EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

October 8, 1993

M-94-2

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Leon E. Panetta
Director

SUBJECT: Government Performance and Results Act of 1993 (GPRA)

Two months ago, the President signed the Government Performance and Results Act into law. This Act shifts how we manage programs from an input focus to an emphasis on performance and results. In signing the GPRA, the President noted that this law "is an important first step in the efforts to reform the way the Federal government operates and relates to the American people." I am asking for your help in achieving this reform. This memorandum outlines several actions related to implementation of this Act.

Pilot Project Agencies

First, and most importantly, I urge that you consider nominating at least one pilot project from your agency. While the Act requires at least ten executive departments or agencies be designated as pilot projects in performance measurement for fiscal years 1994, 1995, and 1996, we hope to designate more than the minimum number required. As part of the pilot projects, agencies will need to prepare an annual performance plan setting measurable performance goals, and an annual report comparing actual performance against the target goals.

We have discussed the designation process over the past month with agency representatives. Based on these discussions, we have prepared an attachment which outlines the information that should be included in a pilot project nomination. Nominations should be sent to OMB by November 2, 1993. After the nominations are received, we look forward to working with you on the proposed pilots before formally making the designations in November.

Interagency Implementation Groups

I have asked Phil Lader, OMB's Deputy Director for Management, to lead an interagency group on implementation of the Government Performance and Results Act. This group currently

consists of representatives from the 14 Cabinet Departments, EPA, GSA, NASA, OPM, and SBA. A second parallel interagency group consisting of representatives of mid-size and smaller agencies will be established soon. Those agencies interested in having a representative on this second group should provide Phil's office (FAX (202) 395-5730) with the name and phone number of the representative by October 22nd.

Exemptions

The Government Performance and Results Act allows independent agencies with less than $20 million in annual spending to be exempted from its provisions. While we encourage all agencies to adopt measures that make their operations more results-oriented, some of the requirements of this Act may place excessive demands on very small agencies. We will provide this group of agencies with specific information on the exemption procedure later this year.

Further Information

To provide you with specific information about this new law, I am attaching a copy of the Act and a short summary of its major features. This material, along with other information, has been distributed under separate cover to all agencies.

If you have any questions, please call Walter Groszyk at (202) 395-5670.

Attachments

Attachment

NOMINATIONS OF PILOT PROJECTS
FOR PERFORMANCE PLANS AND PROGRAM PERFORMANCE REPORTS
UNDER THE GOVERNMENT PERFORMANCE AND RESULTS ACT (GPRA)

There is no specific format for an executive department or agency proposal for designation as a pilot project. The proposal should be brief, not more than two or three pages in length.

The nomination request should be signed by the head of the executive department or agency. If a department or agency is requesting that the designation cover more than one function or operation, a separate proposal should be prepared for each function or operation.

A proposal should cover the following areas.

(1) The agency component(s), organization(s), or activities that would form the pilot project.

(2) The approximate amount of FY 1994 spending and the number of FTEs that would be covered by the pilot.

(3) Whether the agency currently has, or will have (not later than FY 1996), a strategic plan covering the pilot project function or operation. The Act requires that pilot agencies have a strategic plan for at least one year of the three-year pilot project period.

(4) An outline of the type or nature of the performance goals that would be included in the performance plan(s).

(5) A summary of the general nature and extent of any current measurement of program performance for the function or operation. Please indicate whether reporting on this performance is included in an annual financial statement under the Chief Financial Officers Act of 1990.

(6) An indication whether, at the end of the pilot project period, the agency could estimate the costs and benefits of measuring performance and preparing the annual performance plans and program performance reports. (Estimates of costs and benefits are required for an OMB report to Congress on the pilot projects.)

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

October 13, 1993

DEPUTY DIRECTOR
FOR MANAGEMENT

MEMORANDUM FOR AGENCY POINTS-OF-CONTACT FOR IMPLEMENTATION OF GOVERNMENT PERFORMANCE AND RESULTS ACT

FROM: Philip Lader PL

SUBJECT: Nomination of Pilot Projects

This memorandum provides, for your reference and use, additional information regarding nomination of pilot projects under the Government Performance and Results Act of 1993 (GPRA). The attachment consists of questions asked about the pilots over the past several months, and answers to those questions. The attachment is intended to supplement OMB memorandum M94-2 (dated October 8, 1993) to agency heads requesting the nomination of pilot projects.

Let me also give you a 'heads up' regarding OMB's plan to expand the presentation of program performance information and data in the Budget. From both a public information and internal agency management standpoint, we believe a phase-in of this information will be useful. This also supports the NPR's call for more reporting of agency performance in the Budget. While the FY 1995 Budget will have performance information on some of the pilot projects on a limited scale prototype basis, the amount of performance information included in the Budget would grow in subsequent years. We will work with the designated pilot projects to determine whether it is feasible to include performance information on them in the FY 1995 Budget. At this point, we anticipate that such information will be based on materials already being developed by agencies in preparing their budget requests or budget justifications.

Attachment

Questions and Answers Regarding
NOMINATION OF PILOT PROJECTS
FOR PERFORMANCE PLANS AND PROGRAM PERFORMANCE REPORTS

Q. Are there any criteria or factors that must be met before a designation can be made.

A. Only one, strategic planning. The Act requires that the agency have a strategic plan for at least one year of the three year pilot period.

Q. Must the strategic plan required as part of the pilot project meet the specifications for a strategic plan set forth under Section 3 of the Act (5 U.S.C. §306)?

A. No. The strategic plan required for pilot projects need not meet the specifications for the strategic plan that GPRA requires all agencies to complete by September 1997. However, the strategic plan used for a pilot project should have a mission statement and general goals and objectives for the function or operation. If a strategic plan already exists and will be used, the title and completion date of this plan should be referenced in the proposal.

Q. May an agency propose that its pilot project cover an agency mission goal rather than a major function or operation?

A. Yes. As an alternative approach, an agency may propose a pilot project covering a major mission-type goal (e.g., achieve a specified level of ambient water quality). A short description of the mission goal should be included in the proposal and those agency components or organizations responsible for the mission goal identified.

Q. May an entire executive department or agency be nominated as a pilot project?

A. Yes. However, a nomination on this scale should be supported by a description of how the department or agency intends to set performance goals covering all its major functions and activities.

Q. Should the proposal list the performance goals that will covered in a performance plan?

A. This is not necessary. A simple indication of what type of goals will be set and measured against is sufficient. When developing the annual performance plan, agencies should strive to define goals that correspond with the

specifications for these goals in the GPRA and in the Senate Committee report, and are particularly encouraged to include goals that managers are using to manage programs and activities.

Q. May an agency nominate an NPR re-invention lab as a pilot project?

A. Yes. However, if substantial restructuring, realignment, or change in the organizational component(s), programs, or operations covered by the pilot project could significantly impact the setting of performance goals or measurement of program performance over the three year pilot period, this prospective effect should be described in the proposal.

Q. Can the number or type of performance goals change over the course of the pilot project?

A. Yes. This may occur as performance measurement capabilities expand. If an agency currently anticipates that the number of performance goals will increase, or the nature of these goals will change, this should be referenced and briefly described in the proposal.

Q. Is OMB only looking for pilot projects that will show improved program performance?

A. No. Designating only those pilot projects that are easy or likely to be a sure success precludes learning valuable lessons from pilots that cover a function or operation where measuring or goal-setting is difficult, where agency measurement experience is limited, or where other complicating factors exist.

Q. Should an agency's proposal cover anticipated changes in performance over the pilot project period?

Agencies are encouraged to summarize this information, when relevant. This could include significant changes in performance levels expected to result from initiatives planned or already underway -- e.g., major investments, other enhancements, changes in resource levels, or the mode or style of operation, and which may not be contingent on a pilot project designation. (Please note that an indication of whether performance levels may change differs from an indication (discussed above) of whether the ability to measure performance or set performance goals is impacted by an initiative.)

Q. Should an agency nominate a pilot project if the proposal is not yet fully developed, such as proposals covering joint activities with States or local governments, or a multi-agency pilot covering a cross-cutting program?

A. Yes. OMB is considering making a second set of designations, which would be for pilot projects covering only FY 1995 and 1996. These designations would be made in the Spring, 1994. (Please note that this second round of designations is separate from the designation of pilot projects for managerial accountability and flexibility.) The subsequent designations may focus more on multi-agency functions or joint Federal/State/local activities. Deferring designations until next year would give agencies additional time to develop proposals covering these or other areas.

If discussions have already been initiated in this respect with another Federal agency or a non-Federal entity, please describe the state of these discussions.

Q. Should the proposal indicate the function that will be covered by the pilot project?

A. This is not necessary. After nominations are received, OMB will work with the agencies on matching pilot projects with the attached list of functions, programs, and activities. The Act specifies that the pilot projects, overall, cover a representative range of Federal functions. The attached listing was prepared so that an assessment could be made of the range of functions being covered by the designations. If a proposed pilot project is for a program, function, or activity not listed in the attachment, the proposal should briefly describe the function, activity, or program being covered.

Q. Should an agency indicate in its proposal whether it expects to request a subsequent designation as a pilot project for managerial flexibility and accountability for the function or activity?

A. The Act requires that at least five pilot project agencies for managerial flexibility and accountability be selected from the set of pilot project agencies for performance plans and program performance reports. An expression, in the proposal, of an agency's prospective interest in being designated as a managerial flexibility/accountability pilot would be useful in the review of the nominations.

Attachment

The following listing contains a mix of 30 programs, functions, and activities. Please note that some programs (e.g., housing, education) are covered under grant or credit activities. Specific program titles (e.g., Head Start) were not included.

National Security and Foreign Affairs Functions

1. Military Readiness
2. Foreign Assistance / International Operations

3. **Research and Development Function**

Financial-type Programs and Activities

4. Revenue Collection
5. Credit Provision and Management
6. Insurance/Indemnification/Surety
7. Claims Processing (includes payment of benefits)
8. Product Sales or Transfers

Federal-State Joint Programs and Activities

9. State and Local Grant Programs
10. Federal/State Shared Regulatory Responsibility

Regulatory and Enforcement Programs and Activities

11. Permitting and Licensing
12. Law Enforcement
13. Inspection Services and Compliance
14. Commercial/Business Regulation

Other Functions, Programs, and Activities

15. Health Care
16. Transportation Safety and Navigation
17. Natural/Cultural Resources Protection, Management, and Development
18. Industrial Production
19. Technical Assistance and Information Dissemination
20. Statistical Services
21. Electrical Power Generation & Distribution
22. Direct Provision of Benefits or Services (other than payments.)
23. Adjudication and Mediation

Internal-type Functions and Activities

24. Financial Management / Audit
25. Real Property/Facility Operations
26. Policy Advice
27. Personnel Operations
28. Departmental Administration
29. Central Services
30. Information Management

EXECUTIVE OFFICE OF THE PRESIDENT
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WASHINGTON, D.C. 20503

THE DIRECTOR

January 31, 1994

M-94-11

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Leon E. Panetta
Director

SUBJECT: Pilot Projects under the Government Performance and Results Act of 1993 (GPRA)

Last October, the heads of departments and agencies were asked to consider nominating one or more of their major programs or functions as a GPRA pilot project for performance plans and program performance reports. Over 20 departments and agencies responded with nominations and were, today, designated as pilot projects. A list of the designations and a brief description of the individual pilot projects is attached.

We have decided to conduct a second round of nominations and designations. Through this second round, additional agencies will have the opportunity to be designated as a pilot project. This second round will consider proposed pilot projects from agencies not yet designated, additional pilot project proposals from agencies that were designated today, and some proposals on which consideration was deferred during review of the initial nominations. Second round nominations should be sent to OMB by February 25, 1994.

The attachment to OMB Memorandum 94-2 (October 8, 1993) covering the content of pilot project nominations applies to this round, and is appended to this memorandum as well. Additionally, we also ask that agencies indicate whether a pilot project would cover fiscal years 1994-96, or fiscal years 1995 and 1996 only. Agencies whose pilot project nominations were deferred will be contacted directly regarding the need for additional information.

Please note that the second round covers only pilot projects for performance plans and program performance reports. We will be working with the agencies on nomination procedures for pilot projects for managerial accountability and flexibility. Agency nominations for these pilot projects will be separately requested in the near future.

If you have any questions on the pilot projects, please call Walter Groszyk at (202) 395-5670.

Attachments

Attachment

01/31/94

LIST OF GPRA PILOT PROJECT DESIGNATIONS

The resource estimates are for FY 1994.

UNITED STATES DEPARTMENT OF AGRICULTURE

Animal and Plant Health Inspection Service
The Agricultural Quarantine Inspection program whose purpose is to prevent entry of exotic animal and plant pests and diseases into the United States. Program operations are carried out at 92 ports-of-entry nationwide. The number of FTEs covered in the pilot is approximately 1500; annual spending amounts to $116 million.

Office of Civil Rights Enforcement
The pilot project covers representation of EEO targeted groups in the USDA workforce as well as the number and responsiveness to complaints. Initially, the number of FTEs are approximately 75, which could increase to 180. Initial funding levels are $4 million, prospectively expanding to about $12 million.

Office of Communications
The pilot would cover the dissemination of information and outreach, including electronic media services, news planning and placement services, news and publication distribution services, and speechwriting. Funding and FTEs covered by this pilot cannot be determined at this time.

Cooperative Extension Service
The Extension Service currently conducts 7 base programs and 8 national initiatives. Four of the 8 national initiatives would form the pilot program. These are: (1) Communities in Economic Transition, including job, business, and market creation and increase in tourism; (2) Plight of young children, including fostering development of children in limited resource families and closing gaps in services to these families; (3) Decisions for health including childhood immunization and community health initiatives; (4) Food safety and quality, including reducing the incidence of food-borne illness. This pilot mainly involves 1200 FTES at the State and local levels. Annual Federal funding amounts to $60 million; State and local funding is approximately $180 million.

Farmers Home Administration
The pilot consists of the single family housing program, covering insurance or guarantees of loans for low and very low income families in rural areas. The

performance goals will emphasize credit practices and property management, and may expand to customer service and program outreach and representativeness. The pilot covers $2.5 billion in new loans in FY 1994, $17.5 billion in the current loan portfolio, 700,000 loans, and 5500 FTEs.

Forest Service
The entire Forest Service would be covered by the pilot project, with the performance goals structured on an ecosystem management approach, which factors multiple use natural resource outputs, resource conditions, and future resource states. Over 41,000 FTEs and annual spending of $3.3 billion are included in the pilot.

Soil Conservation Service
The soil survey program and the snow survey and water supply forecasting program would be covered by the pilot. The soil survey program focuses, in part, on maintaining a current and comprehensive National Soils Information System, and making and interpreting soil surveys. The snow survey program will emphasize increasing the usefulness and effectiveness of snow survey data. Both programs will cover about 1350 FTEs and over $85 million in annual funding.

