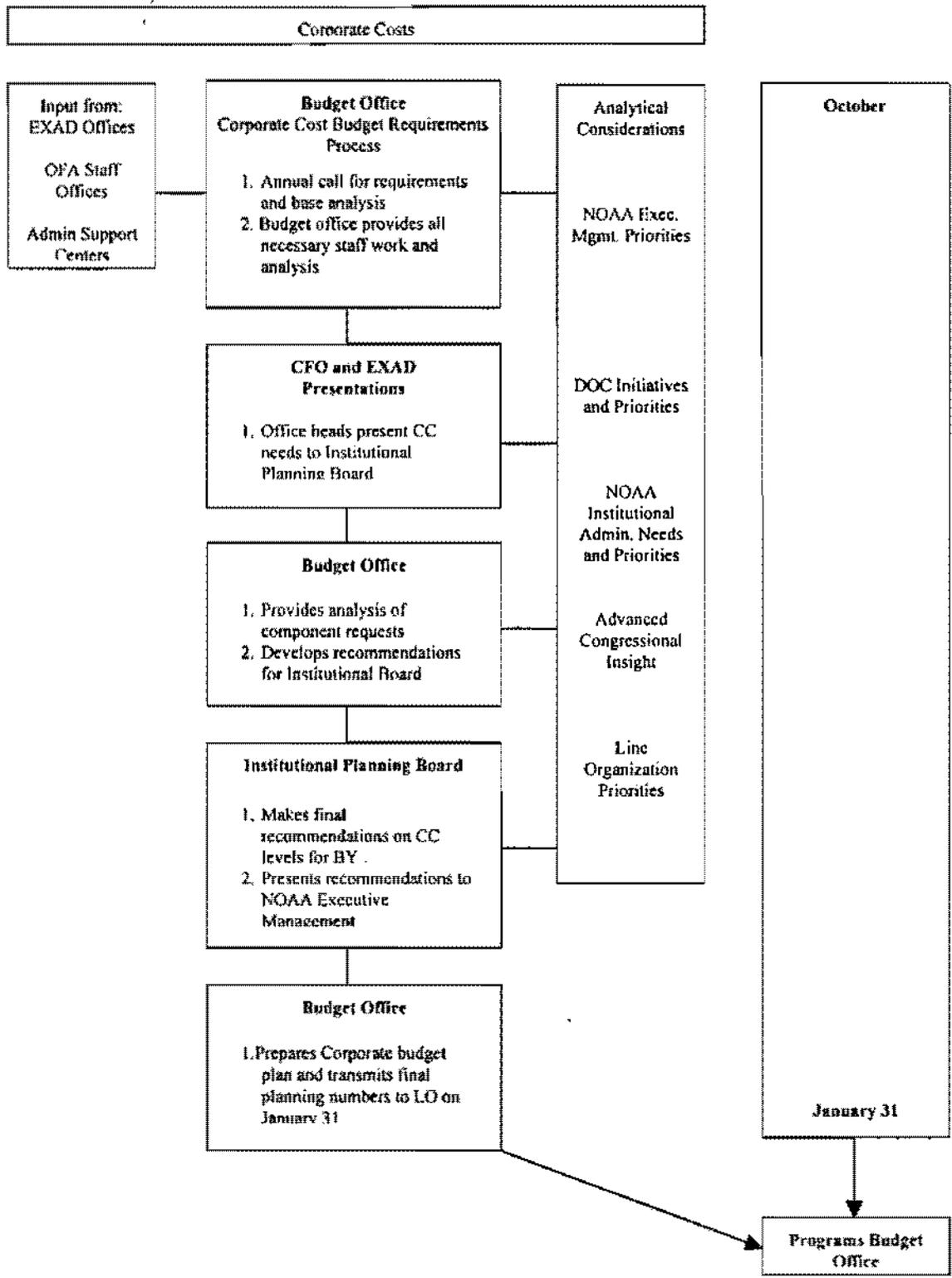
Recommendation

NOAA should take a series of steps which will lead to a fully open and accountable corporate cost process as follows:

- **place accountability with the director of budget, who is not now responsible for the process, by transferring the corporate cost function from the OFA M&B to the Budget Office.**
- **establish a working capital fund (WCF). NOAA should implement its plans for creating a WCF. A WCF will place corporate cost activities on a fee-for-service basis in which service performance for funds provided can be measured. The WCF should be guided by a formal charter and operate under a board of directors composed of line office and central administrative service officials.**
- **convert nonservice activities now funded by assessments to appropriations. Congress has directed that all costs not clearly service in nature should be converted to appropriated funds subject to the annual appropriations process, and NOAA is preparing a reprogramming request to achieve this goal. NOAA management should provide all support necessary to effectuate this reprogramming.**
- **develop a clear and formal requirements process. A formal requirements definition and budget formulation and analysis process should be laid out with a schedule that feeds corporate cost estimates into the initial stages of the agency's annual budget process in February. This process should provide predictable assessment levels for line office financial managers and inform them well in advance of potential costs outside of the agency's control.**

A corporate cost process is described in Figure 3-1. Such a process should be in full effect with all recommended actions and capabilities for the FY 2003 agency budget process commencing in the fall of 2001.

(Figure 3-1)



Base Analysis

Fundamental to effective budgeting is the conduct of a program base analysis. In all programs, priorities shift with the passage of time for many reasons, and program management needs to be capable of tracking these changes and reprioritizing their programmatic activities to achieve maximum value for available money. This can be done systematically by breaking the organization's programs into discreet operational activities, and increments within these activities, which are then ranked against the total array of the organizational priorities including new initiatives.¹⁴

In the course of developing their annual operating plans (AOP), the line offices generally conduct this type of program review, expanding some tasks and downsizing or eliminating others. However, in its annual strategic planning process, during the SPT cycle, NOAA conducts no ongoing and systematic base analysis for reviewing program priorities or to determine the relative priority of base requirements compared to new initiatives. The SPTs focus on incremental enhancements and, therefore, do not develop information about ongoing activities within the line office base budgets. As a result, the agency cannot (1) identify how its program dollars are being spent; (2) undertake an effective prioritizing effort to ensure that the core needs of existing activities are being met and that lower priority base activities can be scaled back to fund emerging initiatives; (3) perform the analysis necessary to identify alternative and more effective ways of accomplishing program goals; or (4) meet the requirements of Commerce and Congress for information regarding the full range of agency priorities including how incremental requests relate to base activities. The lack of priority information in the budget formulation process contributes to the problems the agency is having with these reviewing agencies.

This issue has been raised before by a NOAA study group. A 1997 report, "A More Open Budget Process," focused special attention on the continuing difficulty in defending "base" programs to the Department of Commerce, OMB, and Congress.¹⁵

Conduct of base analysis by the agency's line offices would (1) assist in identification of tradeoffs within current resource levels to satisfy emerging requirements identified in the strategic planning process; (2) allow the agency to look for improvement, efficiencies, and expiring one-time costs and to evaluate the effectiveness of program performance goals; and (3) provide critical information regarding the adequacy of current resource levels to meet corporate service and infrastructure needs. This work would follow the issuance of guidelines developed by the Budget Office with the results subject to review by the Budget Office and the board.

¹⁴ The template offered at Appendix F describes base analysis techniques and provides suggestions about how to overcome obstacles to developing a base analysis process.

¹⁵ Memorandum from Chairman of the NOAA's More Open Budget Process Team to Undersecretary for Oceans and Atmosphere, April 1997.

Recommendation

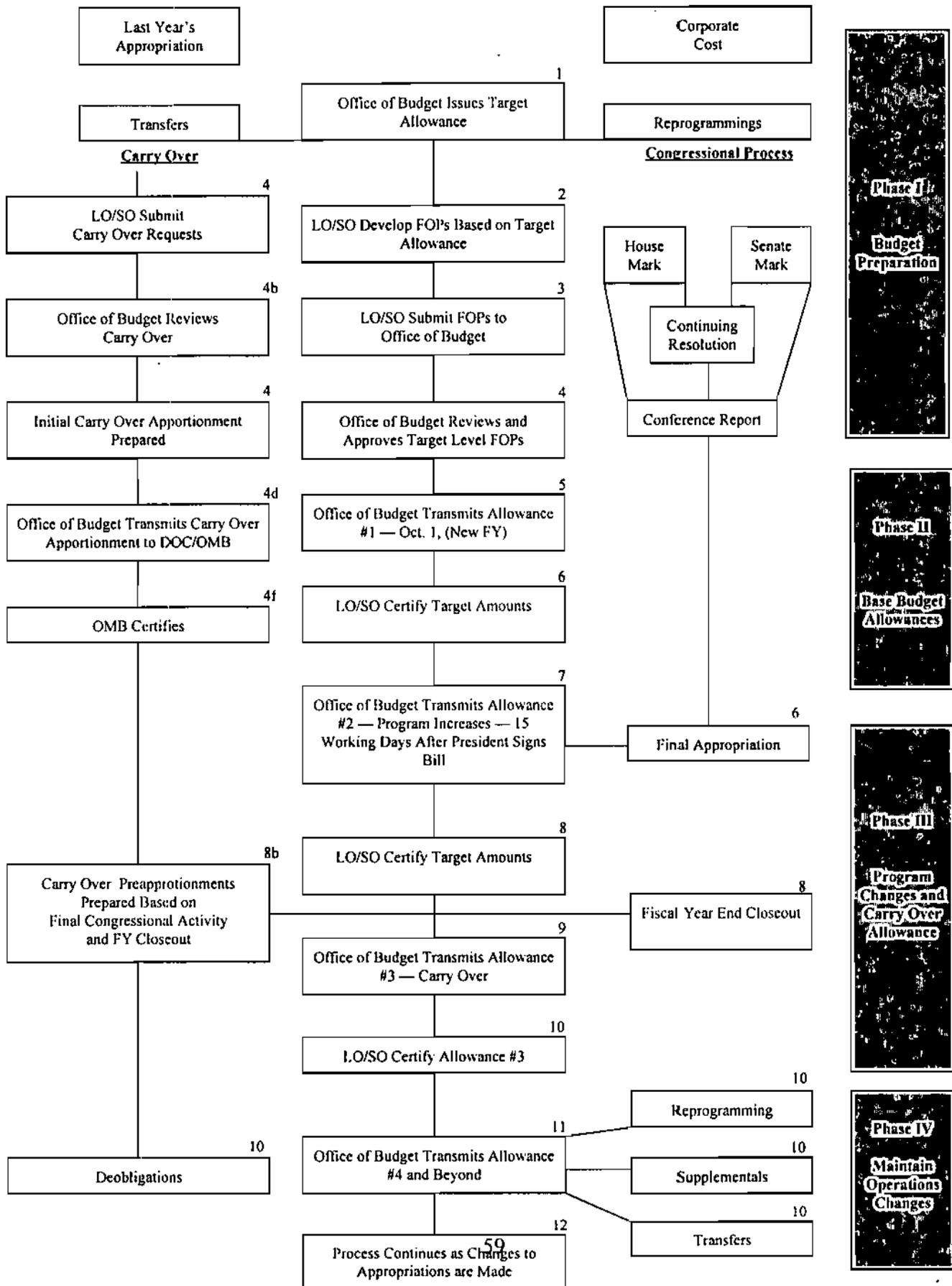
A comprehensive base analysis of all programs, including the agencywide and line office corporate costs which are part of the annual corporate assessments and NOAA indirect costs, should be conducted as standard operating procedure in the agency's budget process. This is a crucial step in understanding agency-level financial issues as well as building credibility with Congress and other stakeholders. The Budget Office should design guidance to the line offices for preparation of a full base analysis for use by the strategic planning teams in the FY 2003 process. A "dry run" should be undertaken during the FY 2002 process utilizing the work of one of the several line offices that now conduct a base analysis on their own initiative.

