



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

THE DIRECTOR

September 14, 1995

M-95-19

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND INDEPENDENT AGENCIES

FROM: ALICE M. RIVLIN
Director

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SUBJECT: Strategic Plans, Budget Formulation and Execution

The issuance of strategic planning guidance signals both the beginning of government-wide implementation of the Government Performance and Results Act (GPRA) and the start of several major initiatives to recast current budget and management processes. The guidance, which is being sent separately to your agency as a new Part 2 to OMB Circular A-11, provides details on the preparation and submission of agency strategic plans to OMB and Congress as required by GPRA. This memorandum outlines the forthcoming initiatives, and the role of strategic planning.

Strategic Plans There is no more important element in performance-based management than strategic plans. These plans set the agency's strategic course, its overall programmatic and policy goals, and describe how these goals will be achieved.

Development of a strategic plan should not be a stand-alone exercise, nor should it 'reinvent the wheel'. To the extent practicable and appropriate, agencies should incorporate policies and information produced by other planning-related efforts. Agencies are also expected to use strategic plans as a means for unifying various performance initiatives (e.g., performance agreements, customer service standards, and performance partnerships) into an integrated effort.

Agencies should take care that a strategic plan is grounded in reality. The constraints placed on Federal budgetary resources will undoubtedly be severe in the future. A plan based on speculative estimates of funding and staff will likely contain distorted and unachievable goals.

Performance Information In an era of tight budgets and fewer personnel, every dollar counts more than ever. Agencies must strive to do more programmatically while spending less. We must become as attentive to what programs seek to accomplish and actually achieve as we now are about the budget levels for these programs.

Reflecting this shift to a wider focus are the recent OMB requests for more information about program performance. The initial effort during the FY 1996 budget process was followed by this Spring's performance review of many key programs. Agency FY 1997 budget requests will contain significantly greater amounts of useful performance information, and help define both funding levels and projected program results.

There will be calls for a further increase in performance information as part of the FY 1998 budget process. The FY 1998 budget process will set the stage for the required government-wide implementation of GPRA beginning with FY 1999. In this regard, agencies will be asked next year to provide OMB with selected parts of strategic plans, even if the plans are still in development. The parts may include the mission statement, general goals and objectives, and a description of the performance measures to be used to achieve general goals. These parts will be used by OMB in developing the FY 1998 President's Budget, or may be featured in performance agreements between the President and the agency head. This potential early use of strategic planning information underscores the need for agencies to start preparing these plans as soon as possible.

Circular A-11 OMB Circular No. A-11 conveys the basic instructions for preparing the President's Budget. By issuing the strategic planning guidance as a new part of A-11, we are underscoring the importance of these plans in defining what we seek to accomplish, and the means and resources to bring about these accomplishments.

Part 2 is the first step in a larger effort to link various GPRA requirements to the budget process. Subsequent guidance (which could be a part of Circular A-11, or issued using other means) will cover the preparation and submission of the annual performance plans and annual program performance reports required by GPRA, as well as their relationship to the budget.

Integration Before developing additional guidance, OMB is undertaking a comprehensive study of the feasibility of consolidating various planning and reporting requirements, and more closely integrating these with budget formulation and execution. The plans and reports under study include those required by GPRA, the Chief Financial Officers Act, the Government Management Reform Act, the Federal Managers' Financial Integrity Act, the Inspector General Act, the Federal Acquisition

Streamlining Act, and the Paperwork Reduction Act. The study also covers various performance-related initiatives based on National Performance Review recommendations, such as performance agreements and customer service standards.

The study will focus on ways to integrate budget formulation and performance-specific initiatives; eliminate duplicative work; and obtain better and more useful information for decision-making. As this study proceeds, OMB staff will be seeking agency ideas and views on the integration proposals. We look forward to a close collaboration as we develop an integration framework that works and makes sense.