COMMERCE

Information Dissemination: Census Bureau, Patent and Trademark Office, and National Technical Information Service
This pilot encompasses projects and activities of varying scale in these three organizations. Census will focus on increasing the electronic availability of Census data; the Patent and Trademark Office will cover all organizational functions; NTIS, a self-supporting enterprise financed through sale of products and services, is also covered in its entirety. For these three organizations, the pilot involves about 13,000 FTEs and annual spending of $810 million.

National Oceanic and Atmospheric Administration
This pilot project will focus on the environment function in NOAA's strategic initiatives, including environmental stewardship (fisheries, protected species, ecosystem health, navigation and positioning); environmental assessment and prediction (warning and forecast, climate forecast and change); several cross-cutting programs including systems, information, and technology; and fleet replacement and modernization. Over 13,000 FTEs are involved in the pilot; annual spending is about $2.0 billion.

DEFENSE

Defense Logistics Agency
All of DLA is included in this pilot project. The primary business areas of the Defense Logistics Agency include inventory management, distribution, contract management, National Stockpile, and reutilization and marketing. DLA directly manages 4 million inventory items valued at $12 billion; purchases over $8 billion of parts and material; administers $800 billion in DOD contracts; and receives, stores, and issues about $125 billion in inventory for the military services. Annual operating costs are $4 billion; the number of FTEs covered by the pilot are 65,000.

EDUCATION

Office of Postsecondary Education: Student Financial Assistance Programs
The pilot would cover the following grant and loan programs: Pell grants; Federal Family Education Loans; Campus-based programs; and Federal Direct Student Loans. In FY 1994, appropriations for the covered programs amount to $13.9 billion. Approximately 1,000 FTEs are included in the pilot.

ENERGY

Office of Environmental Restoration and Waste Management
This pilot involves the management and handling, treatment, storage, transport, a and disposal of waste produced by DOE activities, as well as remediation of contaminated soil, groundwater, and buildings at surplus DOE facilities. Annual funding is $6.5 billion; there are over 2,000 Federal FTEs and approximately 42,000 contractor FTEs covered by this pilot.

Office of Defense Programs
This pilot project covers the consolidation of manufacturing activities for nonnuclear components of nuclear weapons. Production of these components at three facilities will cease, with production operations at other sites being activated and qualified. When fully carried out, infrastructure cost should be reduced by $250 million annually and 1,600 fewer contractor employees will be required. Approximately 50,000 contractor employees are covered by this effort.

Office of Energy Efficiency and Renewable Energy
The focus of this pilot project is on the deployment of energy efficiency and renewable energy technologies, specifically improving Federal-State-local partnerships in the areas of corporate planning, deployment strategies, and implementation of the Energy Policy Act of 1992. approximately 200 Federal employees in the field offices will be directly involved in the partnership improvement efforts with state and local agencies. This pilot will apply to programs with current annual funding of more than $1 billion.

Morgantown Energy Technology Center
Among the Center's activities covered by this pilot project are the development of highly efficient, environmentally superior fossil fuel-based electric power systems, fuels production, and environmental and waste management options. The pilot project crosscuts four institutional areas: environment, safety and health; technical and resource management; organizational development; and external relationships. Annual funding is approximately $425 million, and the pilot covers about 600 FTEs, both Federal and support service contractors.

HEALTH AND HUMAN SERVICES

Social Security Administration
All of the Social Security Administration would be covered by the pilot project. About 65,000 FTEs would be covered in this pilot, with annual administrative costs amounting to $5.6 billion. (Program spending amounts to $350 billion.)

Child Support Enforcement Program
This program is primarily funded by the Federal Government and administered by State and local governments. Potential performance goals include establishment of paternity, court orders, cases in payment, and collections compared to targets. Because of the need to collaborate with States and local governments, the Department proposes that this pilot be designated in the second round, with performance plans being prepared for FY 1995 and 1996 only. Federal payments for administrative costs are $2.5 billion; Federal FTEs covered by the pilot project are about 225.

HOUSING AND URBAN DEVELOPMENT

Office of the Chief Financial Officer: Departmentwide debt collection
The pilot project encompasses nine programs with loans and/or accounts receivable individually presently exceeding $100 million. Activities under the

pilot include repayments, recoveries, acquisition and sale of assets, and valuation. Approximately 1800 FTEs and $83 million in salaries and expenses would be covered by the pilot.

INTERIOR

Royalty Management Program, Minerals Management Service
This pilot covers the collection and disbursement of mineral revenues paid on Federal and Indian oil, gas, coal, and other leases, including onshore and the Outer Continental Shelf. Revenues are collected from lessees on the basis of sales price and volume sold, with lessee payment records being subject to audit to determine correctness. Federal FTEs number 700, supported by 400 contractor personnel. Administrative costs amount to $65 million. FY 1992 collections amounted to $2.6 billion.

North American Waterfowl Management Program, Fish and Wildlife Service
This pilot project involves a joint program of the United States, Canada, and Mexico with the goal of restoring waterfowl populations to levels of two decades ago. The primary focus for the pilot will be on Midwestern and Western flyways and four regional FWS offices. Spending in FY 1994 by the Federal Government, States, corporations, and non-government entities could reach $100 million.

JUSTICE

Office of Debt Collection Management; Nationwide Central Intake Facility
This pilot project primarily involves the establishment and operation of a facility to receive, process, track, and provide automated litigative support for delinquent debt collection activities. (The National Performance Review found that $47 billion in nontax delinquent debt is owed to the Federal Government.) A prototype of the facility was tested in 7 U.S. Attorney districts; by the end of FY 1996, the Justice Department plans to implement the automated litigative support in over 50 U.S. Attorney districts and in 6 Department litigating divisions. The facility will operate under contract with annual Federal resources of $7 million and 7 FTEs.

Federal Bureau of Prisons; Program Review Division
This pilot involves the assessment of Bureau of Prison operations in 14 functional areas to determine program strengths and weaknesses and performance. Annual spending is about $3 million and 85 FTEs would be covered by the pilot.

Federal Bureau of Investigation; Organized Crime/Drug Program
This pilot project would focus on the disruption and dismantling of the major international and domestic criminal organizations and regional groups which control significant segments of illegal activities in the United States. Annual funding amounts to about $380 million; approximately 4400 agents and other FBI staff would be covered.

Federal Bureau of Investigation; Property Procurement and Management
The annual obligation of over $550 million in funds through contracts or small purchase orders would be covered by this pilot project. Approximately 55 FTEs would be involved in the pilot.

Federal Bureau of Investigation; National Name Check Program
This pilot covers the processing of information from various FBI records on over 2 million annual name check requests. Name check requests are made by other Federal agencies, friendly foreign countries, states, and local governments. Annual spending for this program is about $7.5 million, and 184 FTEs would be covered.

Federal Bureau of Investigation; DRUGFIRE Program
This pilot involves the development and deployment of a computerized forearms identification system to increase the solution rate of serial, gang, and drug-related shootings. Particular emphasis is placed on having the system become operational at state and local forensic laboratories. Federal and contractor FTEs are less than 15; annual spending is nearly $2.5 million.

LABOR

Employment Training Administration; Economic Dislocation and Worker Adjustment Assistance and Trade Adjustment Assistance programs
These programs selectively provide benefits and allowances, training, and job search services to workers affected by economic dislocation or imports. The programs are to be supplanted by a comprehensive worker adjustment program with an annual funding level of $1.3 billion. These Federally funded programs are operated by States and substate grantees whose staffs number in the thousands.

Occupational Safety and Health Administration
All of OSHA would be covered by this pilot project. OSHA activities focus on the health and safety of workers and include regulation (standard setting),

enforcement, litigation, and statistics. Assistance grants are provided to States. The pilot covers $300 million in annual spending and about 2300 FTEs.

TRANSPORTATION

United States Coast Guard; Marine Safety, Security, and Environmental Protection
The protection of the public, the environment, and U.S. economic interests from adverse effects of maritime transportation incidents are the focus of this pilot project. Areas covered include requirements for design, construction, manning, and operation of commercial vessels, and directing response activities to mitigate the damage arising from spills, dumping, and other incidents. Annual spending for the pilot project is about $460 million; FTEs number over 3400.

Federal Aviation Administration; Airway Facilities
This pilot covers the field engineering, installation, and maintenance of National Airspace System facilities and equipment used for air traffic control and navigation. Annual spending for this pilot project function amounts to $2.3 billion, and approximately 12,000 FTEs would be covered.

Federal Highway Administration; Federal Lands Highway organization
This pilot program would cover four primary business areas related to highway or other transportation-related work on or serving Federal lands. The four areas are: (1) program administration and delivery; (2) transportation planning and engineering, technical and construction contract services; (3) technology development and application; and (4) training and career development. For this pilot, annual spending amounts to approximately $500 million; Federal FTEs number 620.

National Highway Traffic Safety Administration
The entirety of NHTSA would be covered by the pilot project. The main functional areas covered include a regulatory program for motor vehicle and equipment safety; traffic safety development; grants and technical assistance to States; consumer information; research and development; crash data collection and analysis; and enforcement of certain motor vehicle related requirements. NHTSA has nearly 700 FTEs and annual spending is just under $300 million.

TREASURY

Bureau of Engraving and Printing
This pilot project would cover the entire bureau, and primarily involves the manufacture of currency and postage stamps. Annual spending exceeds $500 million; the number of FTEs covered by the pilot are approximately 3000.

U.S. Customs Service; Office of Enforcement
Principal activities for the Office of Enforcement include investigation of suspected fraud, financial, export, smuggling, and other Customs violations. There are over 150 domestic and overseas offices. Annual spending for the pilot project activities is approximately $550 million and 5000 FTEs would be involved.

United States Mint
All of the Mint's activities would be covered by the pilot project. The Mint manufactures and distributes circulating coins, manufactures and sells commemorative and bullion coin to the public, and protects Treasury assets, including the U.S. gold reserves. Annual spending is about $500 million (receipts and revenues amount to about $1 billion) and the number of FTEs in this pilot would be 2300.

Internal Revenue Service
All IRS operations and activities would be covered by this pilot project, including cross-functional activities and products and services provided to taxpayers. The number of FTEs included in this pilot are approximately 116,000; annual spending is about $7.4 billion.

VETERANS AFFAIRS

Veterans Benefit Administration; Loan Guaranty Operations
This pilot program would cover assistance to veterans in: securing VA home loan benefits; retaining their home when difficulty is experienced in meeting financial obligations; and minimizing government loss under the guaranty. Annual spending for this pilot project is nearly $85 million; about 2000 FTEs would be covered.

Veterans Benefit Administration; New York Regional Office
This pilot project covers improvements in the delivery of veterans benefits by the VA Regional Office in New York. Annual spending is approximately $16 million; the number of FTEs covered by the pilot is 360.

National Cemetery System
This proposed pilot project focuses on the provision of burial services and benefits to veterans, including maintenance and operation of cemeteries. Funding for this program amounts to about $68 million annually, and about 1200 FTEs would be covered.

FEDERAL COMMUNICATIONS COMMISSION

Authorization of Service function
The two pilot projects will cover: (1) the processing of applications from private systems seeking authority to operate base and mobile stations to provide land mobile radio communications, and (2) and equipment authorization which approves marketing of radio transmitters and electronic equipment in compliance with limits on the emission of electromagnetic energy that could interfere with radiocommunication services. Over 80 FTEs would be covered by this pilot.

GENERAL SERVICES ADMINISTRATION

Public Buildings Service; Real Estate Activities
This pilot project covers the acquisition, disposal, and management of real estate. Annual spending (including reimbursables) is about $5.8 billion; 9500 FTEs would be covered by the pilot.

Information Resources Management Service; Procurement of micro-computer workstations and related software
This pilot project covers improvements in the procurement process, development of new procurement mechanisms, and greater use of off-the-shelf software. Federal purchases from the GSA schedule for this equipment amount to about $700 million annually. At GSA, 60 FTEs would be covered by the pilot project.

MERIT SYSTEMS PROTECTION BOARD

Adjudication and Alternative Dispute Resolution in Appellate Cases
This pilot project covers alternative dispute resolution methods used in adjudicating Federal employee appeals involving Federal merit systems and principles. Spending in this area is about $18.3 million annually, and covers approximately 200 FTEs.

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION

Federal Records Center Program
This pilot project covers the provision of storage and retrieval services for non-current Federal agency records. The system presently houses 18.5 million cubic feet of records at 15 facilities and retrieves 18 million files annually. Operational costs are approximately $45 million and FTEs number about 1200.

NATIONAL SCIENCE FOUNDATION

High Performance Computing and Communication Program
This pilot project covers five components: introduction of new generation, scalable high performance computers; development of advanced software technologies and algorithms; development of a National Research and Education Network; basic research; and educational and training support. In FY 1994, spending on this program will amount to $282 million.

Science and Technology Centers
Support of 25 Science and Technology Centers will be covered by this pilot project. The centers conduct interdisciplinary research and interact with industry, national laboratories, and other sectors. Within NSF, 10 FTEs would be covered by the pilot; annual spending is nearly $60 million.

Electronic Proposals
This pilot project involves the conduct of several projects to develop and test processes and systems allowing for preparation, submission, and review of proposals electronically. The initial amount of spending is $800,000.

Education and Training Program Evaluation
This pilot project involves the program which evaluates the various Education and Human Resources Directorate programs. In 1994, 12 evaluations are planned. NSF FTEs covered by the pilot number four; annual spending is about $7.5 million.

Specialized Research Facilities
The construction, operation, and phase-down of highly specialized, multi-user facilities for mathematics and the physical sciences would be covered by this pilot. Annual spending for these facilities is approximately $200 million.

RAILROAD RETIREMENT BOARD

Bureau of Survivor Benefits; Survivor Claims Processing
This pilot project will cover improvements in making timely and accurate payment of survivor benefits under the Railroad Retirement Act. During fiscal year 1993, 24,000 new applications were awarded or denied, and post-adjudicative action was taken on 20,000 claims. The number of FTEs covered by the pilot are 56; annual spending is $2.2 million.

SMALL BUSINESS ADMINISTRATION

The entirety of the Small Business Administration would be covered by the pilot project.
The activities covered include: economic development (finance, investment, business outreach, and non-credit technical and financial assistance; procurement assistance; minority small business and capital ownership development; internal SBA management and administration; general counsel; advocacy; and the Office of the Inspector General. The pilot covers annual operating expenses of over $430 million and over 3800 FTEs.

TENNESSEE VALLEY AUTHORITY

Water Management
This pilot project covers operation of the river and reservoir system, including navigation, flood risk reduction, water quality, and water resource activities. The organization responsible for water management was restructured in 1993. Annual spending (including both power revenues and appropriations) amounts to $72 million; about 425 FTEs are covered by the pilot project.

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(1) The agency component(s), organization(s), or activities that would form the pilot project.

(2) The approximate amount of FY 1994 spending and the number of FTEs that would be covered by the pilot.

(3) Whether the agency currently has, or will have (not later than FY 1996), a strategic plan covering the pilot project function or operation. The Act requires that pilot agencies have a strategic plan for at least one year of the three-year pilot project period.