Budget Execution

As described above, the NOAA budget is complex and managed in a complex manner. Two main appropriations total \$2.7 billion, and these are broken into 88 program line items, which are further divided into 7,000 tasks. There are numerous other funds and financial activities. Reimbursements from other agencies total an estimated \$203 million in FY 2000. Finally, NOAA must track approximately 60 "assigned activities," the term for specific congressional earmarks in the budget. A complicating factor is the difficulty, described above, of cross-walking between the strategic planning goal structure and the line item structure by which Congress provides and NOAA manages its funding. The execution process is depicted in Figure 3-2 which was developed by the NOAA Budget Office.

(Figure 3-2)

BUDGET EXECUTION



Execution of the NOAA budget is not functioning at a sufficiently high level of quality, and a number of problems are contributing significantly to the perception that NOAA is not fully accountable for the way it manages its funds. These problems include (1) funds control, (2) managing congressional "assigned activities" and reprogrammings, and (3) tracking deobligations, carry-over funds and reimbursable funds.¹⁶

The process by which top agency management reviews financial operating plans is weak. The quarterly reviews of line office plans and progress by the senior management team do not include well-developed initial information on line office financial plans for the coming year or good information on progress against plans including analyses of variances from original base line plans.

NOAA is taking action to address its execution problems. In addition, NOAA is developing a new accounting system—CAMS—for implementation at the start of FY 2002. The panel believes that it is critically important to move this new system forward to successful implementation. The current system is weak, providing untimely and inaccurate accounting of agency obligations and expenditures, and without a better accounting system, other NOAA improvements will not be successful.

All of these problems contribute significantly to the lack of trust the agency is experiencing from Congress and other stakeholders, and their expeditious solution is essential to restoring that trust and agency credibility.

Issues with Budget Execution

1) Funds Control

- **Monitoring of Obligations.** In its review of NOAA's financial statement for FY 1998, the OIG states that "controls over monitoring the budget should be improved."¹⁷

Specifically, it states: "there are no automated procedures or system controls within the FIMA to prevent the over-obligation of apportioned funds. NOAA relies on the director of budgets and program managers to monitor and control the obligational activity against their FOP (Financial Operating Plan), a manual process.... [T]he manual process does not prevent over-obligation."¹⁸

Discussions with the chief of the budget execution division budget execution in the Budget Office confirms the above findings by OIG. There is no automatic function in FIMA to prevent over obligation of allowances made to the line offices. Budget execution and the line office financial staff find and correct retroactively any over obligations that have

¹⁶ The inability to track numbers is discussed in Chapter 4 under the Budget Office's capacity.

¹⁷ Memorandum for Dr. Baker, from Johnie Frazier, NOAA's FY 1998 Financial Statement, Audit Report No. FSC-10869-9-0001, page 2, March 1, 1999.

¹⁸ *Ibid.*, page II.16

occurred upon reviewing monthly accounting reports or at the end of the year during the financial close out activity. This is a poor way to manage an agency's funds because it hinders early detection and resolution of potential problems. OIG notes that implementation of the CAMS will eliminate this concern.

- **Task Codes and Corporate Cost Accounting.** NOAA is dealing with two other technical problems. One problem involves task codes. Prior to FY 1998, procedures did not exist to ensure that transfers between line office line items were accompanied by task codes. This meant that funds were being spent in one place and accounted for in another thereby making tracking difficult. The second problem is discussed above in the corporate cost section. This is the lack of congruence between the way corporate costs have been assessed and the way they have been accounted for. In those cases where an amount assessed was less than the amount that is recorded in the accounting system, an over obligation can occur.

The division of budget execution is working to correct the task transfer problem, and as discussed in the corporate cost section, has proposed an approach to bring the way corporate costs are assessed and accounted for into alignment.

The panel emphasizes the need for accomplishing the actions described above. Any systemic causes of over obligations in an organization's allowances contribute to the appearance, if not reality, that the agency is not fully accountable for management of its funds. However, for NOAA, two factors make an over obligation at the appropriation level unlikely: (1) the presence of unobligated carry over funds, and (2) the fact that over obligations caused by the corporate cost assessment tend to offset each other. The fact that NOAA financial managers cannot precisely say what they have spent against line item or earmarked amounts provided by Congress contributes to the general impression that NOAA is not managing its funds accountably.

2) Managing Congressional "Assigned Activities" and Reprogrammings

The reports of the House Appropriations Committee for the past five years have included language chastising NOAA for inadequate attention to adhering to (1) "assigned activities," or earmarks, made by Congress; and (2) Committee reprogramming requirements included in the appropriations bill language. The report accompanying the FY 1997 bill is indicative:

"Further, the Committee continues to be concerned with the cavalier approach NOAA takes to directions given in the committee report, particularly direction related to items not included in the budget request. The Committee expects NOAA to follow the direction given in this section of the report as well as the sections addressing the Committee's reprogramming requirements."¹⁹

¹⁹ Report of the House Appropriations Committee accompanying the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Bill, Fiscal Year 1997, Report 104-676, page 64.

The CFO/CAO and director of budget have made clear to line office financial managers that committee reprogramming rules must be followed. To track funding limitations, budget execution developed an accountability code structure to ensure that "NOAA is accountable for the management, control, and reporting" of funds. There are approximately 200 assigned accountability codes for NOAA-appropriated line items, items requiring special control for reporting to OMB, and for approximately 60 specific earmarks or "assigned activities." The Budget Office works closely with the House and Senate committee staffs to ensure the clarity of each earmark. These are then specifically annotated on allowances to the line offices and logged into the accounting system. The accountability code structure was implemented in FY 1998. It was also the subject of a formal presentation at NOAA's Second Annual Budget Conference on June 2, 1999.

NOAA has taken appropriate action in developing the accountability code structure for tracking, among other things, congressional earmarks, and in reiterating at the senior management level the need to adhere strictly to statutory reprogramming requirements. The agency should consider formalizing these new procedures in formal memoranda to the line offices, a revised NOAA budget handbook, and the training regimen recommended in Chapter 4.

3) Tracking Deobligations, Carry Over Funds, and Reimbursable Funds

- **Deobligations.** Funds obligated in a prior year are at times determined to be not valid. There can be many reasons for this including accounting errors, cancellation of a contract or grant, and overestimated costs for travel, household moves, or contractual services. NOAA has a rising level of deobligations. The level was \$24 million in FY 1996; \$36 million in FY 1997; and \$68 million in FY 1998. These increasing amounts may be due in part to the actions being taken by NOAA to address the problem.

The division of budget execution develops estimates of anticipated deobligations for inclusion in the Agency's apportionment request to OMB. Budget execution then performs a review of NOAA deobligations every month to determine the most recent levels, and it processes line office requests for approval to reuse deobligated funds. Budget execution does not perform any analysis of the causes of deobligations.

There are sound programmatic reasons for deobligations. For example, a grantee or contractor fails to perform. In this case, the original purpose of the contract or grant remains valid, and the program office has every expectation that the funds should be awarded to another party to achieve that purpose. Other causes are less compelling. Accounting errors, consistent overestimating of costs, inadequate contractor selection practices all indicate potential management problems.

A high and rising deobligation rate can lead to the presumption that the deobligated funds are not needed. In fact, the annual appropriation for ORF requires that NOAA absorb \$33

million of requested new obligational authority by utilizing deobligated funds from prior years.

- **Carry Over Funds.** ORF is a "no year" appropriation. Typically, NOAA carries an unobligated balance forward from year to year. The actual amount carried into FY 1998 was \$171 million; for FY 1999 the actual is \$80 million. In June of each year, the Budget Office requests an estimate of carry over funds into the next fiscal year for inclusion in the apportionment request to OMB. In the past, carry over actuals have been allowed to the line offices in late December of the current fiscal year. In June of 1998, budget executions made a major change in the way carry over was to be allocated back to the line offices, and this change caused significant confusion in identifying and allocating funds (see discussion in Chapter 3). Final allowances were not made until March 1999, three months late. This new process has since been thoroughly explained to the line offices, and budget execution's goal for FY 2000 is to provide the funds by the end of November 1999.

Annual appropriations are made when the purposes for which they are made are capable of accomplishment within the fiscal year for which they were appropriated.²⁰ "No-year" appropriations are provided by Congress when this circumstance does not exist.²¹ No-year appropriations fund programs in which the agency needs flexibility beyond the confines of a single fiscal year. It is incumbent on an organization to assure itself, OMB, and Congress that it is managing its no-year appropriations as well as possible. To ensure that no management problems are associated with an agency's carry over balances, periodic analysis of the reasons for this carry over is necessary.

- **Reimbursables.** NOAA performs work for other agencies estimated at \$203 million representing 611 compensable work years in FY 2000. In August, the Budget Office requests estimates from the line offices of the amount of reimbursable work for the coming fiscal year for inclusion in the apportionment request to OMB. The division of budget execution does not generally include reimbursements in the initial allowances at the start of the fiscal year but allows them as agreements occur.

There have been several minor issues with reimbursables. These include difficulty in tracking the expiration date of the appropriation in the agency from which the funds are coming, a low priority attached to close out of old agreements, and a generally slow review process for reimbursable agreements.

The advent of CAMS in FY 2002 will solve the problem of tracking the expiration date of funding appropriations. The office of finance is conducting an aging analysis of all reimbursements and notifying the line offices to examine all those in which there has been no activity for a year. The OF will soon move to a six month aging analysis, which will accelerate resolution of closing out old agreements.

²⁰ Principles of Federal Appropriations Law, Second Edition, July 1991, Volume 1, Page 5-4.

²¹ Ibid, page 5-8.

The causes of deobligations and carry over funds require analysis. There is an apparent accountability issue in the management of these items, and the fact that there is no analysis of causes is reason for concern. NOAA executives must be assured that there are no systemic causes for canceling prior-year obligations and for carrying over large amounts of funding. In turn they need to be able to provide such assurance to OMB and the appropriations committees. An effort to systematically analyze the causes of deobligations and carry over and to minimize them would be helpful in restoring congressional faith in NOAA's financial management. Such an analytical effort, for a well functioning Budget Office, would not be difficult and should be performed when sufficient staff capacity is available in the Budget Office.

Recommendation

- **NOAA should ensure that the management attention and resources required to implement CAMS successfully are provided.**
- **NOAA should require major improvement in the line office financial operating plan process including development of initial base line plans and informative updates on progress, using variance analysis, at the administrator's quarterly reviews. The Budget Office should prepare guidance for development of these plans and provide the independent analysis necessary for effective financial performance reviews during the year. Other agencies should be consulted regarding successful financial management and reporting techniques.**

Chapter 4

The Role of the Budget Office

The Budget Office is at the cross-roads of all basic financial process activities and must serve as an effective switching station to ensure that these processes function well. This is true for formulating the NOAA budget internally, conducting budget negotiations with Commerce, OMB, and Congress, and working with the OMB and Commerce to allocate appropriations to the line offices. A strong Budget Office is critical to NOAA's success in making systematic improvements in its financial management and budget processes.

Many of the problems NOAA is encountering are the result of performance problems brought on by weak capacity. The capacity of the Budget Office has been greatly diminished in the past decade through downsizing and reductions in force. Concurrently, relations with Congress have also declined, and the urgency of establishing sound professional relations with the appropriations committees cannot be overstated. Congressional issues affect all parts of the panel's report including the usefulness of strategic plan information, corporate cost assessments, adherence to committee directives and reprogramming rules, and a new budget structure. The appropriations committees must be supportive of NOAA's improvement efforts. Even a perfect NOAA financial management process will not overcome substantial policy disagreements between Commerce and Congress in determining NOAA's annual funding levels. However, important process changes will enhance NOAA's ability to better focus discussion with the committees on major program issues.

Issues with the Capacity of the Budget Office

Budget Office and OFA M&B Staff Capacity. In interviews with Academy project staff, all senior officials with financial management responsibilities from the deputy under secretary on through the organization, including the line offices, indicated that capacity in the Budget Office and OFA M&B has been weakened over the past 10 years. Interviewees agreed that:

- In the past, the Budget Office housed a highly capable staff of analysts who understood NOAA programs and provided a full range of support to management including useful analysis during the internal budget process and support during the OMB review and appropriations processes. Its products were excellent, consistent, and well regarded by the line offices, Commerce and Congress. The deputy under secretary stated to the Academy project staff that he had greatly valued the Budget Office capacity and, upon taking his new position, had resolved to recreate it.
- The budget capacity of both offices has greatly diminished in the past decade. One reason has been the general downsizing that has affected finance and Budget Offices throughout NOAA. While there are no statistics, evidence of this pressure is found in a 1996 effort to improve administrative services and reduce staff. The report recommended reducing the

OFA M&B by four positions and the Budget Office by six.²² In a separate action, a reduction in force conducted in 1996 moved people without any budget background into both organizations. These factors, combined with normal attrition and an inability to fill vacancies, plus a complete lack of formal training, have left these two organizations with only limited resources.

Communication. Communication is the ability of an organization or community of organizations to ensure that its people, both management and staff, have the information needed to do their jobs. This information is of several varieties: (1) the policies, goals, and action objectives needed to guide general behavior; (2) specific technical information needed to do the daily job; and (3) basic information on events within and external to the organization. "Capacity" also includes the ability of an organization to communicate with external stakeholders effectively.

Improving communication with Congress is a high priority as the welter of criticism in appropriations committee reports referenced in this report indicate. Making improvements in response to these criticisms will be a major component of better communication. However, the improvements must be presented in a coherent manner. Implementation must be accompanied by periodic status reports to the committees.

Improving communication within the financial management community is also a major challenge, and much of the problem is rooted in the lack of a skilled staff. Communication problems emerged as the number one customer issue at the NOAA-convened Second Annual Budget Conference in June 1999. At a seminar to address the customer perspective, two senior line office financial officials both identified communication as their main issue. A comment made several times in line office interviews was that this conference was the first time line offices had been invited to attend a meeting on budget issues. Interviews with line office financial managers and their staffs identified specific communication issues. One is that there are few individuals in the Budget Office or OFA M&B who can provide consistent answers to financial issues. A second is that the Budget Office staff historically have not met or visited with the line offices. Neither regular meetings to discuss the status of events and emerging issues nor ad hoc meetings had been held to address issues.

The line offices expressed dissatisfaction with the way the Budget Office handles policy and process changes. Several staff members provided detailed accounts of a change in the handling of carry over funds in 1998. From their perspective, this was done with little warning and preparation and so confused the budget process that final carry forward amounts were not determined until March 29, 1999, three months later than usual. Such late information regarding the availability of funds impairs an organization's ability to plan for and execute obligation of those funds. A second example was an effort to improve management of interagency agreements. In a November 30, 1998 memo, the line offices were instructed to adopt a National Marine Fisheries Service procedure on an interim basis and to proceed with developing their own

²² "NOAA Customer Service - A Paradigm Shift", An Action Plan of the Administrative Services Reinvention Study Group, 2/96, pages 19 and 20.

procedure. The problem cited was that this approach left each line office to develop its own policy rather than pulling a team of knowledgeable Budget Office and line office staff together to develop one uniform and fully consistent procedure.

Guidance. Another capacity issue facing the NOAA financial management community is the need to improve the quality of its instructional material to the line offices. A theme from the line office interviews is that formal guidance in budget execution is lacking and the NOAA budget handbook is out of date. While BE makes considerable use of e-mail to provide information and guidance to line office clients, there are few written instructions on any subject.

A review of the handbook confirms that it is out of date. First prepared in June 1994, it was a well-developed document. However, it has not been updated for (1) implementation of strategic planning; (2) the impacts of CAMS scheduled for implementation in FY 2001; (3) the new process for the carry over funds; (4) the new NOAA control system implemented in FY 1998 for ensuring that congressional earmarks are carried out; (5) up-to-date instructions on handling reprogrammings; and (6) basic terminology changes. The handbook should be updated and, if adopted, also incorporate panel recommendations on base analysis and the management of carry over funds and deobligations. The handbook should be made available on the internet.

Interviews with the line offices indicated a higher level of confidence with the NOAA finance handbook maintained by the Office of Finance and satisfaction with the level of communication. This includes the Finance Council, a group of senior line office financial officials convened quarterly by the director of office of finance and the new OF web site on which is published a growing body of financial policy information and council meeting minutes.²³

Training. Training was one of the first casualties of tight budgets over the past decade. The Budget Office has conducted no formal training or staff development program within that period.

Systems Support. The Budget Office also faces a systems issue. There is neither the systems nor staff capacity to accomplish the complex "cross-walking" now required between the traditional budget structure and the strategic planning structure and other cross-cutting initiatives. To accomplish this, the Budget Office would need to have a database into which both structures are entered and the cross-walks established and updated as they change from one stage of the process to the next including tracking of obligations against activities and line items in the two structures. The Budget Office would also need several staff members fully conversant with all phases of the process and the small changes in detail that constantly take place within it to enter and update the numbers and produce the kinds of cross-walk analyses that are needed. This capacity does not exist.

Numbers Control. This has several aspects. One is tracking obligations against allowances. A strongly expressed concern by the House committee staff and Commerce budget analysts is the inability of NOAA to provide good information about the status of obligations against allowances. The causes of this are numerous and include: the problems of cross-walking

²³ <http://www.rdc.noaa.gov/~finance/>

between strategic plan goals and line item structure, the technical accounting problems described in Chapter 3, and a weak and nonreal time accounting system.

A second aspect of number control is the ability to track and explain changes in funding levels. While BE does detail such changes in its allowances, line office interviews surfaced a number of complaints about the inability to understand the causes of changes from one allowance to the next. Several line offices stated that the division of budget execution does not keep adequate spreadsheets for tracking changes, and one suggested that part of the problem is the process of manually adjusting accounting records each year to bring corporate cost assessment and accounting records into agreement. A third aspect of the lack of clarity is the NOAA budget structure itself. The best accounting in the world does not mean much if the purpose of the obligations is not clear.

Despite these barriers to clarity and accountability, the problem lies, to a considerable degree, with the lack of adequate background and sufficient training in budget execution. Interviews with the chief of budget execution and line office financial staffs indicate that the division has few veteran staffers versed in budget analysis and execution skills. Several line offices report that they have difficulty obtaining answers from budget execution staff regarding allowance numbers and policy issues.

The division of budget execution has made some improvements recently. It has recruited a number of new staff, but they are in the learning stage. In addition to several new hires, the chief of budget execution has begun regular meetings with line office customers and has accelerated the provision of initial allowances from January 28 for FY 1998 to a target of November 6 for FY 1999. Feedback in line office interviews has been positive about the regular budget execution meetings.

The Attributes of a Strong Budget Office Staff

What should a strong Budget Office staff look like? The panel envisions a staff of mid-level to senior analysts, collectively possessing both execution and formulation skills, who are fully knowledgeable of the line office programs for which they have responsibility. These analysts (1) are immersed in NOAA programs and understand substantive issues and the resource requirements for supporting program operations, and they achieve this by participating in all key line office and NOAA budgetary activities; (2) view the line offices as their customers and provide expert advice and information to line office staffs about external issues and events; (3) provide expert analytical advice to NOAA management on resource issues including identification of alternative resource acquisition scenarios; (4) become the single most important source of information in response to the information needs of the line offices, Commerce, OMB, and the appropriations committees; and (5) provide a crucial bridge for line office customers and all other parties between formulation of the budget and its execution by functioning as a one-stop shopping center for budgetary information.

In this scenario, Budget Office analysts participate substantively in the agency's strategic planning process serving on SPTs, reviewing line offices incremental requests and base analyses

during the SPT process, and providing analysis for the director of budget's independent assessment of the annual strategic planning results.

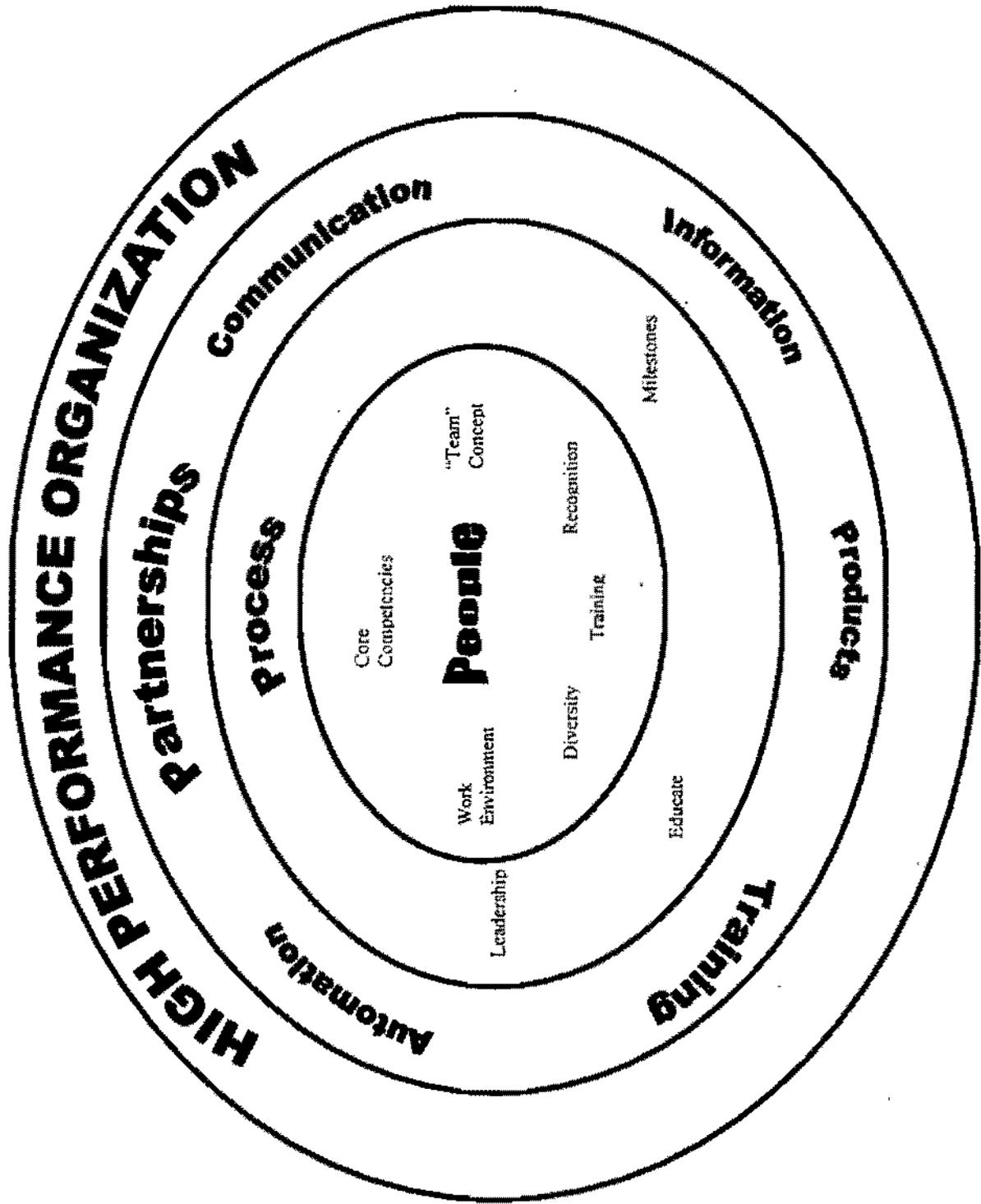
NOAA Actions To Improve the Capacity of the Budget Office

NOAA recognizes the urgency of moving the Budget Office towards this ideal set of capacities. In the past year, the agency has upgraded the position of the director of budget to the Senior Executive Service level and filled that position with a new person. NOAA management has authorized the filling of numerous previously unfunded vacancies in the Budget Office. The new director has hired key managerial and analyst staff and begun to develop improvement initiatives to address the organizational capacity issues identified above. These initiatives are strongly supported by the deputy under secretary and CFO/CAO and include:

- development of a vision for a high-performance organization based on a trained and competent staff, partnership with customers, a strategy for excellent communications, well functioning processes, and a staff development training program (see Figure 4-1)
- improvements in specific processes such as estimating and managing carry over funds, prior year obligations and reimbursements
- improvements for a fully accountable corporate cost process
- a reorganization to focus staff energy on creation of enhanced analytical capabilities, control and accuracy of budgetary numbers, development of training and staff development opportunities, improved guidance, timeliness and quality of products, and communications with customers including development of a web site²⁴

²⁴ The elements of a sample comprehensive generic capacity building strategy are laid out in detail in Appendix G including elements for process improvement, communications, staff development and training, and guidance development.