(4) An outline of the type or nature of the performance goals that would be included in the performance plan(s).

(5) A summary of the general nature and extent of any current measurement of program performance for the function or operation. Please indicate whether reporting on this performance is included in an annual financial statement under the Chief Financial Officers Act of 1990.

(6) An indication whether, at the end of the pilot project period, the agency could estimate the costs and benefits of measuring performance and preparing the annual performance plans and program performance reports. (Estimates of costs and benefits are required for an OMB report to Congress on the pilot projects.)

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

March 3, 1994

M-94-15

MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES DESIGNATED AS PILOT PROJECTS UNDER P.L. 103-62

FROM: Leon E. Panetta
Director

SUBJECT: Submission of Performance Plans for Pilot Projects under P.L. 103-62, the Government Performance and Results Act of 1993 (GPRA)

On January 31, 1994, 53 pilot projects for performance plans and program performance reports were designated in 21 departments and agencies. In my designation letters, I indicated that an interagency task group was working on additional information and guidance for use in preparing the performance plans, and the results of their effort would be provided to you.

Based on the collaborative efforts of OMB staff and this interagency task group, two attachments to this memorandum have been prepared. Attachment 1 sets forth basic information on the scope, content, and general format of the performance plan. Attachment 2 consists of questions which were raised regarding particular aspects of the performance plan as well as its review by OMB, and the answers to those questions.

Finally, I would like to underscore one point that I made last year in testimony before Congressional committees on this legislation, and which is also a point emphasized in the committee reports on GPRA. We must avoid having the implementation of this Act become a massive paperwork exercise, replete with voluminous documents which attempt to encompass everything and anything. Please make your performance plans simple, concise, and informative. A few good goals and indicators capturing the essence of programs and their administration are much better than extensive displays with large numbers of second- and third-order measures and which delve into operational minutiae.

If you have any questions on the pilot project performance plans, please call Walter Groszyk at (202) 395-5670.

Attachments

Attachment 1

SUBMISSION OF PILOT PROJECT PERFORMANCE PLANS FOR FY 1994

Submission Date

So that submission of the performance plan precedes the start of the measurement period, the plan should be sent to OMB by March 31, 1994.

Plan Content

The contents of an annual performance plan are defined in Section 4(b) of the Government Performance and Results Act. A plan contains the following elements:

(1) one or more performance goals for the program activity (ies) covered by the pilot project

(2) performance indicators that will be used in measuring outputs and outcomes

(3) a description of the means to be used to verify and validate measured values

(4) a brief description of the operational processes, skills, and technology, and the human, capital, information, or other resources required to meet the performance goals. (However, the description may be omitted for any operational or resource factor that has not changed significantly from fiscal year 1993 levels.)

(5) a description of the contribution (if any) made by non-Federal parties (e.g., consultants or contractors) in the preparation of the plan.

The performance goals and indicators should establish target levels of achievement for the programs and activities covered by the pilot project.

In choosing which goals and indicators to include in the plan, agencies should be guided by the following principles:

- Goals and indicators should primarily be those used by program managers to determine how a program or activity is doing, and whether it is achieving its intended objectives. (For pilot projects for which audited financial statements are also prepared, agencies should consider including in the plan performance measures from those statements. Agencies should also consider including any other publicly established standards of performance.)

- Include measures that will be useful to agency heads and other stakeholders in framing an assessment of what the program or activity is accomplishing.

Time-period Covered

The performance plan for fiscal year 1994 covers a six month period beginning on April 1, 1994 and ending on September 30, 1994. The measurement of actual performance compared to the target levels established in the performance goals and indicators should generally coincide with this six month period. (See also question 3 in attachment 2.)

Grouping of Goals, Indicators, and Related Information

To relate performance with spending, GPRA aligns the performance plans with the "Program by activities" listing appearing in the Program and Financing Schedules in the Budget Appendix. (Each listing usually contains from two to 10 or more specific projects or activities.) To make this alignment, the performance goals, performance indicators, and related descriptions or information should be grouped according to the relevant Program and Financing Schedule(s) for that pilot project. The relevant schedule(s) are those containing (either all or in part) the funding obligations for the individual programs and activities constituting the pilot project.

Many large-scale pilot projects will likely span several schedules, and the goals and indicators should be grouped and matched to the appropriate schedule. (See also question 4 in attachment 2.) If a small-scale pilot project cannot be identified in this listing because it is imbedded within a more sizeable program, please identify the specific project or activity in the listing that covers the pilot project.

For each grouping of goals and indicators, please provide the Appendix page number of the appropriate Program and Financing Schedule, as well as the Identification Code which appears just above the "Program by activities" heading in the schedule. Please use the Budget Appendix for FY 1995, and those Program and Financing Schedules with a FY 1994 estimate column. (Programs proposed to be reorganized in FY 1995 often have two program and financing schedules: a schedule for fiscal years 1993 and 1994, and a schedule for FY 1995 only.) For those pilot projects that are included in annual financial statements under the Chief Financial Officers Act, please provide the name of the reporting entity for which the statement is prepared.

Non-quantifiable Performance Goals

If a performance goal cannot be expressed in quantitative terms, GPRA allows OMB to authorize the agency to use an alternative, descriptive form of goal. Pilot project agencies may include such alternative forms in the FY 1994 performance plans, without specific OMB authorization. OMB authorization of the use of alternative forms will begin with plans for FY 1995.

Strategic Plans

GPRA requires a strategic plan be used when preparing one or more of the performance plans during the pilot period. So that a notation can be made of which of the three annual pilot project plans satisfies this requirement, please indicate if a strategic plan was used for the FY 1994 plan. (Agencies should note that the strategic plan used for this purpose need not meet all specifications for the strategic plans required under GPRA to be submitted to OMB by September 30, 1997. Also, the strategic plan need only cover the pilot program or activity.)

Attachment 2

Questions and Answers Regarding
SUBMISSION OF PILOT PROJECT PERFORMANCE PLANS

Q.1 Who should submit the agency's performance plan to OMB?

A.1 The plan should be submitted by the head of the agency. However, at the agency's discretion, a plan may be submitted by a senior official (one who is appointed by the President and Senate-confirmed) having direct responsibility for the programs and activities covered in the plan.

Q.2 After OMB reviews the FY 1994 performance plans, should agencies expect to revise these FY 1994 plans based on this review?

A2. No. There is little value to revising these plans mid-way through the measurement period. Instead, OMB's review and critique of the FY 1994 plans will be provided to agencies for use in preparing the FY 1995 performance plans. (The present schedule would call for the FY 1995 plans to be sent to OMB in about six months.) However, if it appears that measurement of performance will be precluded because an FY 1994 performance plan lacks any goals or indicators for accomplishing such, OMB may request the agency to revise and re-submit its FY 1994 plan.

Q3. May an agency include a performance goal for which it will be unable to measure actual performance against that goal during the April-September 1994 time-period and include such in the annual program performance report for FY 1994?

A3. Yes. There is often a substantial lag in obtaining actual performance data for a particular period. The Congressional committees, in its reports on this legislation, recognized this, and made allowances for such in the content of the annual program performance report. When a lag occurs, agencies should use the most current relevant data (even if it is several years old), and indicate, in the program performance report for FY 1994, approximately when the actual performance data for the April-September time-period will be available.

Q.4 If a pilot project is funded under several "Program and Financing Schedules", and the performance goals and indicators are mainly relevant for only one of these schedules, should the goals and indicators be arrayed against all the schedules?

A4. No, this is not necessary. Agencies should group performance goals and indicators against the schedule that is the main source of funding for the pilot project, and note only by Appendix page number and identification code the other schedules that provide partial funding for the pilot project. Also, several agencies have indicated it may be difficult to align every goal and indicator to a specific schedule. In such instances, these goals and indicators should be separately grouped together in the plan and note made of the reason for doing so.

Q5. How should a generic or agency-wide performance goal be included in the performance plan?

A5. If an agency's performance plan contains a generic performance goal (i.e., a goal applying to all programs and activities of an agency, and not just the pilot project), the goal should be categorized as such, and presented separately from the groupings of performance goals and indicators that are specific to the pilot project.

Q6. Should the plan indicate anticipated changes in performance goals or measurement in the FY 1995 or 1996 plans?

A6. This is at the discretion of the agency. Because the capacity to measure performance and set performance goals differs between and within agencies, the pilot project phase of GPRA was established to give agencies time for developing and improving this capacity. The quality and scope of the first performance plans will be uneven. An agency's self-appraisal of limitations in its FY 1994 plan and an indication of how future performance plans will likely be changed will assist OMB significantly in its review and critique of the FY 1994 plans.

Q7. May an agency submit a partially completed performance plan by March 31, 1994?

A7. Yes, to a limited extent. The plan submitted by March 31, 1994 must contain the performance goals and indicators that will be measured during the April-September time-period. However, if time constraints prevent an agency from including other plan elements (e.g., verification means, description of operational processes or resources required to meet the goals), these may be sent as soon as practicable after March 31. The plan submitted on March 31 should give the date when the non-included elements will be sent to OMB.

W. D

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

APR 5 1994

MEMORANDUM FOR DEPUTY ASSOCIATE DIRECTORS
RMO BRANCH CHIEFS

FROM: Frank Reeder

SUBJECT: GPRA Pilot Project Performance Plans

OMB has begun receiving FY 1994 performance plans from the agencies designated as pilot projects for performance measurement under the Government Performance and Results Act (GPRA). This memorandum outlines our suggested approach for OMB's review of these plans.

Background

On January 31, 1994, the Director designated 21 departments and agencies as pilot projects. A total of 53 individual pilot projects are included in the 21 agency designations. OMB Memorandum 94-15 (March 3) provided guidance and information to the agencies regarding the submission and content of the FY 1994 performance plans. Except for HHS' Office of Child Support Enforcement pilot, which begins in 1995, all first round pilots are for fiscal years 1994-96.

OMB Memorandum 94-11 (January 31) solicited a second round of pilot project nominations from the agencies. With most of the expected nominations now in-hand, we will soon begin clearance of letters from the Director to agency heads designating the second round pilots. Nearly all second round pilots will cover only fiscal years 1995-96. However, several agencies have requested that their second round designation also cover FY 1994. Designation letters for these several agencies are currently in OMB clearance. These agencies are already preparing FY 1994 performance plans for the proposed pilots, and the plans should be sent to OMB immediately following the designation.

Review of Annual Performance Plans

The main objective in reviewing the FY 1994 plans is to provide the pilot project agencies with a critique of these plans, defining suggested changes and improvements. Agencies will use the critique in preparing their FY 1995 performance plans which are due to OMB in September 1994. To give agencies sufficient lead time to reflect these changes, we ask that OMB's review and critique of the FY 1994 plans be completed by mid-May 1994, and communicated to the agencies by that time.

Attachment 1 sets forth a set of questions that can serve as a useful template in your review of these plans. (Most of the

questions were sent to you in January, so they may seem familiar.) The template is intended to be a guide, not a checklist; you are free to amend or add questions as needed. This template has also been shared with the agencies to give them a prospective sense of the nature and scope of OMB's review.

This first group of pilot projects represents a learning experience for the agencies, and for OMB. The quality and value of these initial plans will be uneven. In some instances, this simply mirrors the varying levels of pilot agency sophistication and capacity in measuring performance and preparing plans.

While we hope no submitted plan is so fundamentally flawed that it should be rejected, we have given no guarantee that this will be the case. Agencies have been told that if a performance plan establishes no basis for measuring performance (i.e., there are neither goals nor measures), then the plan will be rejected. If a plan is rejected, either the designation as a pilot will be withdrawn, or the agency will be asked to resubmit a FY 1994 plan.

The appropriate RMO branch should take the lead in coordinating and communicating OMB comments and suggestions to the pilot project agencies, particularly for the first set of questions in the template. We suggest, to the extent possible, that communication with the agencies be done informally. Please keep a notational record of your conclusions and suggestions so that these can be used in assessing needed changes in OMB Memorandum 94-15 for the FY 1995 plans. An OMB Memorandum covering the submission of the FY 1995 plans will be prepared this June.

Attachment 2 is a listing of the GPRA principal point of contact for each designated pilot project agency.

Further Information:

If you have further questions, please call either Walter Groszyk at x56824 or Jonathan Breul at x55670.

c: Director
Deputy Director
Program Associate Directors
Sally Katzen
Steve Kelman
Barry Anderson
Joe Minarik
Hal Steinberg
Barry Toiv
Jodie Torkelson
Performance Measures Work Group

Attachment 1

TEMPLATE FOR REVIEWING ANNUAL PERFORMANCE PLANS

Introduction

Each designated pilot project is to submit by March 31, 1994, an annual performance plan for FY 1994. The plan for FY 1994 will be a half-year plan, covering April through September. The plan should contain specific, measurable performance goals for this six month period, against which the agency is to measure its actual performance and compare this to the goals. The pilot project agencies' FY 1994 reports comparing the actual versus planned performance are to be sent to OMB in March 1995.

When reviewing the performance plans, particular note should be made of OMB's recurring instruction to the agencies that these plans be brief, concise, and simple. More than likely, correcting shortcomings in the measures of performance included in a plan will produce substitute measures, not a bevy of additional ones.

The GPRA implementation strategy emphasizes that the principal measures of performance to be included in the plan are those that managers are using to determine how a program or activity is doing, and the effects or impacts that are being produced. Not only is this sound management, but it also has the effect of reducing potential requests for significant investment in new or improved management information systems. There is often a reluctance to concede that managers are either not "managing", or managing using measures that are inadequate or inappropriate.

In designating the pilots, the size of the pilot project was not a discriminating factor. Thus, there are several small-scale pilot projects. These small-scale pilots are likely to become invisible, from a performance standpoint, when the agency-wide performance plans are developed starting with FY 1999. But, as a pilot, they can serve the agency as an early and valuable test of how to meet future GPRA requirements which will be applied to the agency as a whole. The review and critique of plans from small-scale pilots should be done in this context.

The following general principles should guide OMB's review of the plan:

1.) Performance goals and measures in the plan should primarily be those used by program managers to determine how a program is doing, and whether it is achieving its intended objectives.

2.) The program manager is being held accountable for the performance being promised and realized. Unless there is a willingness to share in that accountability, specific performance levels should not be imposed on the program manager.

3.) Performance goals and measures should be useful to agency heads and other stakeholders (including OMB) in framing an assessment of what the program is accomplishing.

Review Scope

For Resource Management Offices and Divisions with OMB-Lead Functional Responsibility

Specifically, for each plan:

- Do the specific performance goals and measures correspond to the general goals and priorities for the program, and the responsibilities for managing and administering the program?

- Are the goals and measures likely to tell a program manager how well a program is doing?

- Are the goals and measures likely to be useful and informative to the Congress, and other interested parties (Federal Government and outside)?

- Is it likely that the agency will actually be able to measure and report on its performance against the goals?

- Most performance goals should set quantitative targets or levels to be achieved, largely based on current experience rather than on guesses or "low ball" estimates. To what extent does it appear that the goals and measures are based on current or past performance? Is there any indication that the targets substantially overstate or understate the likely level of actual performance?