Figure 4-1



The director of budget has reorganized the Budget Office to align its functions with improvement goals. The Budget Office now includes three divisions: Formulation, Execution, and Policy, Products and Integration (BPPI). The division functions, orally articulated by the director of budget to the project staff, need to be more clearly stated in the formal functional statements to say:

- Budget formulation develops and maintains strong analytical capability.
- BPPI shepherds the budget process including number control, product quality, an excellent guidance system, a communication and partnership strategy with the line offices and other stakeholders, and a community-wide staff training and development strategy.
- Budget execution develops the analytical and systems capability to maintain the spread sheets necessary to provide accurate data in advice of allowances and other documents.

The Budget Office reorganization focuses the office's staff on function—formulation, execution, process. The panel is concerned that this organizational structure will not provide the “one stop” focus that the line office customers need from the Budget Office. Customers need to be able to come to one person or small group of people who can provide answers to all questions regarding the process including strategic planning issues, formulation and execution guidance questions, and information about budget activities at Commerce, OMB, and congressional levels. Aligning staff by function will tend to fragment responses to customers by requiring them to go to individual divisions for piecemeal information. Aligning staff with specific programs and making them responsible for all aspects of the budget process will provide a better assurance to customers of this one-stop approach. Alternatively, a well trained management team can provide access to information and answers to questions that complement a one-stop shopping approach.

Line Office Customers as Partners in Financial Management Improvement

Improvement of the financial management process must be accomplished in partnership with the line offices. In the corporate cost discussion, the panel recommends customer involvement and oversight of a new WCF. This concept must be extended to the overall effort to improve financial management including efforts to improve capacity. There are many reasons. First, it is axiomatic that an organization cannot be fully successful in improving its operations without input from its customers. The Budget Office needs to understand customer operational needs to craft effective responses. In addition to drawing on line office expertise to accomplish improvement goals, it also needs to acknowledge its role in helping the line offices. One example of such help might be where the Budget Office provides a first draft of a budget document that in turn can be further developed by the line office budget staff rather than requiring the line office to initiate all such documents. Pockets of financial excellence are scattered throughout the line offices, and the Budget Office will need to call on this resource in the capacity-improvement process for the financial community as a whole. Finally, unless the improvement process is participatory, community ownership of the results and a mutual will to maintain them will not be achieved.

An interview with one of the line office produced a follow up e-mail which clearly addresses this point:

“Before NOAA implements a new policy and process, they should (1) involve the Line Offices in the process so that NOAA is aware of the impacts this may have on the Line Offices and so that the Line Offices realize the impact; (2) have more than one person at the NOAA level working on the process and have a Line Office representative/contact to keep in the loop through the entire process, (3) provide sufficient time for training, and (4) provide sufficient resources, (5) document the process to include the NOAA Budget Handbook. Let me emphasize number 3, 4 and 5. Training means that you have a template spreadsheet that is the same for everyone, reports to pull the appropriate data and a dry run/pilot to make sure it works and really does for you what you want to do. Also, the meetings and training have to be on a timely and consistent basis.”

One line office interviewee suggested that a process of improving communication be started with a general financial management community retreat, and the Budget Office is planning such an event at a NOAA budget and financial management conference to be held in the summer of 2000. This is an excellent suggestion, one that can be used to begin a general process of building a partnership.

Factors Mitigating Against Successful Implementation of Improvement Plans

The panel is concerned that a number of factors, unless satisfactorily addressed by NOAA, will mitigate against success. These include the limited staff capacities of the Budget Office and the demands of daily workloads. Further, the capacities of the OFA M&B, some parts of which are recommended for transfer to the Budget Office, must also be upgraded. NOAA will need to ensure that all of its budget and financial management offices have the necessary capabilities and are operating at a high level of proficiency in order to fully implement the several recommendations outlined in this report. In addition, three studies (described in Chapter 3) in recent years have recommended various improvements in the agency's financial management practices, but these studies have not been effectively implemented.

Recommendation

NOAA should strengthen the Budget Office by:

- **instructing line office financial managers to form an active partnership with the BO in undertaking the improvement efforts recommended in this report**
- **ensuring that the director of budget is a key participant in the policymaking processes of the agency affecting financial matters**

- **tasking the Budget Office, along with the OPSP, with providing the staff work necessary to make the corporate board function well**
- **recognizing the critical role of the director of budget, and designating the Budget Office as the primary contact point with Commerce, the OMB, and Congress in obtaining and providing factual information about the NOAA budget**
- **upgrading the capacity of the Budget Office and reviewing current staffing allocations to determine its ability to implement the panel's recommendations**

The chief financial officer/chief administrative officer should:

- **work with the line offices to plan and implement the training and career development experiences for budget and financial management staff throughout the agency. This will include the development of senior level staff capacity envisioned above especially a program of rotation for Budget Office and line office financial staff members through progressively responsible assignments in appropriate NOAA financial organizations, Commerce, OMB, and Congress.**

The director of budget should:

- **act to restore the capacity of the Budget Office to communicate effectively with customers, the Congress, and other external stakeholders**
- **consider reorganizing the Budget Office along programmatic lines, rather than functionally (formulation and execution), to provide a one-stop shopping focus for line office customers**
- **translate the individual improvement goals recommended in this report into specific milestone implementation schedules. Identify the interdependencies between individual schedules such that all goals move forward in a known, interactive, resourced and manageable effort**
- **contact other agencies to obtain needed project management training for key Budget Office staff members**

To enhance relations with the appropriations committees, the director of budget should:

- **consult with and be advised by the appropriations committees on the specific changes that respond to their concerns and criticisms (especially regarding budget structure),**

explain how the agency improvement efforts solve problems, provide a timetable for implementation, and advise on how NOAA will keep them informed

- **seek advice on the need for specialized budget tables and analyses that will provide supplemental information for the appropriations process and seek input on such topics as improving funding estimates for NOAA's long-term capital costs**
- **establish a staff liaison within the Budget Office for coordinating all information activities regarding NOAA budgetary matters with the line offices, Commerce, and the appropriations committees**

Within a year, NOAA should review implementation progress to determine whether:

- **current Budget Office staffing allocations are sufficient**
- **the goal of a one-stop shopping center for budgetary information and expertise is being achieved**
- **the necessary active partnership with and support by the line offices for the Budget Office's improvement efforts has developed**

Appendix A

Panel Recommendations

STRATEGIC MANAGEMENT

The Corporate Planning and Resources Board

NOAA should create a Corporate Planning and Resources Board composed of senior NOAA officials, including the assistant administrators (AA), the chief financial officer/chief administrative officer (CFO/CAO), and key staff office heads. The board should be chaired at a high policy level and should be the focal point for:

- proposing agency requirements and resource levels
- coordinating the planning, programming and budgeting processes
- resolving major issues involving requirements and funding
- developing an overall strategy for implementing cross-cutting programs
- identifying and resolving major institutional issues involving capital assets, facilities, and services
- overseeing the improvements recommended in this report

The board should be constituted separately from other NOAA senior management meetings and committees and should develop recommended long-term solutions and resource requirements. It should provide an orderly and structured flow of information and advice to the administrator for decisions on key program and policy issues. It should receive necessary staff support from the Budget Office and the Office of Policy and Strategic Planning (OPSP).

The Role of the Assistant Administrators

NOAA should strengthen the role of the AAs in the annual strategic planning process as a means of institutionalizing this process for long-term effectiveness. The AAs should be assigned a formal and more direct role in the process. The AAs, in conjunction with the director of OPSP and the director of budget, should:

- **conduct periodic progress reviews of the development of budget initiatives being proposed by the SPTs**
- **serve on the Corporate Planning and Resources Board to review budget initiatives**
- **take the lead in managing initiatives that involve more than one line office**

Strategic Planning and Budget Formulation and Execution Processes

NOAA strategic plans and management activities should include:

- **developing an agency annual performance plan that NOAA sends to the Department of Commerce**
- **restructuring the line office annual operating plans and comparing obligations at the senior management level to these plans**
- **maintaining a clear link between cross-cutting initiatives and the budget structure, and tracking by senior management of progress toward these initiatives**

FUNDAMENTAL BUDGET STRUCTURE AND PROCESSES

The NOAA Budget Structure

NOAA should give the newly established Budget Restructuring Task Force top priority support. The task force should:

- **retain the current budget structure as a starting point**
- **identify and describe clearly and succinctly as possible agency operations, i.e., tell "the story" of NOAA in concrete, operational terms clearly understandable to stakeholders**
- **develop clear and easy to follow cross-walks from this basic structure to agency strategic planning or other cross-cutting initiatives**

Because of the intensity of the effort that will be required to accomplish a clarified structure, the panel suggests that the agency may want to consider beginning the effort with one line office as a pilot. There should be extensive consultation with Congress, OMB, and the Department of Commerce on this effort.

The Corporate Cost Process

NOAA should take a series of steps that will lead to a fully open and accountable corporate cost process as follows:

- place accountability with the director of budget, who is not now responsible for the process, by transferring the corporate cost function from the OFA's M&B to the Budget Office.**
- establish a working capital fund (WCF). NOAA should implement its plans for creating a WCF. A WCF will place corporate cost activities on a fee-for-service basis in which service performance for funds provided can be measured. The WCF should be guided by a formal charter and operate under a board of directors composed of line office and central administrative service officials.**
- convert nonservice activities now funded by assessments to appropriations. Congress has directed that all costs not clearly service in nature should be converted to appropriated funds subject to the annual appropriations process, and NOAA is preparing a reprogramming request to achieve this goal. NOAA management should provide all support necessary to effectuate this reprogramming.**
- develop a clear and formal requirements process. A formal requirements definition and budget formulation and analysis process should be laid out with a schedule that feeds corporate cost estimates into the initial stages of the agency's annual budget process in February. This process should provide predictable assessment levels for line office financial managers and inform them well in advance of potential costs outside of the agency's control.**

Base Analysis

A comprehensive base analysis of all programs, including the NOAA-wide and line office corporate costs, which are part of the annual corporate assessments, and NOAA indirect costs, should be conducted as standard operating procedure in the agency's budget process. This is a crucial step in understanding agency-level financial issues as well as building credibility with Congress and other stakeholders. The Budget Office should design guidance to the line offices for preparation of a full base analysis for use by the strategic planning teams in the FY 2003 process. A "dry run" should be undertaken during the FY 2002 process utilizing the work of one of the several line offices that now conduct a base analysis on their own initiative.