- Are the goals and measures consistent with the Budget and the Administration's program?

- Looking ahead to the non-pilot stage that begins with FY 1999 (in which OMB prepares a government-wide performance plan summarizing individual agency plans) -- would there be obvious problems in summarizing a set of goals and measures similar to those in the pilot into the OMB-prepared government-wide plan?

- Performance goals for specific activities or operations should generally align with the program and financing schedules in the Budget Appendix that fund these activities. Some agencies have indicated that such alignment has not been easy. To what extent do the goals correspond to the appropriate program and financing schedule?

- Some of the pilot project agencies include measures of program performance in the annual financial statements required by the Chief Financial Officers Act. To what extent do the performance measures in the performance plan correspond to those being included in the annual financial statement?

Generic Review of all the Plans (Members of the Performance Measures Work Group may be asked to assist in this part of the review.)

For each plan, and in the aggregate:

- Does the plan contain all the required elements? (These elements are listed under plan content in Attachment 1 to OMB Memorandum 94-15.)

- Does the plan actually cover FY 1994, or do the goals really cover outyears? (This check is to assure that we have ten agencies with plans and goals covering FY 1994.)

- What general types of measures and goals are contained in the plan, particularly compared with other plans?

- From a presentation standpoint, is the plan informative and understandable?

- Based on any major shortcomings in the overall submission, did the agency appear to encounter substantial problems in developing the plan, and if these problems were not resolved, i.e., they continue, is further discussion or assistance needed and appropriate?

- Is the plan a possible model that might be provided to other agencies?

- How much does the plan reflect an agency's maturity in, or capability for performance measurement, goal-setting, and reporting?

- Does the agency indicate whether a strategic plan was used when preparing the FY 1994 plan?

- What, if anything, does the plan signify about the agency's understanding of GPRA as well as its commitment and effort to meet GPRA requirements?

Release of Plans

Beginning with the performance plans for FY 1999, all agency plans are required to be sent to Congress and are to be available to the public. No similar requirements exist regarding the pilot project performance plans for FY 94-96, as the pilot projects are intended to be a developmental process, emphasizing the identification of problems and shortcomings. As several questions have been raised on whether and to whom copies of the plans might be given, we suggest the following groundrules be applied:

1.) Requests by parties outside the Executive branch (except as noted in 2 and 3 below) for a performance plan should be forwarded to the pilot project agency for response.

2.) If GAO requests a performance plan from OMB, it may be provided directly to them. (GAO has a statutory responsibility under GPRA to review governmentwide implementation of the Act, including agency progress and readiness.)

3.) Requests by authorizing or appropriating committees of the Congress for a performance plan should be forwarded to the pilot project agency for response. (As GPRA implementation status and issues is reviewed periodically with staffs of the Senate Governmental Affairs Committee and the House Government Operations Committee, performance plans may be informally shared with these committee staff.)

Attachment 2

CONTACTS FOR DESIGNATED PILOT PROJECT AGENCIES
(21 "First Round" Departments and Agencies)

USDA

Irwin T. (Ted) David
Deputy Chief Financial Officer
Room 143-W
U.S. Department of Agriculture
14th and Independence, SW
Washington, DC 20250

DOC

Alan Balutis
Director of Budget, Planning
and Organization
Department of Commerce
14th and Constitution
Room HCHB 5820
Washington, DC 20230

Stephen Leeds
Chief, Systems and Policies Division
Room HCHB 5823

DOD

Karen Alderman
Office of the DOD Comptroller
Management Systems -- BMD
Room 1A658
Pentagon
Washington, DC 20301

DEd

Alan Ginsburg
Director, Planning and Evaluation
Service
Room 3127
Department of Education
400 Maryland Avenue, SW
Washington, DC 20202

DOE

Archer Durham
Assistant Secretary for Human
Resources & Administration
Department of Energy
1000 Independence Avenue, SW
Room 4A253
Washington, DC 20585

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

September 23, 1994

M-94-50

MEMORANDUM FOR OMB STAFF

FROM: Alice M. Rivlin AMR
John A. Koskinen JAK

SUBJECT: Update on OMB-Wide Dialogue

We were very pleased with the interest and input from staff across divisions in the OMB-wide Dialogue on Sept. 13 and 14. The recorders' notes reflect valuable insights about streamlining plans and performance measurement and make clear the benefit of sharing knowledge and experience across offices and divisions.

The length and depth of the notes require us to focus first on the FY 96 budget issues of common concern. Thus, attached please find the materials we distributed to you last week refined to reflect our discussions. Many have suggested, and we agree, that these materials should be shared with the agencies.

In addition to changes in the materials, the following information is in response to more general questions that have been raised.

Streamlining Plans: Process highlights

1. Discussion with agencies: We will need a preliminary assessment of the streamlining plans early in October. In addition to RMOs' dialogues with their agencies, both of us are prepared to bring to the attention of Department and agency heads early in the process, as necessary, the major concerns about streamlining plans. All of these conversations are meant to encourage the agencies to improve their plans and not as "micro-management" by OMB.

2. VP Meeting: We will also review streamlining plans with the Vice President, who continues to be concerned about the quality of the agency restructurings.

3. Passback and presentations to President: Assessments of the streamlining plans for every major agency will be included in every passback and in every presentation to the President.

Streamlining Plans: Standards of review

- Overall FTE limits must be met: OMB has no authority to issue "waivers" to the law. In addition, while the President's Management Council (PMC) provides agency input to OMB, it does not issue FTE guidance and PMC conversations should not be viewed as changing OMB guidance. (The PMC has been of great assistance to agencies in meeting OMB guidance through discussion of shared concerns, best practices, and other implementation issues.)

- Qualitative review: The overall FTE guidance must be met, but this review must be more than a numbers exercise. We are not only concerned with the FTE ceilings but with the quality, scope, and nature of an agency's restructuring efforts. The instructions give more detail.

- Level playing field: All things being equal, we will try to give "credit" to those agencies that have submitted high quality plans. There are no surplus FTEs, however, for special treatment for such legitimate concerns as short-term, one-time initiatives.

- Small agencies: RMOs shall exercise their discretion in reviewing plans of small agencies which may raise different issues. A small-agency summary should be provided to the Director by each RMO. As with other resource allocations, any adjustments ultimately must be within the overall allocation to the RMO.

Performance

- Context for FY96 performance information: With very constrained resources, it becomes more important than ever that the government run efficiently. This requires that we focus more attention on the performance of government programs. In our discussions with the agencies, at Director's Review, in meetings with the President, and in the presentation of the budget to the public, we need to highlight this focus on performance. We also need to make it clear that this is the start of a long-term process.

- Interrelating performance initiatives: The goal of performance measurement, streamlining, GPRA pilots, annual financial statements, customer service standards, and other initiatives is for an agency to present a clearer picture of what it believes are its goals, the links between these goals and how it spends its money and organizes its personnel, and if and how it accomplishes those goals. OMB is continuing to integrate its consideration of these initiatives and should encourage agencies to do the so as well.

- Provide existing information: For important programs and significant issues, we are seeking as much existing performance information as possible without generating

needless or unproductive work by the agencies or OMB examiners. The attached materials ask you to include a section in each Director's Review issue paper discussing (a) what is known and what is not known about program performance in the context of the program's goals; (b) the reasons if little is known about program performance, and (c) what additional performance information would be useful and reasonable to expect.

- Use in presentations: Passbacks to the agencies and materials prepared for the President will comment on the usefulness of performance information for decisions on the agency's budget request and will include OMB's expectations for additional performance information for FY 1997. In addition, the FY 1996 budget will present to the public discussions of the use of performance information in budget decisionmaking.

Beyond the FY96 Budget Season

Many serious, longer-term issues and interesting themes were raised in these sessions and will serve as the basis for continuing discussions among ourselves and with the agencies. Several immediate steps will be taken.

1. We would like you to complete in the next few days the attached evaluation form, adding pages as necessary, to help decide how to continue the dialogue early next year. The recorders' notes also will be made available to all staff shortly.

2. These materials will be distributed to agency heads, the PMC, the CFO Council, and the IGs. We encourage you to share them with your agency counterparts directly. Extra copies will be available in Rm. 9026.

3. We also intend to take up the many suggestions for working more closely with the agencies on both performance measurement and streamlining following the budget season. For example, it makes a lot of sense to establish interagency working groups for particular types of programs or for cross-cutting issues. Both of us believe that we can also work effectively with the President's Management Council and other interagency bodies on these issues.

Attachments

Streamlining Plans and Performance Information in the FY 1996 Budget Process -- Feedback

1. How would you rate your dialogue breakout session overall?

   Outstanding 5 4 3 2 1 Poor

Comments:

2. How relevant was the dialogue to your position?

   Very relevant 5 4 3 2 1 Not relevant at all

Comments:

3. How relevant were the materials to your position?

   Very relevant 5 4 3 2 1 Not relevant at all

Comments:

4. Should this type of session be repeated in the future -- post-budget season?

   Yes _____ No _____

Comments:

5. General comments or suggestions, including topics for future consideration.

Return to Teri Ellison, room 9026, NEOB by Thursday, Sept. 29.

STREAMLINING PLANS AND PERFORMANCE INFORMATION IN THE FY 1996 BUDGET PROCESS

(Revised Sept. 23, 1994 following OMB-wide dialogue)

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2. OMB Memo 94-29, "Streamlining Plans," Aug. 19, 1994
3. Paper on "Review of SES Allocation," Sept. 7, 1994
4. Kelman Memo, "Procurement Workforce and Streamlining Plans," Sept. 23, 1994

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5. OMB Memo 94-26, "FY 1996 Budget Planning Guidance," Aug. 5, 1994

STREAMLINING PLANS

AND THE

FY 1996 BUDGET PROCESS

DEPARTMENT OF XXXXXXXXXXX
FY 1996 DIRECTOR'S REVIEW
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Appendix I Streamlining Plans: NPR Target Populations

9/23 DRAFT

Date

DEPARTMENT OF XXXXXXXX

STREAMLINING PLAN STATUS

(Each section, a few bullets as necessary. See attached instructions and checklist.)

SUMMARY ASSESSMENT

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RECOMMENDATIONS

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KEY FEATURES OF PLANS AND DISCUSSION

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o

o

(9/23 DRAFT)

Date

DEPARTMENT OF XXXXXXXX

FTE SUMMARY

(FTE's)	1995	1996	1997	1998	1999
1996 Budget Request					
Planning Guidance					
RMO Recommendation					
Streamlining Plan[1]					
Buyouts Planned (No. of separations, FY95 only)	(####)				
Difference between Budget Request and:					
Planning Guidance					
RMO Recommendation					

Explanation:

(9/23 DRAFT)

[1]Include if different from budget request and explain in narrative assessment.

AGENCY STREAMLINING PLAN ASSESSMENTS

INSTRUCTIONS

Purpose Review of the streamlining plans is an important element of the FY 1996 budget process. Not only must we meet the overall 272,900 FTE employment limitation required under the Federal Workforce Restructuring Act, we must ensure that the streamlining plans are serious, sound, and make sense programmatically.

Background FTEs should be treated the same way other resources are treated in the budget process. We need to know whether an agency is meeting the guidance, and how it is meeting the guidance. The NPR goals (e.g., 50% headquarters functions reduction) should be treated as rebuttable presumptions, i.e., if the agency is not meeting those targets, it should provide a compelling argument about what it is doing instead to streamline and improve program performance.

Assessments of major agencies' streamlining plans will be included in every presentation to the President and in every passback. The Director also expects to discuss streamlining plans with the Vice President during the budget process.

Summary Assessment The assessment should include a rating of the plan from one of the following categories, based on the agency's performance according to the attached checklist.

Fully acceptable -- Meets FTE planning guidance and NPR goals in line with with programmatic objectives. Plan supplies requested data and is timely and achievable.

Acceptable with explanation -- Meets FTE guidance, does not meet specific NPR goals but has compelling rationale. All other aspects of the plan acceptable. The plan represents a good faith streamlining effort.

Needs modification -- Meets FTE guidance, but one or more aspects of the plan need modification or expansion. For example, a plan needs modification if it has not budgeted for necessary investments in information technology or training, despite meeting the FTE guidance.

Needs substantial revision -- Does not meet FTE guidance and may or may not fail on other criteria.

STREAMLINING REVIEW CHECKLIST

This checklist of critical factors should be considered in reviewing agency streamlining plans and preparing the summary assessment and other discussion for Director's Review.

DOES THE PLAN MAKE SENSE PROGRAMMATICALLY?

a. Mission and goals: To what extent does the plan reflect a focus on the agency's missions and goals and its strategic plan? Specifically, does it seek to make the agency more effective and responsive to its customers? Does the restructuring plan integrate proposals to meet GPRA requirements, enter into performance agreements, increase financial accountability, leverage information technology, and undertake other management improvement initiatives?

b. Major policy issues: What is the impact of the plan on major budget or policy issues? Are the President's priorities effectively staffed?

c. Impact on agency performance: How is the realignment of FTEs likely to affect program performance? Does the plan seek budgetary savings, improved customer service, and increased agency efficiency and productivity? Does the plan document how the agency will continue to operate its programs during and after streamlining without a loss in program quality? Does the plan provide for performance measurement and program evaluation?

DOES THE PLAN MEET FTE GUIDANCE?

d. Overall FTE: Is the plan consistent with the FTE levels in the April 21 guidance? If not, does the agency have a compelling rationale?

e. Separating out new initiatives: Does the plan show additions for approved Presidential investments and initiatives separately from reductions as a result of restructuring or other actions (as opposed to a "net" number)? Are new policy initiatives for FY96 and out-years also separately identified? Does the agency propose to redeploy staff within the agency to meet need for increases due to policy initiatives?

f. Staff vs. line FTE: Does the agency meet the NPR goal of a 50% reduction in headquarters functions (including supervisors, personnel specialists, budget specialists,

acquisition specialists, and accountants and auditors)? If not, does the plan justify the number of staff devoted to headquarters functions vs. line operations, with an emphasis on meeting goals and delivering superior customer service? Is the impact of procurement reform reflected in the plan? Does the plan change the location of the workforce?

g. Layers and senior managers: Does the plan adequately increase the span of control for supervisors? Does the plan adequately address the reduction of senior level employees (GS/GM 14, 15, SES, and equivalent) mandated by EO 12839?