Budget Execution

- **NOAA should ensure that the management attention and resources required to implement CAMS successfully are provided**
- **NOAA should require major improvement in the line office financial operating plan process including development of initial baseline plans and informative updates on progress, using variance analysis, at the administrator's quarterly reviews. The Budget Office should prepare guidance for development of these plans and provide the independent analysis necessary for effective financial performance reviews during the year. Other agencies should be consulted regarding successful financial management and reporting techniques.**

THE ROLE OF THE BUDGET OFFICE

NOAA should strengthen the Budget Office by:

- **instructing line office financial managers to form an active partnership with the Budget Office in undertaking the improvement efforts recommended in this report**
- **ensuring that the director of budget is a key participant in the policy making processes of the agency affecting financial matters**
- **tasking the Budget Office, along with the OPSP, with providing the staff work necessary to make the corporate board function well**
- **recognizing the critical role of the director of the budget, and designating the Budget Office as the primary contact point with Commerce, OMB and Congress in obtaining and providing factual information about the NOAA budget**
- **upgrading the capacity of the Budget Office and reviewing current staffing allocations to the Budget Office to determine its ability to implement the panel's recommendations**

The chief financial officer/chief administrative officer should:

- **work with the line offices to plan and implement the training and career development experiences for budget and financial management staff throughout the agency. This will include the development of senior level staff capability envisioned above including a program of rotation for Budget Office and line office financial staff members through**

progressively more responsible assignments in appropriate NOAA financial organizations, DOC, OMB, and Congress.²⁵

The director of budget should:

- **act to restore the capacity of the Budget Office to communicate effectively with customers, Congress and other external stakeholders**
- **consider reorganizing the Budget Office along programmatic lines, rather than functionally by formulation and execution, to provide a one-stop shopping focus for line office customers**
- **translate the individual improvement goals recommended in this report into specific milestone implementation schedules. Identify the interdependencies between individual schedules such that all goals move forward in a known, interactive, resourced, and manageable effort**
- **contact other agencies to obtain needed project management training for key Budget Office staff members**

To enhance relations with the appropriations committees, the director of budget should:

- **consult with and be advised by the appropriations committees on the specific changes that respond to their concerns and criticisms, especially regarding budget structure, explain how the agency improvement efforts solve problems, provide a timetable for implementation, and advise on how NOAA will keep them informed**
- **seek advice on the need for specialized budget tables and analyses that will provide supplemental information for the appropriations process and seek input on such topics as improving funding estimates for NOAA's long-term capital cost**
- **establish a staff liaison within the Budget Office for coordinating all information activities regarding NOAA budgetary matters with the line offices, the Department of Commerce, and the appropriations committees**

Within a year, NOAA should review implementation progress to determine whether:

- **current Budget Office staffing allocations are sufficient**

²⁵ The elements of a comprehensive generic capacity building strategy are laid out in detail in Appendix G. The Appendix includes elements for process improvement, communications, staff development and training, and guidance development.

- **the goal of a one-stop shopping center for budgetary information and expertise is being achieved**
- **the necessary active partnership with and support by the line offices for the Budget Office's improvement efforts has developed**

Appendix B

A Road Map to Comprehensive Improvement

All recommendations are not of equal weight and, even if they were, a busy organization cannot implement all improvements at one time without creating chaos. An organization must walk before it runs. The following is a possible sequence for implementing some of the major recommendations in this report. As the agency proceeds with the development of its action plan, it will need to decide which of the report recommendations will be implemented and ensure that DOC, OMB, and the appropriations committees are briefed in advance.

CY 2000

Chief Financial Officer/Chief Administrative Officer (CFO/CAO):

- Assign the corporate cost responsibility from the Office of Finance and Administration Office of Management and Budget (OFA M&B) to the director of budget; Incorporate creation of a **working capital Fund (WCF)** in the OFA annual operating plan (AOP). ASAP

Director of Budget:

- Continue efforts to recruit top managers and staff and reorganize the Budget Office to implement improvement objectives. On-going
- Continue all current efforts to improve timeliness, clarity and accuracy of products. Pay special attention to development of accurate spread sheet capability. On-going
- Initiate **corporate costs requirements formulation** process for FY 2001/2002 using FY 2000/2001 interim process. ASAP

NOAA:

- Create a **Corporate Planning and Resources Board** to perform the duties described in Chapter 2. ASAP
- Direct director of budget in the OFA and Director of the Office of Policy and Strategic Planning to provide support to the board. ASAP

- Direct development of **comprehensive implementation steps** by the CFO/CAO and director of budget, working with OPSP in the area of strategic management. Steps to include existing NOAA improvement goals and panel recommendations in Chapters 2 through 4 of this report. ASAP
- Direct AA's to complete **base analysis** under guidance from the Budget Office for the FY 2003 planning/budget process beginning in February 2001. ASAP

Director of Budget:

- Present **implementation planning** results to the Corporate Planning and Resources Board. Identify specific tasks, develop milestones for each task, develop overall critical path of necessary improvements, and assign responsible parties to complete tasks. Address implementation of panel recommendations on: March 31
 - * **Strategic management**
 - * **Fundamental structure and process recommendations including budget restructuring, base analysis, corporate cost, and budget execution**
 - * **Strengthening the role and capacity of the Budget Office**
- Complete **budget restructuring** effort with the Department of Commerce, OMB, and congressional input and agreement. March 31
- Complete development of full **WCF** proposal for incorporation into the FY 2003 budget process. October 1
- Initiate fully reformed FY 2002/2003 **corporate costs requirements formulation** process as approved by the Corporate Planning and Resources Board. Include a new NOAA WCF. Integrate results with NOAA FY 2003 budget process in February, 2001 October 1
- Working with the line offices, develop the **capacity building implementation** steps recommended in this report including training and career development, communication and other aspects of capacity discussed in this report. October 1

CY 2001

Line Offices:

- Working with OPSP and the Budget Office, complete logic model analysis and develop NOAA performance plan for FY 2003 budget. June 1

Director of Budget:

- Initiate analyses of deobligations, carry over, and reimbursements.²⁶ June 1

CY 2002

Director of Budget:

- Fully complete capacity building implementation. June 1

²⁶ Sooner if staff capacity has developed quickly enough.

Appendix C

Panel Members and Staff

Panel Members:

Cora P. Beebe – Former Chief Financial Officer/Executive Director (Administration), Office of Thrift Supervision, U.S. Department of the Treasury; Former Branch Chief and Executive Assistant to the Associate Director for Management, U.S. Office of Management and Budget; Director, Planning, Budget and Evaluation, U.S. Department of Commerce; Director, Policy, Budget, and Program Management, Office of Solid Waste and Emergency Response, U.S. Environmental Protection Agency.

LaVarne Burton - Executive Secretary to the Department, U.S. Department of Health and Human Services (DHHS); Former Deputy Assistant Secretary for Budget Policy, DHHS; Former Senior Analyst, Health and Social Security, Budget Committee, U.S. House of Representatives; Former positions with the DHHS including Chief, Financial Management Branch, Bureau of Community Health Services; Director, Office of Financial Management, Health Resources and Services Administration.

John J. Carey – Consultant; Former Associate Deputy Under Secretary for Oceans and Atmosphere in NOAA; Deputy Assistant Administrator for the National Ocean Service; Director of the NOAA Office of Budget and Finance and Controller. Prior to joining NOAA, Mr. Carey was with the Office of Management and Budget where he held positions of Budget Examiner, Senior Program Analyst, and Chief of the Commerce Branch.

Susan Irving - Associate Director, Federal Budget Issues, U. S. General Accounting Office; Former Lecturer in Public Policy, JFK School of Government, Harvard University; Fellow, Institute of Politics, Harvard University; Staff Director, Council of Economic Advisers.

Bernard Martin (Panel Chairman) - Consultant; Former positions with the U.S. Office of Management and Budget, including Special Assistant to the Deputy Director for Management; Deputy Associate Director, Education, Income Maintenance and Labor Division; Assistant Director for Legislative Reference; Deputy Associate Director, Labor, Veterans, and Education Division; Chief, Economics-Science-General Government Branch, Legislative Reference Division.

Robert S. Winokur - Vice President of the Consortium for Oceanographic Research and Education; Former Assistant Administrator for Satellite and Information Services, National Oceanic and Atmospheric Administration; Acting Assistant Administrator for Weather Services; Technical Director in the Office of the Oceanographer of the Navy, for the Navy's Operational Oceanography Program.

NAPA Staff Members:

Christopher G. Wye - Director, Performance Consortium, National Academy of Public Administration (NAPA); Director, Program for Improving Government Performance, NAPA; Former Director, Office of Program Analysis and Evaluation, Office of Community Planning and Development, Department of Housing and Urban Development (HUD); Director, Division of Policy Studies, Office of Policy Development and Research and Development (OP), HUD; Senior Policy Analyst, Division of Special Studies, OP, HUD; Fellow, National Endowment of the Humanities, Harvard University. Mr. Wye is the author of books, articles, and reports on strategic planning and performance measurement.

John P. Scully, Project Director - Consultant; Former Acting Director, Alliance for Redesigning Government, National Academy of Public Administration; Former Vice President Gore's National Performance Review; Deputy Director, Management Operations Directorate, Goddard Space Flight Center, NASA; Deputy Associate Commissioner for Disability, Social Security Administration; Director, Budget Policy and Procedures Office, Department of Health and Human Services (DHHS); Director, Office of the Secretary Budget Office, DHHS.

Ronald H. Carlson, Senior Research Associate - Staff Director, Center for Health Policy Studies, Columbia, Maryland; Former positions with the Department of Health and Human Services, Associate Administrator for Planning, Evaluation and Legislation, Health Resources and Services Administration; Director of Evaluative Studies, Health Care Financing Administration; Director of Demonstrations and Evaluation, Bureau of Health Insurance, Social Security Administration; Legislative Assistant, Congressman John Henderson, U.S. House of Representatives.

Appendix D

List of Documents Reviewed

This listing of documents is not inclusive of literally hundreds of lesser documents including reports reviewed but deemed inconsequential to the substance of this study, executive performance plans, organization charts, OFA and line office quarterly reviews, interoffice memoranda, draft but unpublished memoranda, e-mails, etc.

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National Oceanic and Atmospheric Administration. *Budget Estimates, Fiscal Year 1988, Congressional Submission.*

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Appendix E

List of Interviews

<u>Person</u>	<u>Title</u>	<u>Date of Action</u>
<u>NOAA Officials:</u>		
Jolene Sullens	Director, NOAA Budget Office	Continuously
Joe Matotek	Audit Liaison, Office of Finance and and Administration (OFA)	7/13 Phone
Tyra Smith	Chief, Management and Budget Office, OFA	7/20, 8/26
Lan Bui	Chief, Execution and Operations Division, NOAA Budget Office	7/22, 8/27
Becky Sweeny	Commerce Administrative Management System (CAMS) Requirements Division Chief	7/23
Sue Fruchter	Director, Office of Policy and Strategic Planning	7/27
Rudolf J. Dominic	Director, Finance Office/Comptroller, OFA	7/28
Pete Olivere	Senior Analyst, Execution and Operations Division	8/4, 8/26
Barry Meyer	Chief, Formulation and Analysis Division, NOAA Budget Office	8/6, 8/26
Strategic Planning Team Leaders:		
1. Bob Livezey, Asst. Dir., National Centers for Environmental Prediction	SIC-NWS	8/2
2. Louis Uccellini, Dir., National Centers for Environmental Prediction	ASTF-NWS	8/2
3. Richd. Barazotto, Dir.,	NOS	8/5

Center for Operational
Oceanographic Products
and Services

4. Gary Matlock, Dir., BSF, MFS 8/10
Office of Sustainable
Fisheries

5. Susan Zevin, Deputy. OBS/ED&IS, NESDIS 8/16

Asst. Administrator for
Environmental Infor-
mation Services

6. Bob Kidwell, Chief, SUPP Infrastructure 8/10
Information Resources
Management Staff

7. Paul Pagnato, Chief Infrastructure 8/19
Management, Budgeting
and Information
Division

Line Office (LO) Focus Varied working level staff 8/18
Group

LO Chief Financial Officials:

1. Mary Langlais and staff Executive Officer, Oceanic and Atmospheric 7/29
Research (OAR)

2. Doug Namian and staff Director, Budget and Finance Group, 7/26
National Environmental Satellite, Data
and Information Service (NESDIS)

3. Ted David and staff Chief Financial Officer, National Weather 7/28
Service (NWS)

4. John Oliver and staff Chief Financial Officer/Chief Administrative 8/10
Officer, National Ocean Service (NOS)

5. Lois Gajdys and staff Director, Office of Operations, Management, 8/11
and Information, National Marine Fisheries
Service (NMFS)

LO financial officials	Formal presentations to Ms. Sullens	8/6
Regional Area Service Centers (ASC):		
1. Kelly Sandy	Director, Western ASC	7/29
2. Martha Lumpkin	Director, Central ASC	7/29
3. Jerry Lucas and staff	Director, Eastern ASC, Norfolk, VA	9/9 9-1:00
Radm Nicholas	Director, Atlantic and Pacific Marine Centers	9/9 2:00
Prahl and staff		
James Dixon and staff	National PORTS Outreach Manager, NOA	9/9 3:00
Paul Roberts	Chief Financial Officer/Chief Administrative Officer	8/12
Scott Gudes	Deputy Under Secretary for Oceans and Atmosphere	8/18
<u>Officials External to NOAA:</u>		
Robert Stockman	Director of Planning, Office of Budget, Department of Commerce (DOC)	7/27
George Ross and staff	Assistant Inspector General for Auditing, Office of Inspector General, DOC	7/30
Laura Castro	Senior Evaluator, General Accounting Office	8/13
Mike Curro	Asst. Director, Budget Issues Group, GAO	
Kim Newman	Examiners, Office Of Mgt. & Budget	8/17 Phone
Donna Rivelli		8/25 Phone
Jim Kulikowski	House Appropriations Subcommittee on Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies	8/17
Leslie Albright	Budget Analysts, Technology & Environment Programs, Division, Office of Budget, DOC	9/2 Phone
Charlie Murray		
Paddy Link	Senate Appropriations Subcommittee on Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies	9/17

Benchmarking Activity with Other Agencies:

Paul Nannis	Director of Planning , Evaluation, and Legislation, Health Resources and Services Administration, DHHS	8/16
Dennis Williams and staff	Director of Budget, Department of Health and Human Services (DHHS)	8/23
Val De LaFuente	Senior Evaluator, Office of Evaluation, Environmental Protection Agency	8/23
Curtis Marshall	Director, Strategic Planning Services, Office of Planning and Analysis, Veterans Administration	8/25
Tom Paprocki and staff	Chief, Institutional Support Office, Goddard Space Flight Center	8/26
Greg Paine	Director of Policy and Planning, Veterans Health Administration, Veterans Administration	10/12

Follow up Interview for LO Process Mapping:

Steve Gallagher	Chief, Office of Budget Formulation, NWS	10/22
Douglas Namian	Chief, Budget and Planning Office, NESDIS	10/25
Mary Langlais	Executive Officer, OAR	10/27
John Oliver	CFO/CAO, NOS	11/2
Alan Risenhover	Deputy Director, Office of Operations Management and Information, NMFS	11/5

Appendix F

Template for Conducting Base Analysis

Applicability. Applicable to any government or private program involving a number of activities and a significant amount of funding.

Assumptions.

- Over time, priorities within a set of activities will shift. This is for many reasons including:
 1. Start up programs achieve a satisfactory operating level eliminating start up costs.
 2. Programs achieve their purposes and are no longer fully or partially necessary.
 3. One time events (e.g., buying a super computer, constructing a building, launching a satellite) do not reoccur.
 4. External factors are altered because of changes in elective politics, interest group shifts, macro economic events, and many others.
 5. Internal leadership changes.
- Such priority shifts occur continually and can occur quickly.
- Program management is fully capable of:
 1. identifying all significant activities that they manage
 2. prioritizing these activities, including increments of activities, in relationship to each other
 3. quantifying these activities in terms of assigned resources

Concept. Given the above assumptions, the concept of base analysis is simple:

- Given the changing sands of time, program management will achieve maximum value for money by continually reassessing priorities and adjusting existing resource allocations accordingly.
- Newly emerging requirements not funded within existing resource allocations are ranked against lower priority base activities.
- This review must take place regularly to effectively mirror changing reality.
- It is management's job to achieve maximum value for money by ensuring that limited funds are continually targeted at the highest priorities of the organization.
- Base analysis is easy. Good managers informally reassess changing priorities and reassign resources accordingly. This template makes the process open and visible for others to see.

- For a corporation, the bottom line and return to investors depend on base analysis. In the federal government, the Constitution (Article I, section 1 and section 9, clause 7) assigns the role of protecting the investor (taxpayer) to Congress and the law (Budget and Accounting Act) assigns this to the Office of Management and Budget.

Base Analysis Methodology. While the concept of base analysis is simple, base analysis methodology can vary. The basic guidance to the program requests that a program's management do the following:

- Break the organization's programmatic activities into components that reflect operational activities which are conducted to achieve the various purposes of the organization. Many operating components are sufficiently large that they can be broken into identifiable pieces. In such cases it is clear to all a portion of the program is more important than other portions and that priorities can be assigned to these portions. These portions can be called "increments."
- Identify "new activities" that either have never been performed before or are existing base activities that require significant resources beyond those currently assigned. These can also be broken into meaningful increments.
- An organization can call full operational components, increments or new activities whatever it wants, but here we will call them "decision units" (DU).
- Assign resource levels to all DUs.
- Rank the DUs in order of priority. This ranking needs to be accompanied by good information including: (1) the nature of the priority; (2) what gains are bought by the organization by funding an increment – this should be quantified if possible in terms of performance information; (3) what stakeholders' reactions are likely to be; (4) congressional interests; (5) solid implementation plans showing that the requested funds can be obligated fully in the time period of the request; (6) the effects of specific actions such as phasing an activity; (7) expert and customer opinions about the need for an increment; and (8) other relevant information that agency management needs to make an informed decision.

Integration of New Requirements with the Base. It is axiomatic that new high priority tasks come to an organization. These are either internally driven or required by outside stakeholders. In any case, they must be funded. As described above, "base analysis" undertakes the task of enabling management to decide which of these new requirements are more important than increments within the base level of funding.

Getting Started. Even though base analysis should be easy for an organization, starting the process is not. Suspicion, turf and inertia are problems. Base analysis opens heretofore internal organizational decisionmaking to review by and potential interference from higher levels of the agency and, indeed, from outside of the agency. Any step that appears to have the possibility of

taking control from program managers is likely to meet resistance. In addition, there is inertia. People tasked with conducting the analysis simply do not know how to do it. They need to understand the concepts and to develop the skills for identifying and ranking DUs and accompanying this with the kinds of good information described above.

Timing and "Depth" of Base Analysis. For an organization that has not undergone base analysis in a long period of time, a thorough in-depth analysis and review of the full programmatic base should be conducted to initiate the process.

Having done a valid, full base analysis, the analysis needs to be refreshed routinely. In the federal government, with its annual cycle of appropriations, an annual review is reasonable. This can be conducted under a scenario such as the following with variations suitable to the organization. Guidance to the program components requests that they:

- rank all DUs within the program, but only provide justification material for the top (lowest priority) 10% to 20% of DUs within the resource base
- identify DUs that are new or enhanced activities not now included in the base
- rank all DUs including placing higher priority DUs "below the line" within the base and lesser priority DUs "above the line"

Agency management may want to declare that the lowest priority 10% or 5% of DUs are, by definition, agency property to be reallocated to the highest priority agency activities when all ranking decisions are completed. Basically, each component has to compete for its lowest priority 5% or 10% of resources, but is also gets to compete for that of other components.

Gaming the System. We are all familiar with the "Washington Monument" story in which an apocryphal agency, when asked by Congress what it would cut if its appropriation were to be reduced, said that it would give up the Washington Monument. Others have called this process the throwing of "fluff balls" that are incapable of analysis and measurement. This phenomenon is guaranteed to occur in a poorly run base analysis. Program management will do the following things and then look its senior agency executive in the eye and say "what do you want me to do, Chief?" Program managers will invariably present:

- activities that are low priority to them but of high priority to a critical stakeholder, congressman or others
- low priority activities known to be strongly desired by a customer organization but without any accompanying justification or alternatives that can be presented to the management of that organization
- increments that are so large that all parts of one increment cannot possibly be equally important

- increments lacking sufficient information on which to base decisions
- numerous other "fluff balls" designed to defeat a valid base analysis

Role of the "Budget Office." A capable "resources organization," working for top agency management, plays a vital role in a valid base analysis by:

- pulling the base analyses of separate program components into a single, inter-ranked whole
- presenting decision documents to agency management which contain sufficient information to enable them to make informed decisions but a sufficiently brief that management does not have to do original research or reading
- providing informed analysis to penetrate the inevitable "Washington Monument" attempt by subordinate program managers (see below)

How Does the Agency Executive Team Minimize Gaming? This is a problem because the agency executive team is usually composed of the senior managers who are doing the gaming. A capable Budget Office can be of assistance, but basically, the executive team has to make the process valid. It can do this by:

- **Top Management Direction.** Getting clear and unequivocal instructions from the chief executive that base analysis will be accomplished.
- **Clear Process Guidance.** Top management direction must be accompanied by clear guidance from the resources staff.
- **Executive Team Ownership of the Decisionmaking Process.** A participatory system, backed by an expert budget staff, is self-correcting.

Appendix G

Template for Building Organizational Capacity

Elements of a Process Strategy

- clearly delineated for all participants both in the central financial functions and line offices
- coherent and integrated so that the roles of planning, formulating, executing and customer organizations are clear and interrelated and all contribute to the flow of the budget and financial management processes
- reflected in basic standing and ad hoc advisory and other information memoranda
- so used and accepted that it becomes habit or standard operating procedure (SOP)
- based on a partnership between financial management and line office customer organizations in which roles and responsibilities are clear, communication is pervasive and high-quality customer participation is at a high level
- composed of staffs in both financial management functions and customer organizations that are trained to full competency under a staff development and training vision and program developed within the partnership
- embedded in clearly stated partnership vision, goals and annual senior executive and managerial performance plans
- developed, encouraged, monitored, and closely managed from the top

Elements of a Communications Strategy

- identification of all internal customer and external stakeholders including the Department of Commerce, OMB, and Congress and of their information requirements
- formal and regularly scheduled meetings with customers and stakeholders. Agendas developed in advance in consultation with participants. Minutes prepared and posted on a web site. Purpose: to discuss the status of action items, explore emerging issues and events, develop action plans for new issues, etc.
- ad hoc meetings to discuss immediate problems or deal with specific issues requiring more time and different participants than the regular fora
- a culture of consultation on issues with customers and stakeholders and joint solution of problems
- use of formal guidances which describe organization SOP; minimization of ad hoc e-mail or other communications to transmit policy information
- assignment of staff liaisons with customers to provide reliable, fast information
- routine visits staff-to-staff and manager-to-manager to establish personal ties and working relationships
- use of a world wide web site to knit it all together including: guidances and updates, schedule of events including meetings, posting of meeting minutes, etc.

Elements of a Guidance Strategy

- development of basic process guidances that establish SOP
- ad hoc guidances as needed. Minimized and converted to SOP where possible
- incorporation of most SOP into handbook(s) updated often and included on a world wide web site
- development of staff capacity for maintaining, teaching and interpreting guidance in a predictable and stable manner to customers

Elements of a Training and Staff Development Strategy

- needs analysis – identification of the skills and knowledge necessary for a fully capable staff; identification of the development needs of individual employees to reach desired competence levels. Analysis of needs across the community – budget staff, OFA M&B, line offices
- development or acquisition of a training and staff development regimen required to achieve full individual competence including:
 1. formal technical training in all aspects of budget formulation and execution including general process knowledge as well as the technical aspects of budgeting and accounting
 2. general human skills including analytical skills and techniques, communications and writing, interpersonal, automation and other non-budget skills that are necessary to develop a fully competent employee
 3. staff development activities including rotation through other jobs with a special emphasis on rotations between line offices and the Budget Office
- articulation of a formal and graduated set of training and development experiences that are necessary for advancement within the organization
- development of individual development plans to identify both current capability needs of each individual as well as competencies necessary for promotion

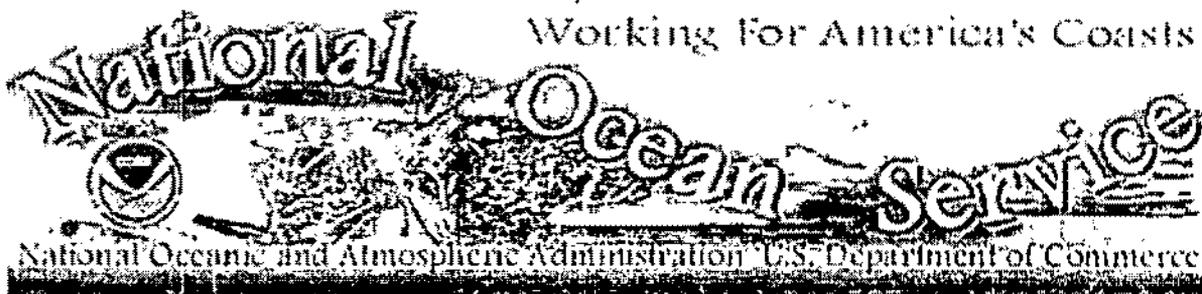
Elements of a Systems Support Strategy

- development of a data base into which complex budget structure information and necessary cross-walks are entered and the information is updated as it changes from one stage of the process to the next including tracking of obligations against activities and line items in the two structures
- staff, fully conversant with the system and all phases of the process and the small changes in detail that constantly take place within it, to enter and update the numbers and produce the kinds of cross-walk analyses that are needed

Appendix H

Acronym List

AA	Assistant Administrator -- Head of a NOAA line office
AOP	Annual Operating Plan -- prepared by the NOAA line offices
ASC	Administrative Service Centers -- 4 regional centers serving NOAA field components
BE	Division of Budget Execution, NOAA Budget Office
BF	Division of Budget Formulation, NOAA Budget Office
BPPI	Division of Budget Policy, Products and Integration, NOAA Budget Office
BO	NOAA Budget Office
CAMS	Commerce Administrative Management System, a new accounting system for NOAA in FY 2001
CAP	corrective action plan
CC	corporate costs
CFOA	the Chief Financial Officers Act
CFO/CAO	Chief Financial Officer/Chief Administrative Officer, head of the NOAA Office of Finance and Administration
DOC	Department Of Commerce
DUS	Deputy Under Secretary for Oceans and Atmosphere
EXAD	executive direction and administration
FIMS	NOAA financial management system -- current NOAA accounting system
FMFIA	Federal Managers Financial Integrity Act
FOP	financial operating plan -- prepared annually by line offices prior to receiving their allowances
FY	fiscal year
GPRA	Government Performance and Results Act
IP	implementation plan -- prepared by strategic planning teams
LO	line office -- one of NOAA's 5 major components
OF	Office of Finance -- a component of OFA
OFA	Office of Finance and Administration
OFA M&B	OFA Office of Management and Budget
OMB	Office of Management and Budget
OPSP	Office of Policy and Strategic Planning
ORF	Operations, Research and Facilities (one of two main NOAA appropriations)
PAC	Procurement, Acquisition and Construction -- second of NOAA's two main appropriations
SP	strategic planning
SPT	strategic planning team
WCF	working capital fund



Working For America's Coasts

January 03, 2001

Senate Passes the Coastal Zone Management Act (CZMA)[Home](#)[Site Map](#)[Search](#)[About NOS](#)[News & Events](#)[Publications &](#)[Products](#)[Programs](#)[Education &](#)[Outreach](#)[For NOS](#)[Employees](#)[Contact NOS](#)**NOS Mission Statement**

"To be the Nation's principal advocate for coastal and ocean stewardship through partnerships at all levels.

To support and provide the science, information, management, and leadership necessary to balance the environmental and economic well-being of the Nation's coastal resources and communities."

- [NOS Strategic Plan](#)

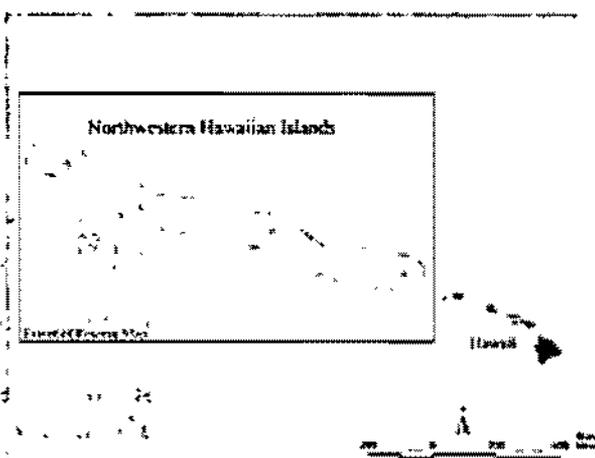
President Clinton Announces the Northwestern Hawaiian Islands Coral Reef Ecosystem Reserve

On December 4, 2000, President William J. Clinton announced the creation of the Northwestern Hawaiian Islands Coral Reef Ecosystem Reserve. The Northwestern Hawaiian Islands (NWHI) are a chain of small islands, atolls, submerged banks, and reefs beginning approximately 120 nautical miles west of the main

Hawaiian islands and stretching northwest for more than 1,100 nautical miles to Midway Island. These extensive reef systems, approximately 70% of all U.S. coral reefs, are some of the most pristine reefs left in U.S. waters at a time when coral reefs all over the world are being degraded and destroyed at rapid rates. The designation is intended to bring together state and federal agencies to help address the global coral reef crisis by protecting this ecologically important area.

This is a new marine protected area designation under new authority provided to the President in the National Marine Sanctuaries Amendments. The Reserve will be managed by the Secretary of Commerce. NOAA is directed to begin the process to designate the Reserve as a National Marine Sanctuary which will incorporate the Reserve and all of its conservation measures.

For more information on the NWHI region, important documents related to the designation, maps and images, the reserve council, and public comments visit the [Northwestern Hawaiian Islands](#)



The Northwestern Hawaiian Islands Coral Reef Ecosystem Reserve extends approximately 1,100 nautical miles (about 2,000km) and encompasses an area of 99,500 sq. nautical mi. (about 340,000 sq. km.). This is larger than the land area of Florida and Georgia combined.

Coral Reef Ecosystem Reserve site.

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NOAA Line Office links:

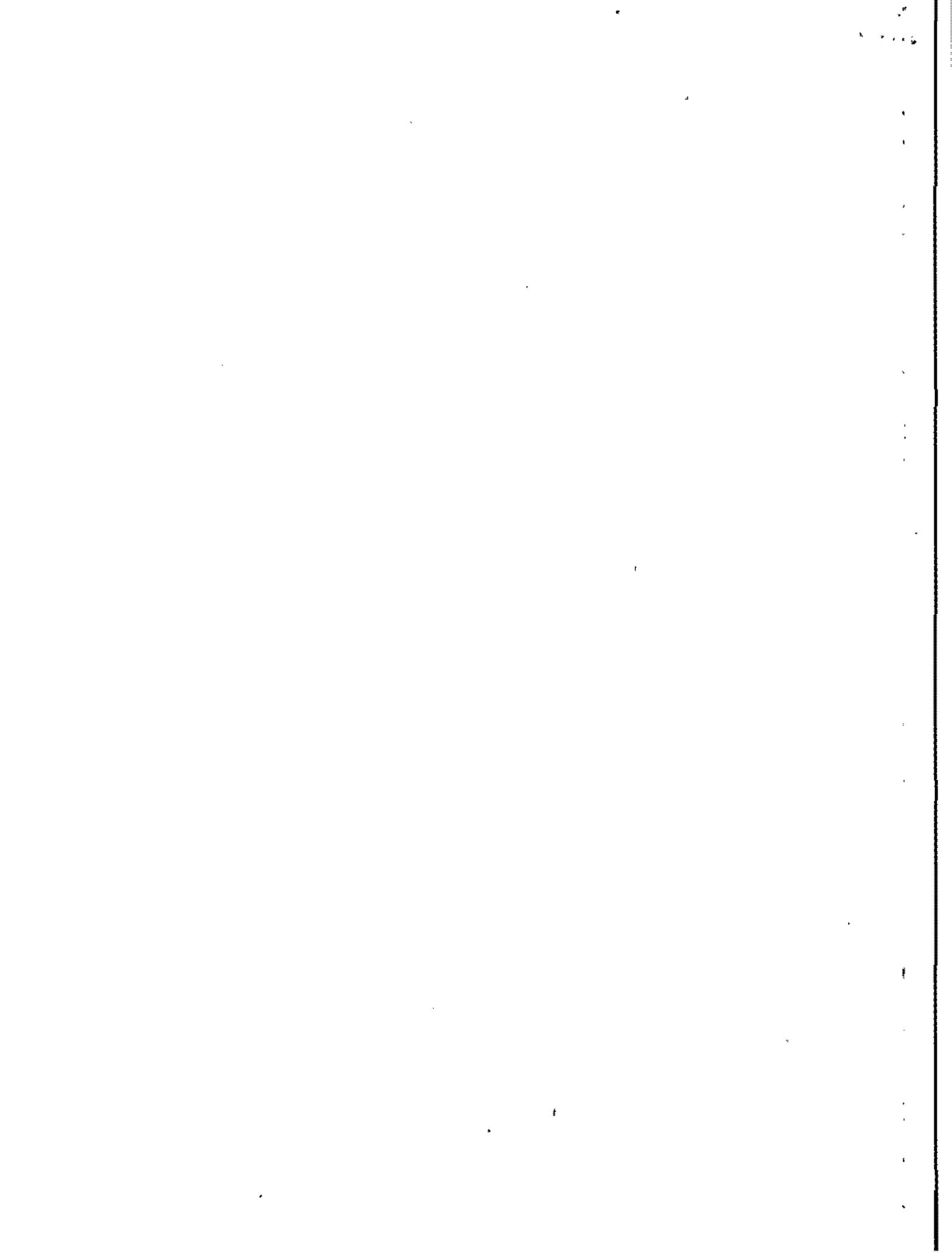
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<http://www.nos.noaa.gov/welcome.html>





National Weather Service

A High Impact Agency...we make a difference



Reinvention Goals for 2000 Status - August 2000

The National Weather Service (NWS) has a direct impact on the well-being of America and a history of accomplishment as a designated NPR "High Impact Agency." The successful completion of a \$4.5 billion investment program in weather service modernization has dramatically improved NWS performance, especially for warnings of dangerous weather, and is making a significant contribution to the American economy. At the same time, restructuring office operations has closed 184 offices. Continued improvements in the context of the five reinvention goals for the NWS are reported below.

Delivering Great Service	Internal Reinvention
Goal: NWS-01	Goal: NWS-04
Goal: NWS-02	Goal: NWS-05
Goal: NWS-03	

Delivering Great Service

Goal: NWS-01 Generate annual savings to the economy by improving the quality and utility of environmental forecasts and services.

Former U.S. Secretary of Commerce William M. Daley said, "Weather is big business. It can help or hurt a community. One-seventh of our economy, about \$1 trillion a year, is weather sensitive." The innovative use of weather, water and climate information is increasing our safety and productivity and improving the Nation's competitiveness to enhance our standard of living. For example, the highly accurate long-range predictions issued by our Climate Prediction Center for the 1997-98 El Nino led California to conduct major mitigation efforts that led to a reduction in losses of about \$1 billion.