HOW SOUND IS THE PLAN?

h. Commitment: Does the plan demonstrate that the entire agency is engaged in a serious restructuring effort with commitment from the top and participation throughout? What steps is the agency taking to maintain or improve employee morale and the quality of the work environment? What steps is the agency taking to ensure accountability for results, particularly enabling the necessary culture change? What does the plan say about the roles of financial management and/or inspector general?

i. Previously identified deficiencies: Has the agency addressed deficiencies identified in comments transmitted by OMB in July in response to the agency's June's submission? If not, what deficiencies remain and why?

j. Agency assumptions: Does the plan describe any assumptions, or obstacles to implementation, that must be considered in evaluating the plan? Are legislative impediments identified and addressed? What are the costs and projected savings from logistical considerations, e.g., relocation, office space, and support services? Does the agency have a credible approach for funding implementation costs and for realizing projected savings? Can agencies fund all their FTEs given FY 95 appropriations action?

k Mechanisms for change: What tools (e.g., buyouts, early outs, outplacements) is the agency employing in its streamlining effort? Does the agency propose an appropriate plan for training redeployed employees? Does the plan use out-sourcing, contracting-out, or cross-servicing? Is the agency proposing reengineering of processes, consolidation of activities, elimination of low priority work, and other opportunities for improvement? Are FY95 buyouts an issue for FY96 budget?

l. Information and other technology investments: Does the plan capitalize on information technology, an important tool in restructuring and downsizing? How does the plan tie requests for technology enhancements to program- and mission-specific needs?

DEPARTMENT OF XXXXXXXXXXXXX
FY 1996 DIRECTORS'S REVIEW

APPENDIX I

STREAMLINING PLANS: NPR TARGET POPULATIONS

	93 Base	1994	1995	1996	1997	1998	1999
FTEs							
Supervisors							
Supervisory Ratio							
Headquarters Staff							
Personnel Specialists							
Budget Specialists							
Acquisition Specialists							
Accountants & Auditors							
Organizational Layers							

9/23 DRAFT

RESOURCES AND SUPPORTING MATERIALS

RESOURCES FOR OMB EXAMINERS

1. RMO colleagues are the principal source of analysis and expertise.

2. BRD continually monitors government-wide FTE.

3. OMB's "Streamlining Workgroup," consisting of RMO representatives, BRD, OFFM, and the DDM's office, can help develop consistent analytic approaches.

Office	Representative	Division	Room	Phone
DDM	Jonathan Breul	(Chair)	10235	55670
H	Al Seferian	VA/P	7236	55017
HR	Lisa Fairhall	HRD	8236	57765
NSIA	Lauren Haber	NSD	10009	53781
"	Gene Devine	NSD	10007	53666
"	John Burnim	IAD	10002	54770
NRES	Neil Shapiro	NR	8026	55894
"	Memphis Norman	ES	8002	53709
GG	Mike Crowley	HTF	9236	51091
BRD	Lisa Johnson	BRCD	6226	53172
DO	Bill Halter		348	53842
DDM	Margaret Yao		260	56937
OFFM	Hal Steinberg		6025	54534

RESOURCES FOR AGENCIES TO ASSIST THEIR STREAMLINING EFFORTS

1. National Performance Review (NPR) developed many of the streamlining goals and remains actively involved in training and monitoring agencies.

2. The Federal Quality Institute and others are available to provide training, consulting services and other types of technical assistance.

3. The agency contacts identified in the President's Management Council (PMC) "Best Practices" report have been asked to provide information and counsel to other agencies as requested.

SUPPORTING MATERIALS

Attachments

Appendix 1: BDR 94-104, "Streamlining," July 18, 1994.
Appendix 2: OMB Memorandum 94-29, "Streamlining Plans," Aug. 19, 1994.

(includes revision of the April 21, 1994, streamlining guidance).

Appendix 3: Information Paper on "Review of SES Allocations," Sept. 8, 1994.

Appendix 4: Kelman Memo, "Procurement Workforce and Streamlining Plans," Sept. 23, 1994

Agency Documents (Previously provided to each branch for reference.)

- Department of Transportation streamlining plan excerpts.
- PMC Streamlining Sub-group's "Best Practices."

APPENDIX 1

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

July 18, 1994

BUDGET DATA REQUEST NO. 94-104

TO: PROGRAM ASSOCIATE DIRECTORS
DEPUTY DIRECTOR FOR MANAGEMENT
PROGRAM DEPUTY ASSOCIATE DIRECTORS
ASSISTANT DIRECTOR FOR LEGISLATIVE REFERENCE
DEPUTY CONTROLLER, OFFICE OF FEDERAL FINANCIAL MANAGEMENT

FROM: Richard P. Emery, Jr. RPE
Deputy Assistant Director for
Budget Review and Concepts

SUBJECT: Streamlining

Due Date: **C.O.B., Friday, July 22, 1994**

Affected Divisions: All

Contacts: Questions may be addressed to RMO representative(s) on the Streamlining Workgroup: Al Seferian (H and P), Lisa Fairhall (HR), Neil Shapiro (NR), Memphis Norman (ES), Lauren Haber (NSD), John Burnim (IAD), Cora Beebe (GG), Mike Crowley (GG), and Lisa Johnson (BRCD).

Purpose: To develop a consistent assessment of agencies' updated streamlining plans. This exercise will provide a snapshot summary of what is contained in the streamlining plans for use in the meetings of the President's Management Council. More thorough analysis of the plans may be necessary when agency budget submissions are received.

Background: The April 21, 1994 planning guidance requires departments and agencies with more than 100 FTE to prepare an updated streamlining plan. The plans serve a dual purpose. One purpose is to ensure compliance with the Federal Workforce Restructuring Act of 1994, which places in law a reduction of 272,900 positions by setting limitations on Executive Branch employment for FY 1994 through FY 1999. The Act requires OMB to monitor compliance with the ceilings, and to impose a Government-wide hiring freeze in the event that the limitations are not met. The Act does not impose agency-by-agency ceilings. Our goal is to see that, within the statutory limitations, agency FTE levels are aligned with program requirements and anticipated funding levels.

A second, equally important, purpose is to plan how each department and agency will meet the President's guidance to restructure the workforce and improve customer service. Reducing the size of the workforce is not an end in itself, but results from systems and management changes recommended by the National Performance Review (NPR) to make organizations and operations more effective and responsive to their customers.

Attachment A describes some of the issues examiners should consider when reviewing agency plans.

Actions Required: Using the format at Attachment B, prepare and provide (in hard copy and WordPerfect file) to Jonathan Breul (rm. 10235, x55670) a brief summary of the RMO's assessment of the streamlining plan for each agency with more than 100 FTE. An electronic format of Attachment B will be provided. The summary should include:

1. FTE Allocation. Identify the FTE levels in the April 21, 1994 guidance and the agency plan, the difference (+ or -), and, if applicable, the rationale why there is a difference.

2. Key features of the plan. Briefly describe the key features of the plan (3-5 bullet points).

3. Sensitive issues. Identify any sensitive program or management issues which warrant policy officials' attention, including any potential FY 1996 budget issues and those likely to be contrary to Congressional views.

4. Legislative impediments. Identify any known legislative impediments to streamlining (cite the law or pending action).

5. Deficiencies of the plan. If the plan is incomplete or inadequate, spell out the principal deficiencies.

6. Next steps. Indicate your recommendations for next steps, including, for example, whether the plan should be returned to the agency for re-submission, or what additional data should be requested from the agency.

In addition, provide a copy of each agency's office space plan (or, if none was submitted, a negative report) to Steve Swain (x56989) or Donna Rivelli (x55858) in the Federal Services Branch, Room 9002.

Attachments

REVIEW OF AGENCY STREAMLINING PLANS

Examiners should keep several important points in mind when reviewing agency streamlining plans:

- Each plan should be assessed on a case-by-case basis;
- FTE levels are not an end in themselves; rather they must be aligned with program requirements and anticipated funding levels;
- The April 21 "preliminary" FTE levels were not proportional, but rather reflected OMB's judgment of Presidential priorities;
- The NPR did not specify exactly how FTEs are to be cut; and
- Agencies should explore <u>every</u> opportunity for streamlining.

In reviewing the FY 1996-1999 FTE levels, examiners should consider the following questions:

(a) Is the plan consistent with the April 21 FTE planning guidance? [1]
(b) If not, why not? Does the agency make the case for special treatment?
(c) If yes, is the plan feasible? How will the department fulfill its mission, Presidential objectives and maintain/improve customer service?

In assessing the agency's proposed restructuring, examiners should consider the following questions:

(a) How does the plan change the composition, skill-mix and location of the workforce? [2]
(b) How and when will the streamlining actions occur?
(c) Does the plan focus on the right areas?
(d) How does the plan address:
- span of control?
- organizational layers?
- NPR targeted positions, such as headquarters staff, supervisors, personnel specialists, budget specialists, acquisition specialists, and accountants and auditors?

---

[1] The plan should contain a table (Attachment C to the April 21 planning guidance) which displays FTEs, by major program, for fiscal years 1996-1999.

[2] The plan should contain a table (Attachment D to the April 21 planning guidance) which provides supporting detail about the specific changes, year-by-year.

(e) Does the plan seek to change administrative support structures and functions other than those covered by the NPR targeted positions (other overhead operations, such as public affairs)? Does it consider out-sourcing, contracting-out or cross-servicing? Is there any indication that the agency is aware that Section 5(g) of the Federal Workforce Restructuring Act requires that any increase in contracting-out as a result of the buyouts or the FTE reduction be supported by cost comparisons that show that it is cost effective to do so?

(f) Does the plan describe any important assumptions, obstacles to implementation, and impact (both positive and negative) on agency performance?

(g) How does the plan address the reduction of senior level employees (GS/GM 14, 15, SES, and equivalent) mandated in E.O. 12839?[3]

(h) What does the plan say about the use of management processes and resources in achieving a more streamlined and effective operation? In particular, does it say anything about the role of financial management or the agency inspector general?

(i) In your judgment, does the plan represent the best the agency can do in streamlining?

---

[3] E.O. 12839 requires that 10% of the reductions come from the Senior Executive Service, GS-15 and GS-14 levels or equivalents.

Attachment B

DEPARTMENT OF XXXXX

Streamlining Assessment

	1995	1996	1997	1998	1999
1. FTE Allocation					
Planning Guidance					
Streamlining Plan					
Difference					

Rationale:

2. Key features of the plan:

3. Sensitive issues:

4. Legislative impediments:

5. Deficiencies of the plan:

6. Next steps:

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DEPUTY DIRECTOR

August 19, 1994

M-94-29

MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND MAJOR AGENCIES

FROM: Alice M. Rivlin
Acting Director

SUBJECT: Streamlining Plans

The Vice President recently reiterated the great interest of the Administration in the development of streamlining plans and the importance of efforts to improve them. Review of the streamlining plans will be an extremely important element of the budget process.

Many of you already have had discussions with OMB staff about your June 30 streamlining plans and the FY 1996 budget, and this dialogue with all agencies will continue. As you know, your FY 1996 budget request is due on September 9 and must include as much streamlining information as possible. It is especially important that your budget request contain the full details of your plans for FY 1996 with the milestones of actions to meet the overall workforce restructuring and FTE targets in OMB's April 21, 1994, planning guidance (attached).

To reinforce these efforts, the President's Management Council (PMC) recommitted itself to the goal of restructuring the government and will be especially active in working with OMB and helping agencies improve their plans in accordance with the April 21 guidance. The PMC has committed its agencies to submit complete, improved streamlining plans to OMB not later than October 3. These complete plans will focus greater attention on restructuring of the agency organization and work processes and will reflect the importance of related reductions in the number of supervisors, headquarters, and support staff, as recommended by the National Performance Review (NPR). (The NPR's overall goals include a doubling of the span of control of supervisors from 1:7 to 1:15 over the next five years and a decrease of 50% of those performing headquarters functions.)

In response to the PMC's request, OMB has further refined the headquarters definitions in Attachment D of the April 21 guidance. (Revision attached.) Those agencies that can not meet the NPR goals in this area should address this matter in their plans. Within the context of the April 21 FTE guidance, each agency should display the FTE reductions it will take as a result of restructuring separately from any additions due to new Presidential investments. The plans also will describe the relationship of the agency's restructuring to other Administration priorities, including improved customer service.

Attachment

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

April 21, 1994

M-94-19

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Leon E. Panetta
Director

SUBJECT: FY 1996 Budget Planning Guidance

As agencies begin planning for the FY 1996 Budget, we face the difficult task of developing a budget that reflects the President's priorities within the constraints of the hard freeze mandated by the Budget Enforcement Act and the reductions in employment mandated by the Federal Workforce Restructuring Act. Consistent with the schedule for preparing the President's FY 1996 Budget distributed last month, preliminary planning guidance for the FY 1996 Budget for your agency is attached.

The basis for the guidance is the outyear numbers contained in the President's FY 1995 Budget, adjusted to reflect Congressional action on some Administration proposals and the allocation of certain allowances. It should be noted that the guidance does not reflect additional reductions in the discretionary caps pending before the budget conference.

The attachment contains:

- discretionary budget authority and outlay levels for your agency for FYs 1996 – 1999;
- approved FTE levels for FY 1994 and FY 1995;
- aggregate FTE guidance levels for FYs 1996–1999 that are consistent with the Government-wide FTE levels established by the Federal Workforce Restructuring Act; and
- the approved level of buyouts permitted for FY 1994.

Agencies are expected to prepare FY 1996 Budget requests for discretionary budget authority and outlays and FTE employment that do not exceed the levels specified in this guidance. In addition, you should submit to OMB by June 30th updated streamlining plans that describe how your agency will meet the specified FTE levels. Instructions on how to prepare these streamlining plans are attached.

Revised guidance may be issued in July to reflect further Congressional action and other factors. In that case, agencies will be asked to adjust their budget requests accordingly. Guidance on the funding of mandatory programs may also be provided at a later date.

As noted on the FY 1996 Budget preparation schedule, initial budget submissions are due to OMB on September 9, 1994. Agency plans for FY 1995 buyouts should also be transmitted on that date.

I know that these guidance levels are very tight. Nevertheless, I know that by working together we can formulate a budget that maximizes funding for the President's priority initiatives within the limited resources available.

Attachments

STREAMLINING PLANS

In his September 11, 1993 memorandum, the President directed each agency to prepare a streamlining plan that would show how it would restructure its work force in order to achieve the work force reductions recommended by the National Performance Review. The Federal Workplace Restructuring Act of 1994 places the reduction in law by setting ceilings on Executive Branch employment for FY 1994 through FY 1999. The total FY 1999 reduction is 272,900. The Act requires OMB to monitor compliance with the ceilings, and to impose a Government-wide hiring freeze in the event that the ceilings are not met.

The Act does not impose agency-by-agency ceilings. Our goal is see that, within the statutory ceilings, agency FTE levels are aligned with program requirements and anticipated funding levels. On average, achieving the 272,900 reduction by FY 1999 means a further government-wide reduction of 8 percent from the level in the FY 1995 Budget. However, this reduction will not be applied uniformly to each agency.

Accordingly, and consistent with FY 1996-1999 planning guidance, each department and agency with more than 100 FTE should prepare an updated streamlining plan that meets the President's guidance to restructure the work force and improve customer service. Your plan should be submitted to OMB by June 30, 1994. Specific guidance on the contents of the plans follows in Attachments A - D.

Reducing the size of the work force by 272,900 is not an end in itself, but results from systems and management changes recommended by the National Performance Review to make organizations and operations more effective and responsive to their customers. We in OMB look forward to working with you and the members of the President's Management Council to achieve the President's goals.

Attachments

GUIDANCE FOR PLANS

Plans should describe, with narrative detail and supporting tables, changes in the structure and operations of the department or agency. Plans should include steps being taken to create lean structures, reduce layers of bureaucracy, flatten hierarchy, stimulate high performance practices and empower employees to serve customers with one result being fiscal saving. Plans should also reflect actions to change the composition and skill mix of the work force, including numbers of headquarters staff, changes in field structures, delayering, and reductions in numbers of NPR target populations.

Streamlining plans should:

1. Be consistent with priorities in the FY 1995 Budget and FY 1996-1999 planning guidance,

2. Be integrated with 1996 Budget submissions,

3. Explore <u>every</u> opportunity for streamlining, including simplification of administrative processes, and elimination of certain programs. Attachment B contains a listing of possible streamlining actions we would urge you to consider,

4. Project realistic work force levels. Please show, in the format illustrated in Attachment C, by year and major program, how you would allocate FTEs through FY 1999,

5. Include supporting data, in the format illustrated in Attachment D, to reflect actions which change the composition and skill mix of the work force and can be used to measure progress toward the President's streamlining goals,

6. Provide details regarding both how and when streamlining actions will occur,

7. Describe any important assumptions, obstacles to implementation, and impact (both positive and negative) on agency performance.

Attachment B

POSSIBLE STREAMLINING ACTIONS

To think about streamlining in the broadest terms, the questions below suggest tools and opportunities which may be useful. Many lend themselves to combinations with each other; others can be applied independently.

Overall --

1. Character of the plan. Is the streamlining plan characterized by:

   (a) Delegation of authority?
   (b) Decentralization?
   (c) Empowerment of employees to make decisions?
   (d) Mechanisms to hold managers and employees responsible for results and accountable for their performance?

Mission and functions --

2. Federal role. Does the plan address the roles of Federal, State and local government? Has the agency attempted to re-define which level of government should have responsibility for service delivery?

3. Mission redefinition. Can savings be made through redefinition of the mission of the organization and restructuring of the program? Are there opportunities for savings from inter-agency cooperation and re-alignments?

4. Low-priority functions. Does the plan consider eliminating operations which cannot be readily tied to agency mission or service delivery?

Staffing levels --

5. Span of control. Does the plan consider alternatives to approximately double the present span of control?

6. Attrition rates. Given today's attrition rates for the agency, are the assumptions in the plan reasonable?

7. Hiring Freeze. Does the plan restrict agencies to hiring one person for every three, four, etc. which leave the agency?

Organizational restructuring –

8. Field structure. Can the field structure be redesigned by eliminating layers or consolidating locations? The restructuring of USDA to create a Farm Service Agency and consolidate field offices is the best current example. [1]

9. Regional, area and district offices. Can regional, area, or district offices be eliminated?

10. Vertical layering. Can layers of oversight be reduced, using significantly fewer people and noticeably fewer organizational layers? Are there situations where there are two (or more) political appointees stacked within a hierarchy? Delayering might include systematically removing redundant layers, excessive controls and bottlenecks in both headquarters and field organizations. An example would be to eliminate program assistant secretary positions that layer bureau chiefs.

11. Consolidation. Are there opportunities for organizational consolidation of like or similar functions? Consolidation should be considered where headquarters, regional and district offices perform the same functions. For example, the Secretary of HUD has announced plans to change all of its regional offices into field offices directly serving the states and metropolitan areas where they are located. This streamlining effort simultaneously reduces a level of review and gets more HUD employees closer to their customers.

Management improvements –

12. Micromanagement. Does the plan address ways to reduce unnecessary controls and micromanagement which now generate "red tape" and hamper efficiency in the Federal Government?

13. Delegation and decentralization. Can central management operations be delegated to subordinate agencies/offices?

14. Unnecessary duplication. How has the agency scrubbed its functions and activities to eliminate unnecessary duplication?

---

[1] The six federal agencies with the largest total number of field offices or installations are: USDA - 16,982; HHS - 5,000; Justice - 2,342; Treasury - 2,250; Interior - 1,700; and DOT - 1,800.

Re-engineering –

15. Change current operations. Can the agency completely redesign work processes to simplify methods used to deliver quality customer services? Possibilities here include situations where levels of management (or process steps) pose significant bottlenecks in delivering service to customers.

16. Increased flexibility. Can staff be reduced by providing subordinate managers with the flexibility to develop alternative approaches to performing their missions?

17. Internal simplification. Does the plan propose specific measures to eliminate or simplify the internal administrative processes?

18. Internal regulations. Does the plan take into account the elimination of not less than 50 percent of the agency's internal management regulations that pertain to its organization, management or personnel matters.

19. Senior-level positions. Does the plan contemplate senior-level job restructurings as current incumbents retire?

Technology –

20. Information technology. Does the plan capitalize on information technology? Changes in technology historically drive shifts in structure and power, and the information revolution is no different.

Effects –

21. Benefits. Does the plan seek to realize cost savings, improve the quality of Government services, and raise the morale and productivity of the department or agency?

22. People. How does the plan deal with the employees who will be left? Does the plan provide for a means to ease transition for workers, whether they choose to stay with the government, retire, or move to the private sector? How does it address their morale? How does it deal with possible increased workloads?

Attachment C

DEPARTMENT OF XXXXXX

FTE PROFILE - FY 1993 to FY 1999

	FY 93 Base	FY 1994*	FY 1995*	FY 1996	FY 1997	FY 1998	FY 1999
Program A							
Program B							
Program C							
Program D							
TOTALS							

Agency FTE profiles should reflect the work force levels the agency plans to achieve. Agencies should define the stub for this table in ways that best illustrate their plans and the effect on priorities and programs.

(* figures in the President's FY 1995 Budget)

DEPARTMENT OF XXXXXX

FTE and STREAMLINING - FY 1993 to FY 1999

	FY 93 Base	FY 1994*	FY 1995*	FY 1996	FY 1997	FY 1998	FY 1999
FTEs							
Supervisors							
Supervisory Ratio							
Headquarters staff							
Personnel specialists							
Budget specialists							
Acquisition specialists							
Accountants & Auditors							
Organizational Layers							

Definitions:

Supervisors: Employees, including any SES, identified as a supervisor or manager in FPM letter 298-46 [Oct 26,1993] and reported in CPDF codes 1, 2, or 3.

Personnel Specialists: Employees that perform personnel functions, such as staffing, classification, position management, or labor relations. NPR counted people in the 200 series (except 204 and 205).

Budget Specialists: Employees that perform budget functions, such as program or budget development, review, or analysis. NPR counted people in the 560 and 561 series.

Accountants and Auditors: Employees that perform accounting and auditing functions, including financial and management audits. NPR counted people in the 500 series except 512, 526, 545, 560, 561, 570, 592, and 593.

Acquisition Specialists: Employees in acquisition and procurement functions. NPR counted employees in the following series: 1101,1102, 1103, 1105, 1106, 1150, and 1910.

Headquarters Staff: Anyone who works in the following functions or organizations [NOTE: This is a functional definition. Some people who work in Washington are not in headquarters and some headquarters organizations are not in Washington. For instance, regional or district offices are usually headquarters organizations.]:

- Management Headquarters and Headquarters Support Functions. Those functions and the direct support integral to their performance that are involved in the management of programs and/or operations of a department or its components.

- Management Headquarters and Headquarters Support Activities. Organizations where more than 25% of the work of the organization is involved in management or direct support functions.

  - Management. Refers to exercising oversight, direction, or control of subordinate organizations or units through: [1] developing or issuing policy guidance; [2] reviewing or evaluating program performance; [3] allocating and distributing resources; or, [4] conducting mid- or long-range planning, programming, or budgeting.

  - Direct Support. Refers to professional, technical, administrative, or logistical support that is performed in, or supplied to, a management headquarters and is essential to its operation. Direct support includes both staff support (such as providing policy or program analysis or formulating policies, plans, and programs for a management headquarters) and operating support (such as secretarial, editorial, or information technology services). Direct support does not include specific products or technical or operating services that are provided on a department-wide or component-wide basis (such as payroll services) or operating support provided by a host unit to all tenant organizations.

Sept. 7, 1994 **APPENDIX 3**

REVIEW OF SES ALLOCATIONS

Background -- 5 U.S.C. 3133 requires agencies to review their senior level positions needs biannually and to submit a written request to the Office of Personnel Management (OPM) for a specific number of Senior Executive Service (SES) positions. OPM, in consultation with OMB, is to review the agencies' requests for SES positions and authorize a specific number of SES positions for each agency for a two-year period. OPM regulations have expanded this process to include the allocation of two other groups of SES-level positions: non-managerial senior-level positions (SL) and high-level non-managerial scientific and professional positions (ST).

During the 1993 allocation process, because of the then-ongoing National Performance Review, budget uncertainty, EO 12839 reduction of 100,000 with 10% from the GS-14 and above ranks, etc., most agencies found it impossible to forecast their specific executive-level needs. In September 1993, OPM with OMB's concurrence decided to postpone issuing allocations for 1995 with the expectation that agency streamlining planning would identify positions for abolishment or restructuring. With only limited exceptions, this has not proven out. OPM reports that most agencies have asked to remain status quo at their 1994 levels.

Allocations for FY 1995 -- Before the end of September, OPM expects to consult with OMB on its recommendations for SES/SL/ST allocations for FY 1995. Agencies submitted their requests for specific numbers of these positions during the Summer. As in the past, each RMO will be asked to review OPM's recommended levels for their assigned agencies, seek additional information if needed from OPM's Executive Resources staff, and either concur with or suggest and justify an alternative to OPM's recommended level. Decisions are usually provided to the agencies in early October. The Personnel, Postal, EXOP Branch coordinates this activity and may be able to provide additional information to aid in the review.

Impact of Streamlining Plans on SES Allocations -- Restructuring the workforce in order to achieve the FTE reductions recommended by the NPR may involve any number of actions that would reduce an agency's requirements for senior-level positions. Delayering, elimination or consolidation of regional or other field structures, delegation of central management operations, streamlining of administrative processes in personnel, procurement, budget and accounting have the potential for workforce reductions at the most senior levels.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL PROCUREMENT POLICY

September 23, 1994

MEMORANDUM FOR SENIOR AGENCY PROCUREMENT EXECUTIVES
UNDER SECRETARY OF DEFENSE FOR ACQUISITION REFORM

FROM: Steven Kelman
Administrator

SUBJECT: The Procurement Workforce and Streamlining Plans

As agencies work on streamlining plans involving the 1102 and 1105 workforce, I wanted to take an opportunity to communicate my suggestions about how these efforts should proceed.

The ability to downsize based on procurement reform and the NPR delayering philsophy means that agencies should be looking aggressively at downsizing opportunities in two areas:

(1) Among those doing small purchases. The elimination of restrictions on purchases under $2500 and the spread of the purchase card will allow many purchases under $2500 to be delegqted to program offices. The rollout of electronic commerce for purchases under $100,000 over the next few years will, based on results of electronic commerce experiments, improve small purchase productivity by at least 50%. The increase in the simplified acquisition threshold to $100,000 in the procurement reform legislation will simplify somewhat purchases in the $25-100,000 range.

(2) Among supervisory, oversight, and policy staff. The philosophy of the NPR emphasizes delayering excessive levels of supervision, increasing supervisory spans of control, and reducing the number of positions involved in headquarters oversight/policy functions.

Efficiences may be possible as well in terms of the 1102 workforce buying supplies and services over $100,000. However, if your agency is one where there have been problems with insufficient resources going into contract administration, you may decide to redirect some positions into contract

administration, while making reductions elsewhere.

I would urge procurement organizations to do an analysis of positions devoted to small purchases, and to supervisory, oversight, and policy positions, and to develop overall downsizing targets based primarily on aggressive downsizing in those two areas. The standard of review is not intended to be arbitrary, but rather will focus on how thoughtful, creative, and thorough agencies have been in streamlining areas such as procurement.

PERFORMANCE INFORMATION

AND THE

FY 1996 BUDGET PROCESS

DEPARTMENT OF XXXXXXXXXXX
FY 1996 DIRECTOR'S REVIEW
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2. DISCRETIONARY PROGRAMS

   A. WALKDOWN TABLE
   B. AGENCY SUMMARY
   C. INVESTMENT PROPOSALS
   D. POTENTIAL INCREASES
   E. POTENTIAL REDUCTIONS
   F. ISSUE PAPERS (TO INCLUDE A DISCUSSION ABOUT PROGRAM PERFORMANCE)

3. MANDATORY PROGRAMS [THIS SECTION APPLIES TO SELECTED AGENCIES]

   A. SUMMARY OF MANDATORY SPENDING (INCLUDING INFORMATION ON USER FEES)
   B. ISSUE PAPERS (TO INCLUDE A DISCUSSION ABOUT PROGRAM PERFORMANCE)

4. SUMMARY OF RMO LEVEL DECISIONS NOT COVERED IN THE ISSUES

Appendix I Streamlining Plans: NPR Target Populations

9/23 DRAFT

GUIDANCE ON INCLUSION OF PERFORMANCE INFORMATION IN DIRECTOR'S REVIEW ISSUE PAPERS

I. DIRECTOR'S REVIEW

Each Director's Review issue paper will have a section discussing Performance Information.

1. Describe what is known and/or isn't known about the performance of the programs affected by the issue being raised, including:

- Program goals
- Program inputs: $, FTEs, other resources used
- Program outputs: program activities/services provided
- Program outcomes: results achieved
- Program impacts: what difference the program makes

The description may indicate that the level or quality of performance information may differ between outputs, outcomes, and impacts.

If little or nothing is known about program performance, the reasons for this should be discussed.

2. Describe the use and impact of the available performance information in the RMO formulation of recommendations for the issue.

3. Describe additional performance information that would be useful or appropriate in future assessments of the program, and what can reasonably be expected to be available in the formulation of the FY 1997 budget. Discuss whether the agency agrees with OMB's expectations for this additional information, or if it is recommended that the Director discuss this issue with the Cabinet Secretary or agency head.

SOURCES AND USES OF PERFORMANCE INFORMATION IN THE FY 1996 BUDGET PROCESS AND FUTURE YEARS

Performance information has been used in budget reviews for many years. However, FY 96 marks the beginning of an increased role for performance information in funding and other program decisions. OMB is developing a framework for organizing various performance-related initiatives to facilitate OMB's use of performance information in the budget decision-making process, and to encourage its development and use by the agencies for both budget and managerial purposes. The following discussion describes what examiners should expect -- and what is expected of them -- in using performance information.

I. PERFORMANCE INFORMATION AS PART OF THE FY 1996 BUDGET SUBMISSIONS

1. REQUESTS MADE OF AGENCIES FOR FY 1996 PERFORMANCE INFORMATION

- Circular A-11 contains sections on performance (see Appendix 2) and formal support for requesting performance information.