As an NPR-designated "high-impact agency," the National Weather Service leads NOAA's participation in the Natural Disaster Reduction Initiative (NDRI), a program that seeks to reduce the costs of natural disasters to society and the U.S. economy by improving the quality and utility of environmental forecasts and services. Following are examples of how we support this program:

- **Improved Hydrologic Services:** Flood damages average about \$4.5 billion a year and more than 10 million U.S. households are located in high risk flood areas. This year, the NWS began implementing a national program, called Advanced Hydrologic Prediction Services (AHPS), that will improve river forecasts. AHPS provides emergency and water managers with additional time to prepare for floods and droughts with better information and improved accuracy reducing the economic impact of floods on communities. AHPS provides new forecast products depicting the magnitude and probability of occurrence for river conditions from days to several months in the future. Because improved services upstream can

yield safety and economic benefits downstream, this year we began implementing AHPS on tributaries of the upper Mississippi, Ohio, and Red River of the North river basins (portions of West Virginia, Kentucky, Pennsylvania, Michigan, Iowa, Ohio, Illinois, Minnesota, North Dakota and South Dakota this year). National implementation of AHPS promises to save lives and benefit the National economy by \$600 million each year through fewer flood losses and improved water resource management and will extend current short term river forecasts out to weeks and months.

- **Improved Aviation Services:** Weather delays within the National Airspace System (NAS) approach nearly \$2.5 billion annually. A Massachusetts Institute of Technology study for O'Hare Field in Chicago, found that a 30 minute lead-time for identifying cloud ceiling or visibility events could minimize the number of weather delays by 20 to 35 percent. Nationally, this could save between \$500 million to \$875 million annually. To meet this need, we developed a new Collaborative Convective Forecast Product (CCFP) to enhance air traffic flow on an expedited basis as requested by the Federal Aviation Administration and air carriers. On April 1, 2000, our Aviation Weather Center began producing the CCFP as an operational product. Initially, AWC will produce the CCFP during the thunderstorm season (March through October). As a result, Federal Aviation Administration (FAA) Air Traffic Control System Command Center (ATCSCC) and air carriers can now make strategic routing and dispatch decisions based, in part, on these forecasts. These forecast products will continually be improved in the future.
- **Improving our Weather Technology:** When killer tornados tore through Oklahoma and Kansas in May 1999, our Norman, Oklahoma, weather forecast office issued warnings up to 30 minutes in advance of some of the twisters. The office credits the Advanced Weather Interactive Processing System (AWIPS), a powerful data presentation system, for helping the team quickly and accurately assess the weather conditions and get out warnings; the media called our NEXRAD doppler radar a "hero." Together, with the private sector and the media who helped disseminate our warnings we saved perhaps 600 lives and countless dollars.
- **America invested \$4.5 billion to modernize its National Weather Service. Leveraging this technology can maximize the investment:**
- **Improving NEXRAD Products:** This year, the NWS begins full-scale development of new NEXRAD products that will better detect tornado, severe thunderstorm and flash flood conditions. As a result, improved forecasting and lower maintenance costs will save the nation millions of dollars.
- **Sustaining AWIPS operations and maintenance:** AWIPS workstations enable forecasters to synthesize and analyze weather/environmental data from multiple sources which results in more accurate and timely forecasts of weather events, saving lives and money.
- **Replacing the Radiosonde Observing System:** For more than 50 years, twice a day, every day, from 102 locations in the United States, the National Weather Service launches weather balloons, carrying instrument packages called radiosondes. The network launches approximately 75,000 to 80,000 radiosondes annually. These balloon-borne expendable devices

report temperature, humidity, pressure and winds from the earth's surface up through an altitude of about 95,000 feet or 30,000 meters, and serve as the basis for most weather predictions. More than 90 percent of the system parts are now obsolete. We awarded contracts this year to demonstrate new system components and a prototype radiosonde for which uses the Global Positional System to improve data accuracy.

- **Improving the National Network of Weather and Flood Warning and Forecast Services:** Recognizing the need for two additional weather forecast offices, we began constructing facilities in Caribou, Maine, and Key West, Fla., this year. Operating 24-hours a day, 7 days a week, these offices will provide improved critical forecasts and warnings that will help citizens be safe and better prepare against the economic impacts of severe weather. These two offices bring the total number of weather forecast offices in our national network of coverage to 121.

Goal: NWS-02 Double the average lead time for severe weather events and achieve a 30 percent increase in pin-pointing landfall of hurricanes.

Our goal is to deliver a credible, timely and relevant suite of weather, water and climate products and services which meet our customer's needs. We are upgrading our products and services to meet these goals. When seconds count, additional warning lead times can mean the difference between life and death. There's still work to do but our average lead times for severe weather are improving significantly. For example:

- **Tornado Warnings:** Today's average lead time of 11 minutes for tornado warnings is nearly triple the three minute lead time of 1977. Our goal for 2005 is to provide American's with a 15 minute average lead time.
- **Flash Flood Warnings:** Our advancements in flash flood warning lead time is impressive. Today's average lead time of 51 minutes compares with eight minutes in 1987. Our goal for 2005 is 65 minutes.

In addition to improving lead times, our customers want more specific severe weather watches. During this year's spring and summer seasons, we issued a test product, "Watch by County", along with our operational watches, to better define and update watch areas. We are soliciting customer feedback on the utility of this test product.

Hurricanes pose a huge threat to the nation both in potential loss of life and economic devastation. The National Weather Service provides information that is the country's first line of defense against these storms. Last year, for the first time, we issued an outlook for the hurricane season -- and it verified well. For the 2000 North Atlantic Hurricane Season we also are forecasting an above-average number of storms. An average season brings 10 tropical storms and six hurricanes of which two are classified as intense.

We owe it to the public, to the emergency managers and decision makers, to continue improving our hurricane forecasts. Twenty-four hour track forecast error 30 years ago was 140 miles; this has been reduced to 100 miles with a goal of 80 miles by 2005. By 2005, the NWS also plans to increase hurricane warning lead time from 19 (current) to over 24 hours, and improve hurricane intensity (wind speed) forecasts by 20%.

Goal: NWS-03 Provide improved and timely public access to weather information ranging from current weather events to long range seasonal and inter-annual flood and weather forecasts.

The National Weather Service must do more than simply produce better products and services. Critical information must get to the people who need it and get there in a form they can use. For potentially life-saving warnings, NOAA Weather Radio, the media, and even paging services remain the best sources for communicating short-fuse warning situations. For less time-critical forecasts and weather information, the internet is a key means for delivery:

- NOAA Weather Radio (NWR) - The Voice of the National Weather Service:
 - Network Expansion: 160 new NOAA Weather Radio stations have been added since beginning an expansion program in 1994. 555 stations now comprise the NWR network. We expect to install 40 new stations by the end of FY 2000 and at least 30 new stations next year. We have identified 240 new sites that will allow us to reach the goal of 95 percent population coverage in each state, depending on funding availability.
 - NWR Public Information: In partnership with the U.S. Department of Agriculture (USDA) and the Federal Emergency Management Agency (FEMA) we published *Saving Lives With An All-Hazard Warning Network*. This publication describes NWR, promotes its value as a potential life saver, and recommends steps necessary to make NWR more viable as the National warning network. This year we produced two new NWR videos for the public, including a public service announcement with NASCAR race driver Darrell Waltrip to raise public awareness and promote the purchase of NWR receivers.
 - NWR New Formats and Uses: We need to get information to people in a form they can use. We have begun research to apply new telecommunications technologies to include text broadcasts on NWR that may provide access to the hearing impaired. In February 2000, we completed implementing Spanish language broadcast capability into the automated NWR programming system. Additionally, transmitters serving a significant Hispanic population may provide automated generic Spanish translations of emergency weather and natural hazard messages for the Emergency Alert System (EAS).
 - NWR Concatenated Voice: The NWS is evaluating a prototype system, which uses concatenated human voice, for the broadcast of warnings and short-fused watches. Concatenation uses human voice recorded in phrases and words, pieced together by a computer to match input

text. This technology will be tested at two NWS offices by mid-calendar year 2000.

- **Consolidated River Data on the Internet:** Daily river forecasts and flood stage information from the nation's largest river basins are now available on a single Internet site. The Weather Service's new River Watch home page is a service even more crucial as various parts of the nation are gripped by drought. This new "one stop" Web site provides almost instant access to river data and ice conditions within the Illinois, Mississippi, Missouri, and Ohio River Basins. The new site combines river information from more than a dozen weather service offices and makes them available to anyone with access to the Internet. The internet address is:
<http://www.riverwatch.noaa.gov/>
- **Open Dissemination of Radar Data on the Internet:** After the expiration of the NEXRAD Information Dissemination Service agreement this year, we will provide real time access to the full range of radar data products through the Internet. Our goal is to do this without disrupting any of the existing dissemination paths during the transition in order to make sure this is a win-win for everyone - for the NWS, for our customers and partners, for the vendors, private weather companies and their customers, and ultimately for the taxpayers.
- **Emergency Managers Weather Information Network (EMWIN):** One example of how we are focusing efforts on modern wireless web technologies and designs is the EMWIN system. This satellite based information delivery system delivers critical weather information to emergency managers at an affordable price.
- **StormReady:** This new NWS initiative, that originated in Oklahoma, promises to improve communication and increase weather awareness and preparedness in communities across the country. *StormReady* prepares communities to respond to the threat of severe weather and provides detailed and clear recommendations which communities can use to improve their public awareness programs. It also gives the community recognition for their preparedness accomplishments. Local National Weather Service forecast offices work with communities to complete an application and review process. To be officially *StormReady*, a community must:
 - Establish a 24-hour warning point and emergency operations center;
 - Have more than one way to receive severe weather forecasts and warnings and to alert the public;
 - Create a system that monitors local weather conditions;
 - Promote the importance of public readiness through community seminars; and

- Develop a formal hazardous weather plan, which includes training severe weather spotters and holding emergency exercises.

We currently have 22 *StormReady* communities located in 10 states with an additional 25 in the application process. Our goal is to identify at least 20 *StormReady* communities annually through 2005.

- **New Climate Products:** Since last year, the NWS has issued several new climate products that are available on the web:
 - **U.S. Drought Monitor:** During last summer's severe drought in the mid-Atlantic we implemented a new Drought Monitor, developed by NOAA and its federal partners. This product summarizes the extent and intensity of droughts nationwide and expected changes in intensity over the next two weeks. For more information visit: [U.S. Drought Monitor](#).
 - **Threats Assessment:** Last summer we launched this tool to identify potential for extreme weather events up to two weeks in advance. These maps can be found at: [U.S. Threats Assessment](#).
 - **Excessive Heat Product:** When parts of the country experienced a deadly heatwave last summer, our customers asked for a heat wave outlook. This summer we began issuing a new excessive heat product that maps parts of the country where excessive heat may occur up to 14 days in advance. These maps are located at: [Excessive Heat Outlooks](#).

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Internal Reinvention

Goal: NWS-04 Reduce the cost to the private sector of the collection and dissemination of near real-time weather data and information through partnership with the academic community and private sector.

Government agencies, private companies, academia, the media, emergency managers and the public all rely on National Weather Service data, products and services. Our data and products form a national information data base and infrastructure.

By collecting and distributing data and information through more efficient high speed communications lines and NOAAPORT, which is a satellite broadcast network, we are reducing costs. For the cost of essential equipment to down link the information, the public, universities, and industry now have access to nearly all data collected by the National Weather Service free of charge.

Goal: NWS-05 Streamline weather service activities which will result in a more highly trained staff, increased productivity, reduced management overhead, and

reduction of the number of field offices from over 300 to 121.

Currently, 92 percent of our weather offices scheduled to close have already closed (184 of 200). Decisions on 10 additional offices are scheduled for this year. The remaining offices require actions over the next several years before decisions can be made.

NPR Federal Employee Survey

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