- August 5, 1994, memo from Acting Director to heads of agencies (see Appendix 5)

2. GENERAL GUIDANCE ON USING PERFORMANCE INFORMATION

- Agencies should be providing performance information where available. Circular A-11 establishes basis for requesting more information if desired.

  - Examiners should refrain from asking agencies to develop supplemental information unless it is needed to support major FY 96 budget decision-making. At the same time, the long-term goal of having all significant activities supported by performance information should be reinforced, and agencies should be working to expand performance information in future budget submissions.

- Performance information will be included in the discussion of issues wherever appropriate (e.g. issues related to changes in program funding levels). For Director's Review issues, an assessment of performance information is to be included.

- OMB staff should collaborate with agency staff to ensure that available and relevant performance information is included in the issue discussion. For

Director's Review issues, staff should reach out to agencies for additional information as needed.

- Decisions made at the RMO level may also be discussed at Director's Review. Divisions should be prepared to address the use of performance information in making RMO decisions.

- Passbacks to the agencies and materials prepared for the President will describe the availability and usefulness of performance information for decisions on the agency's FY 1996 budget request and will include OMB's expectations for additional performance information for FY 1997.

- The budget will include discussions of the use of performance information in budget decisionmaking and in program management. The purposes of the various performance initiatives under way are: (1) to provide the Director, the President, the Congress, and the public a clearer picture of agency goals, how the agency spends its money, and the extent to which the agency accomplishes its goals, and (2) to encourage increased returns for each tax dollar spent.

- Performance measures should be included in all new programs.

II. OTHER POTENTIAL SOURCES OF PERFORMANCE INFORMATION

1. GPRA PILOT PROJECTS FOR PERFORMANCE MEASUREMENT

- Plans contain performance goals and measures for FY 1994-95. A few may contain FY 1996 performance goals.
  - However, pilots were not sequenced to be part of budget process in FY 1996.
  - They can be useful when assessing agencies' ability to select meaningful performance measures and to collect valid information.
- Some pilot projects may overlap with budget issues, especially where an entire agency component (or a large program) is a pilot.
- As lessons are learned from GPRA pilots, the lessons should be folded into budget review process.

2. AUDITED FINANCIAL STATEMENTS

- Statements are not prepared for budget process; i.e., the statements report on past performance.
- While the statements present retrospective data, they do contain numerous measures of program performance that should be considered

in the budget review process, and in forming any assessment of an agency's capabilities to provide performance information.

- Not all programs or agencies are covered by currently available statements.

3. CUSTOMER SERVICE STANDARDS

- The NPR has recently compiled and published a description of customer service standards, which are an important measure of performance.

III. USING PERFORMANCE INFORMATION AFTER THE FY 1996 BUDGET PROCESS

1. After completing the FY 1996 Budget:
   - Followthrough on language in FY 1996 passback on future performance information for Director's issues.

2. Develop a framework for integrating and sequencing various performance-related initiatives over the long-term.
   - GPRA, expansion of CFOs Act, relevant NPR activities

3. To prepare for the GPRA-required annual performance plans (due September 1997):
   - Include instructions in allowance letters on preliminary definition and description of performance goals and measures to be submitted along with FY 1997 budget request.
   - Begin developing parameters for performance information to be presented, and descriptions of programs to be covered.

4. Establish and coordinate interagency groups for examining particular aspects of performance, with the purpose of providing information or assistance to agencies in these areas.

RESOURCES

OMB RESOURCES AVAILABLE TO OMB STAFF

1. All parts of OMB are involved with performance measures and information in the agencies. For example, agency strategic plans may articulate the nature and scope of future legislative proposals, increased managerial flexibility suggests fewer rules and controls, and projections of program activity may be based on economic or social forecasts.

2. An OMB Performance Measures Work Group assists in the development and coordination of performance measurement policies and guidance.

3. Members of the DD/M staff have experience in performance measurement. Policy and informational materials related to performance are prepared regularly. (See Appendix 2)

4. OFFM receives and coordinates the review of annual financial statements for many agencies and major programs.

   - Actual financial and program performance data for FY 92-93 and often earlier are available. Statements for FY 1994 due this Winter.

   - Statements prepared by agency's Chief Financial Officer with data provided by program officials.

5. The performance plans from the 71 designated performance measurement pilot projects under GPRA are a source of performance goals and indicators. (Some agencies are also running "internal pilots" in parallel to the designated pilots without being required to submit plans to OMB.)

   - The 71 projects cover parts of all departments and most major agencies. Performance goals prepared for FY 94-95; FY 94 plans of varying quality; FY 95 plans due September 30, 1994.

   - GPRA performance plans are to include a description of the means being used to verify and validate reported performance data.

   - Plans prepared by various agency staff or program offices.

6. Budget Structure Maps of departments and major agencies were prepared for the Budgeting for Accountability Task Force. These are available -- in print or electronically -- from Justine Rodriguez, Office of Economic Policy.

   - Each agency "map" is organized by budget subfunction, organization, and budget account -- in that sequence.

   - All of the measures of output included in the 1995 Budget, in the CFO reports, or in the Bureau of Labor Statistics Federal output and productivity measures are listed under the relevant budget account.

   - Each account also shows 1993 outlays gross and net of offsetting collections from the public and from other agencies, and FTEs gross and net of reimbursement.

7. Agency budget justifications to Congress are often a good source of performance measures.

8. OFFM and the Federal Accounting Standards Advisory Board are developing requirements and standards for:

   - Cost accounting systems to allocate and cumulate costs by activity or unit to make program comparisons easier;

   - The characteristics of program performance indicators to be included in the audited financial statements.

9. OMB reviews agency evaluations and information collection requests through the OIRA paperwork review process.

   - OIRA can provide information on the adequacy of information collection and information systems;

   - OIRA can also provide assessments of agencies' historical ability to collect performance measurement data from external sources (including the public);

   - The Information Collection Budget, which OIRA maintains and publishes each year, can identify some performance data agencies intend to collect in the future; and

   - Agency justifications for investments in information systems should be based on benefit-cost evaluations that rely on systematic measures of mission performance, including the: (a) effectiveness of program delivery, (b)

efficiency of program administration, and (c) reduction of burden imposed on the public.

10. Economic Policy has provided output measures sorted by agency, function, and budget account to all RMOs.

    - EP staff can assist in preparing input, output, outcome, and impact measures for a number of cross-cutting areas.

    - EP staff can also assist in benefit-cost analysis.

EXTERNAL RESOURCES AVAILABLE TO AGENCY AND OMB STAFF

1. Interagency groups on GPRA implementation have been established and meet periodically.

2. The General Accounting Office is dedicating a rather significant number of staff to monitoring of and assisting agencies in GPRA implementation. GAO has prepared a draft 113 page handbook for evaluating GPRA pilot programs with many sample questions that could be asked related to performance.

3. The Federal Quality Institute is assisting agencies with vision statements, strategic goal setting, and quality improvement measures.

4. OPM is required to develop and conduct training programs in strategic planning and performance measurement. This training is complemented by agency training courses

5. The National Academy of Public Administration and Brookings (among others) are conducting on-going assessments of GPRA implementation, and/or providing assistance to agencies in performance measurement, and holding discussion forums.

6. Sundry contractors and consultants are assisting agencies in various facets of GPRA implementation.

7. Through the Department of Commerce, OMB operates an electronic bulletin board which serves as a clearinghouse on GPRA guidance and performance measurement information for the agencies and the public. (Modem access by dialing 703-321-8020, or Telnet to FEDWORLD.GOV Library of files for GPRA is titled "RESULTS".)

8. Performance information is often a significant feature of program evaluations, reviews, assessments, and reports prepared by contractors, grantees, and other entities outside the agency.

9. The Bureau of Labor Statistics has reported Federal output by type and labor productivity for about two-thirds of civilian employees since 1967.

10. Circular A-130 (section 8(b)(1) contains requirements for agencies to evaluate investments in information technology based on systematic measures of mission performance.

APPENDIX 2

BIBLIOGRAPHY OF SELECTED GUIDANCE MATERIALS

1. Circular A-11, contains requirements for:

   - More performance data for key programs (section 12.3(h)

   - Additional performance information in budget justifications and Budget Appendix narrative (sections 15.1, 15.2, and 34.1)

     -- Budgeting for accountability through better identification of allocated overhead and salary and expense cost information (sections 15.2 and 34.3)
     -- Implementation of customer service plans and standards (section 12.3 (i))

2. OMB Memorandum 94-26, FY 1996 Budget planning Guidance and Use of Performance Information in the FY 1996 Budget Process

3. OMB Memorandum 94-2, Nomination of Performance Measurement Pilot Projects

   3a. Memorandum from Phil Lader to Agencies on Nomination of Pilot Projects (October 13, 1993)

4. OMB Memorandum 94-11, Designation of Performance Measurement Pilot Projects

5. OMB Memorandum 94-15, Submission of FY 1994 Performance Plans

6. Package of Excerpted Pages from 10 Exemplar FY 1994 Performance Plans (distributed July 30, 1994)

7. Memorandum from Deputy Director for Management to Chief Financial Officers on Financial Statements and Performance Measures (February 5, 1992)

8. Report on Common Measures for Use in Preparing Agency Financial Statements (July 13, 1992)

9. Data base of program performance measures (kept by OFFM) being considered by agencies for inclusion in their audited financial statements. (These preliminary lists were subject to only a limited review by OMB; there's no certainty that any one measure is relevant or useful, but these are some examples of types of measures.)

FY 96 IN CONTEXT: INCREASING EMPHASIS AND EXPANSION OF PERFORMANCE INITIATIVES IN OUT-YEARS

A. Performance Initiatives Related to the FY 1996 Budget Review

1. GPRA Pilot Projects for Performance Measurement. (See also Appendix 1)

2. Annual Financial Statements (CFOs Act) (See also Appendix 1)

   - Statements contain both financial and program performance measures and will be expanded in the future to cover all programs in all departments and nine of the major agencies.

   - Annual financial statements provide for audit of performance data, through review of underlying data base, and in future years to independent testing of reporting data.

3. Customer Service Standards (EO 12839 requirements)

   - Agency standards published September 20, 1994.

   - Standards often being prepared by agency quality improvement or personnel offices

4. Performance Agreements

   - Limited number of agreements already signed between President and agency head. Performance-related content varies as to relevance to FY 1996 budget priorities.

   - Several agencies are already cascading agreements to lower tiers of senior officials.

   - Agreements largely developed by Secretarial staff offices.

5. Streamlining

   - Improve service delivery while reducing FTEs and costs.

   - Streamlining plans prepared by Chief Operating Officers

B. GPRA Implementation Summary

1. Now through FY96: Performance measurement pilot project phase, including managerial flexibility pilots.

2. Now through FY97: Agency performance measurement to establish baselines and trend data so that measurable performance goals (targets) are included in the FY 1999 performance plan.

3. Now through FY97: Development of strategic plans with mission statements, program and policy goals, key external factors likely to affect performance.

4. For FY 97: Initial instructions for lists of performance goals may be conveyed in February 1995 allowance letters, followed by more detailed instructions in Circular A-11 in July

5. With FY 97 budget request: draft performance goals (measures) covering a significant percentage of an agency's total program funds

6. With FY 98 budget request: draft performance goals (measures) covering all of an agency's program funds

7. With FY 99 budget request: agencies submit annual performance plans; second year of performance budgeting pilots, with performance budgeting as an alternative presentation in the President's budget

APPENDIX 4

PRIMER ON PERFORMANCE MEASUREMENT

This "primer" defines several performance measurement terms, outlines areas or functions where performance measurement may be difficult, and provides examples of different types of performance measures.

1. Definition of Terms

No standard definitions currently exist. In this primer, the definitions of output and outcome measures are those set out in GPRA. Input measures and impact measures are not defined in GPRA. As GPRA is directed at establishing performance goals and targets, the definitions are prospective in nature. Variations or divisions of these definitions can be found in other Federal programs as well as non-Federal measurement taxonomies. For example, a measurement effort which retrospectively reports on performance might define "input" as resources consumed, rather than resources available. The nomenclature of measures cannot be rigidly applied; one agency's output measure (e.g., products produced) could be another agency's input measure (e.g., products received).

OUTCOME MEASURE

GPRA Definition: An assessment of the results of a program compared to its intended purpose.

Characteristics

- Outcome measurement cannot be done until the results expected from a program or activity have been first defined. As such, an outcome is a statement of basic expectations, often grounded in a statute, directive, or other document. (In GPRA, the required strategic plan would be a primary means of defining or identifying expected outcomes.)

- Outcome measurement also cannot be done until a program (of fixed duration) is completed, or until a program (which is continuing indefinitely) has reached a point of maturity or steady state operations.

- While the preferred measure, outcomes are often not susceptible to annual measurement. (For example, an outcome goal setting a target of by 2005, collecting 94 percent of all income taxes annually owed cannot be measured, as an outcome, until that year.) Also, managers are more likely to primarily manage against outputs rather than outcomes.

OUTPUT MEASURE

GPRA Definition: A tabulation, calculation, or recording of activity or effort that can be expressed in a quantitative or qualitative manner.

Characteristics:

- The GPRA definition of output measure is very broad, covering all performance measures except input, outcome or impact measures. Thus it covers output, per se, as well as other measures.
  - Strictly defined, output is the goods and services produced by a program or organization and provided to the public or to other programs or organizations.
  - Other measures include process measures (e.g., paperflow, consultation), attribute measures (e.g., timeliness, accuracy, customer satisfaction), and measures of efficiency or effectiveness.
  - Output may be measured either as the total quantity of a good or service produced, or may be limited to those goods or services with certain attributes (e.g., number of timely and accurate benefit payments).

- Some output measures are developed and used independent of any outcome measure.

- All outputs can be measured annually or more frequently. The number of output measures will generally exceed the number of outcome measures.

- In GPRA, both outcome and output measures are set out as performance goals or performance indicators.
  - GPRA defines a ***performance goal*** as a target level of performance expressed as a tangible, measurable objective, against which actual performance can be compared, including a goal expressed as a quantitative standard, value, or rate.
    e.g., A goal might be stated as "Improve maternal and child health on tribal reservations to meet 95 percent of the national standards for healthy mothers and children by 1998". (Note that this goal would rely on performance indicators (see below) to be measured effectively.)

  - GPRA defines a ***performance indicator*** as a particular value or characteristic used to measure output or outcome.
    e.g., Indicators for the maternal and child health goal above might include morbidity and mortality rates for this population cohort, median infant birth weights, percentages of tribal children receiving full immunization shot series, frequency of pediatric checkups, etc.

  - Performance goals that are self-measuring do not require separate indicators.
    e.g., A performance goal stating that the FAA would staff 300 airport control towers on a 24 hour basis in FY 1996.

IMPACT MEASURE

Definition: These are measures of the direct or indirect effects or consequences resulting from achieving program goals. An example of an impact is the comparison of actual program outcomes with estimates of the outcomes that would have occurred in the absence of the program.

Characteristics:

- Measuring program impact often is done by comparing program outcomes with estimates of the outcomes that would have occurred in the absence of the program.
  - One example of measuring direct impact is to compare the outcome for a randomly assigned group receiving a service with the outcome for a randomly assigned group not receiving the service.

- If the impacts are central to the purpose of a program, these effects may be stated or included in the outcome measure itself.
  - Impacts can be indirect, and some impacts are often factored into cost-benefit analyses. An outcome goal might be to complete construction of a large dam; the impact of the completed dam might be reduced incidence of damaging floods, additional acreage converted to agricultural use, and increased storage of clean water supplies, etc.

- The measurement of impact is generally done through special comparison-type studies, and not simply by using data regularly collected through program information systems.

INPUT MEASURE

Definition: Measures of what an agency or manager has available to carry out the program or activity: i.e., achieve an outcome or output. These can include: employees (FTE), funding, equipment or facilities, supplies on hand, goods or services received, work processes or rules. When calculating efficiency, input is defined as the resources ***used***.

Characteristics:

- Inputs used to produce particular outputs may be identified through cost accounting. In a less detailed correlation, significant input costs can be associated with outputs by charging them to the appropriate program budget account.

- Often, a physical or human resource base (e.g., land acreage, square footage of owned buildings, number of enrollees) at the start of the measurement period is characterized as an input.
  - Changes to the resource base (e.g., purchase of additional land) or actions taken with respect to the resource base (e.g., modernize x square footage, convert y enrollees to a different plan) are classified as outputs or outcomes.

AN EXAMPLE OF OUTCOME, OUTPUT, IMPACT, AND INPUT MEASURES FOR A HYPOTHETICAL DISEASE ERADICATION PROGRAM:

Outcome: Completely eradicate tropical spastic paraparesis (which is a real disease transmitted by human-to-human contact) by 2005

Outputs: 1.) Confine incidence in 1996 to only three countries in South America, and no more than 5,000 reported cases. (Some would characterize this step toward eradication as an intermediate outcome.)

2.) Complete vaccination against this retrovirus in 84 percent of the Western hemispheric population by December 1995.

Inputs: 1.) 17 million doses of vaccine

2.) 150 health professionals

3.) $30 million in FY 1996 appropriations

Impact: Eliminate a disease that affects 1 in every 1,000 people living in infested areas, which is progressively and completing disabling, and with annual treatment costs of $1,600 per case.

AN EXAMPLE OF OUTCOME, OUTPUT, IMPACT, AND INPUT MEASURES FOR A JOB TRAINING PROGRAM:

Outcome: 40 percent of welfare recipients receiving job training are employed three months after receiving job training.

Output: Annually provide job training and job search assistance to 1 million welfare recipients within two months of their initial receipt of welfare assistance.

Input: $300 million in appropriations

Impact: Job training increases the employment rate of welfare recipients from 30 percent (the employment level of comparable welfare recipients who did not receive job training) to 40 percent (the employment rate of those welfare recipients who did receive job training).

II. Complexities of Measurement

FUNCTIONAL AREAS. Some types of programs or activities are particularly difficult to measure.

- **Basic Research**, because often:
  - likely outcomes are not calculable (can't be quantified) in advance;
  - knowledge gained is not always of immediate value or application
  - results are more serendipitous than predictable;
  - there is a high percentage of negative determinations or findings;
  - the unknown cannot be measured.
  - (Applied research, applied technology, or the "D" in R&D is more readily measurable because it usually is directed toward a specific goal or end.)

- **Foreign Affairs**, especially for outcomes, to the extent that:
  - the leaders and electorate of other nations properly act in their own national interest, which may differ from those of the United States (e.g., Free Territory of Memel does not agree with US policy goal of reducing US annual trade deficit with Memel to $1 billion);

- US objectives are stated as policy principles, recognizing the impracticality of their universal achievement;
- goal achievement relies mainly on actions by other countries (e.g., by 1999, Mayaland will reduce the volume of illegal opiates being transhipped through Mayaland to the US by 65 percent from current levels of 1250 metric tons).

- **Policy Advice**, because often:
  - it is difficult to calculate the quality or value of the advice;
  - advice consists of presenting competing views by different parties with different perspectives;
  - policy advice may be at odds with the practicalities of political advice.

- **Block Grants**, to the extent that:
  - funds are not targeted to particular programs or purposes;
  - the recipient has great latitude or choice in how the money will be spent;
  - there is little reporting on what the funds were used for or what was accomplished.

<u>By Type of Measure</u>. Some measures are harder to measure than others. Some of the difficulties include:

- **For outcome, output, and impact measures**
  - Direct Federal accountability is lessened because non-Federal parties (other than those under a procurement contract) are responsible for the administration or operation of the program.
  - The magnitude and/or intrusiveness of performance reporting burden.
  - The nature and extent of performance validation or verification requires a substantial effort.
  - Individual accountability or responsibility is diffuse.

- **For outcome measures**
  - Timetable or dates for achievement may be sporadic.
  - Achievement often lags by several years or more after the funds are spent.
  - Results frequently are not immediately evident, and can be determined only through a formal program evaluation.
  - Accomplishment is interrupted because of intervening factors, changes in priorities, etc.
  - Changing basepoints can impede achievement (e.g., recalculation of eligible beneficiaries).
  - Achievement depends on a major change in public behavior.
  - The outcome is for a cross-agency program or policy, and assigning relative contributions or responsibilities to individual agencies is a complex undertaking.

- **For output measures**
  - Equal-appearing outputs are not always equal (e.g., the time and cost of overhauling one type of jet engine can be very different from another type of jet engine).
  - It may be difficult to weight outputs to allow different (but similar appearing) outputs to be combined in a larger aggregate.
  - Many efficiency and effectiveness measures depend on agencies having cost accounting systems and capability to allocate and cumulate costs on a unit basis.

- **For impact measures**
  - Impacts are often difficult to measure.
  - A large number of other variables or factors contribute to or affect the impact, and which can be difficult to separate out when determining causality.
  - Federal funding or Federal program efforts are of secondary or even more marginal significance to the achieved outcome.
  - Determining the impact can be very expensive, and not commensurate with the value received from a policy or political standpoint.
  - Holding a manager accountable for impacts can be a formidable challenge.

- **For input measures**
  - The measurement itself should not be complicated, but the alignment of inputs with outputs can be difficult.

III. Emphasized Measures in GPRA

A. GPRA emphasizes the use and reporting of performance measures that managers use to manage. There are several reasons for this emphasis:

- GPRA increases the accountability of managers for producing results.

- Underscoring that these measures are central to an agency's capacity and approach for administering programs and conducting operations, and, because of this, the amount of additional resources to develop and improve performance measurement and reporting systems should be rather limited.
  - -- The conundrum is that agencies requesting large amounts of additional resources would be conceding either that their programs were not being managed, or were being managed using an inappropriate or poor set of measures.

B. As output measures are more readily and easily developed than outcome measures, more of these are expected initially in the GPRA-required performance plans, but agencies should move toward increasing the number and quality of outcome measures.

IV. *Selected Examples of Various Types of Performance Measures*

Please Note: For the purpose of these examples:

- Some of the outcome measures are much more narrowly defined than would otherwise be appropriate or expected.
- Some of the outcome measures are not inherently measurable, and would require use of supplementary performance indicators to set specific performance targets and determine whether these were achieved.
- Some measures include several aspects of performance. Italics are used to feature the particular characteristic of that example.
- Many of the examples of output measures are process or attribute measures.

Workload (Not otherwise categorized)

Output: Annually *inspect* 3200 grain elevators.

Outcome: Through *periodic* grain elevator *inspection*, reduce the incidence of grain dust explosions resulting in catastrophic loss or fatalities to zero.

Production

Output: *Manufacture and deliver* 35,000 rounds of armor-piercing 120mm projectiles shells in FY 1997.

Outcome: *Produce sufficient* 120 mm armor-piercing *projectiles* to achieve a 60 day combat use supply level by 1999 for all Army and Marine Corps tank battalions.

Transactions

Output: *Process* 3.75 million payment *vouchers* in FY 1995.

Outcome: *Ensure* that 99.25 percent of *payment vouchers are paid* within 30 days of receipt.

Records

Output: *Update* earnings *records* for 45 million employee contributors to Social Security Trust Fund.

Outcome: *Ensure* that all earnings *records are posted and current* within 60 days of the end of the previous quarter.

Utilization rates

Output: *Operate* all tactical fighter aircraft simulator training *facilities at not less than 85 percent of rated capacity.*

Outcome: *Ensure* that all active duty tactical fighter aircraft *pilots* are fully qualified having *received a minimum of 32 hours of simulator training* and flown 400 hours in the previous 12 months.

Frequency rates

Output: *Issue* 90 day national temperature and precipitation forecasts *every six weeks.*

Outcome: *Provide* users of meteorological forecasts with *advance information sufficiently updated to be useful* for agricultural, utility, and transportation planning.

Timeliness

Response times

Output: Adjudicative *decision* on all claim disallowances will be *made within 120 days* of appeal hearings.

Outcome: *Provide* every claimant with *timely* dispositive *determination* on claims filed.

Adherence to schedule

Output: *Operate* 95 percent of all passenger trains *within 10 minutes of scheduled arrival times.*

Outcome: *Provide* rail *passengers* with reliable and *predictable* train *service.*

Out-of-service conditions

Output: All Corps of Engineer *locks* on river basin x shall be *operational during at least 22 of every consecutive 24 hours.*

Outcome: *Ensure no significant delays* in traffic transiting through river basin x.

Defect rates

Output: *Not more than 1.25 percent* of 120 mm armorpiercing projectiles shall be *rejected as defective.*

Outcome: *No armor-piercing ammunition projectiles* fired in combat *shall fail to explode* on impact.

Mean Failure rates

Output: *Premature* space Shuttle main engine *shutdown shall not occur more than once in every 200 flight cycles.*

Outcome: Space Shuttle shall be maintained and operated so that *99.95 percent of all flights safely reach orbit.*

Accuracy

Output: The *position of 300,000 navigational buoys shall be checked monthly.*

Outcome: *All navigational buoys shall be maintained within 5 meters of the charted position.*

Inventory fill

Output: *Store* a minimum of 3.5 million barrels of *petroleum* stock.

Outcome: Petroleum *stocks* shall be maintained at a level sufficient to *provide a 60 day supply* at normal daily drawdown.

Complaints

Output: Not more than *2.5 percent* of individuals seeking information *will subsequently re-request* the same information *because the initial response was unsatisfactory.*

Outcome: *99 percent* of all requests for information *will be satisfactorily handled with the initial response.*

Customer Satisfaction Levels (Output and outcome measures may often be indistinguishable.)

Output: *In 1998*, at least *75 percent* of individuals receiving a service *will rate the service delivery as good to excellent.*

Outcome: At least *90 percent* of recipients will *rate the service delivery* as good to excellent.

Efficiency

Output: Annual transaction costs/production costs/delivery of service costs projected on a per unit basis. *Produce* 35,000 rounds of armor-piercing *ammunition at a cost of $17.75 per round.*

Outcome: (Not commonly measured as an outcome.)

Milestone and activity schedules

Output: *Complete 85 percent of required flight-worthiness testing* for Z-2000 bomber *by July 30, 1999.*

Outcome: The Z-2000 *bomber* will be flight-certified and *operational by December 1, 2000.*

Design Specifications

Output: Imaging *cameras* on Generation X observational satellite will have *resolution of 0.1 arc second.*

Outcome: Generation X observational satellite will successfully map 100 percent terrain of six Jovian moons to a resolution of 100 meters.

Status of conditions

Output: In 1995, *repair and maintain 1,400 pavement miles* of Federally-owned highways *to a rating of "good".*

Outcome: By 2000, *35 percent of all Federally-owned highway pavement miles* shall be *rated as* being in *good condition.*

Percentage coverage

Output: Provide *doses of vaccine to 27,000 pre-school children* living on tribal reservations.

Outcome: *100 percent* of children living on tribal reservations will be *fully immunized* before beginning school.

Effectiveness

Output: *Not more than 7,000 in-patients* in military hospitals will be readmitted, post discharge, for further treatment of the same diagnosed illness at the time of initial admission.

Outcome: *Initial treatment* will be therapeutically *successful for 85 percent* of all hospital admissions.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

APPENDIX 5

THE DIRECTOR

August 5, 1994

M-94-26

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Alice M. Rivlin
Acting Director

SUBJECT: FY 1996 Budget Planning Guidance and the Use of Performance Information in the FY 1996 Budget Process

Planning Guidance

In his memorandum of April 21st providing preliminary planning guidance for the FY 1996 Budget for your agency, Leon Panetta stated that revised guidance may be issued to reflect further Congressional action and other factors. After reviewing the status of Congressional action on FY 1995 appropriations to date, we have decided that the April planning guidance will not be revised. The final outcome of the FY 1995 appropriations bills is still too uncertain to forecast accurately the impact of these bills on the FY 1996 guidance levels.

As a result, agencies should submit by September 9th, FY 1996 Budget requests for discretionary budget authority and FTE employment that do not exceed the levels specified in the April 21st guidance. Agency plans for FY 1995 buyouts should also be submitted on September 9th. As Congress completes action on the FY 1995 appropriations bills, we will work with you to ensure that your submissions and our analysis of them accurately reflect Congressional action.

We expect rapid Congressional action on the pending Crime Bill. As you know, the Crime Bill contains funding for a "Violent Crime Reduction Trust Fund." While most of this funding will be designated for Department of Justice programs, some will also be designated for programs in other departments. Your FY 1996 Budget requests should clearly indicate requested funding from this source; however, only programs authorized in the Crime Bill will be considered for funding from the Crime Fund.

We are committed to formulating a budget that funds the President's priorities. To do so while remaining within the Budget Enforcement Act discretionary spending limits will require extra effort. I look forward to working with you on this task.

Performance Information

OMB recently revised Circular A-11, which provides guidance to agencies on their submissions for the FY 1996 Budget. This year's A-11 gives special emphasis to the goal of increasing the use of information on program performance, or what programs are actually achieving. Although performance measurement is not a new subject for the government's budget and program analysts, we at OMB will be giving it much more attention than in the past in part because of the following:

- The Government Performance and Results Act requires expanded use of performance measurement information. Specifically, strategic planning and performance targeting is required from all agencies by FY 1999.

- The tough resource constraints in the Budget Enforcement Act, and the urgent need to reduce the budget deficit to increase national savings while simultaneously increasing public investment, puts a premium on finding effective government programs and improving or terminating programs that are ineffective.

For this year's review of agency budget requests, I am instructing OMB analysts to use performance information to inform or influence decisions whenever possible. With regards to one particular A-11 requirement, that agencies identify performance goals and indicators that are useful in making decisions for key programs, I believe it is important enough to warrant a meeting between OMB staff and agency budget officers. OMB staff will set up this meeting soon to discuss this and other topics related to performance information for the FY 1996 budget.

Effective government is important to all Americans, and especially important to this Administration. Building on the start that is made this year, future budgets will give increasing attention to program performance measurement. With your participation and encouragement, the use of program performance measurement can help us get more out of each program dollar.