Timing and Structure of Summer Review

The Summer Review will be conducted in July. The review will focus on the adequacy, relevance, and appropriateness of the mission statement and the general goals and objectives, and consistency with the specifications for these plan elements as set out in Part 2 of Circular No. A.11. Additionally, the general goals and objectives will be reviewed for how well these prospectively match to the performance goals that would be proposed for the annual performance plan.

The Summer Review will feature joint discussions with the agency on plan content, and the schedule for plan completion and submission. For cross-cutting programs and functions, particularly where coordination issues may exist, discussions may simultaneously involve several agencies.

Following Summer Review, agencies may quickly need to make appropriate changes to the plan, particularly to the general goals and objectives. These general goals and objectives serve as the foundation for the proposed performance goals and indicators which will be the focus of the Fall Preview.

B. Fall Preview on Performance Information

Performance Goals and Indicators in General

GPRA requires agencies to submit annual performance plans to OMB starting with the annual plan for FY 1999. The key feature of these plans are specific, measurable performance goals and indicators for FY 1999 for an agency's major programs and activities. The first annual plan will be due to OMB in September 1997, concurrent with transmittal of the agency FY 1999 budget requests. OMB has not yet prepared specific guidance to the agencies on the preparation and submission of the FY 1999 plans.

Performance Goal Information to be Provided OMB

Agencies will provide descriptions of the performance goals and indicators the agency proposes to include in its performance plan for FY 1999. These descriptions should be sufficiently specific to allow for a determination to be made as to usefulness and value in measuring program performance.

Specific performance values, e.g., quantified target levels, for FY 1999 need not be provided as part of the description. In some instances, the performance goals may be milestone or schedule dates, or target levels already set. In these cases, the related FY adequacy, whether the proposed goals and indicators suffice, the following parts of their strategic plan(s), even if some or all of the material is in the draft or developmental stage:

- The comprehensive mission statement
- A description of the general goals and objectives

A. Summer Review on Performance

Strategic Plans in General

GPRA requires agencies to submit strategic plans to OMB and Congress by September 30, 1997. Part 2 to OMB Circular No. A-11 (September 14, 1995) provides guidance to the agencies on the preparation and submission of these plans.

Strategic Plan Material to be Provided OMB

Agencies will provide the following parts of their strategic plan(s), even if some or all of the material is in the draft or developmental stage:

- The comprehensive mission statement
- A description of the general goals and objectives
- A description of the relationship between the general goals and objectives and the performance goals that will be proposed for the annual performance plan.

The material provided should encompass all the major functions and operations that the agency intends to cover in its strategic plan(s).

For agencies that are proposing goals and objectives for cross-cutting programs or functions, these goals and objectives should be identified as well as a brief description of any coordination or consultation with other agencies that share a responsibility or role in the cross-cutting program or function.

Agencies with plans that are further developed or nearly done, i.e., the plan already includes other GPRA-required elements such as external factors, are encouraged to provide a copy of the plan will all completed parts.

Agencies Lacking Requested Material

Agencies which have yet to define, even in a preliminary way, their mission statement or general goals and objectives, must provide a date for completing a draft of these two parts. These agencies must also describe the status of the their strategic planning effort and the overall schedule for completing their plan.

Problems or Issues

With the provided material, agencies may also describe any significant problems or issues they have encountered in the course of developing the plan.

Due Date for Material

The requested strategic plan information should be provided to your cognizant RMO branch(es) by COB June 7, 1996.



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

THE DIRECTOR

September 23, 1994

M-94-32

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

FROM: Alice M. Rivlin *AMR*
Acting Director

SUBJECT: Submission of FY 1995 Performance Plans for Pilot
Projects under P.L. 103-62, the Government
Performance and Results Act of 1993 (GPRA)

Over the course of this year, OMB has designated 27 departments and agencies as pilot projects for performance measurement. These designations cover 71 individual pilot projects. As a pilot, each department and agency is to prepare a FY 1995 performance plan for the programs and activities covered by these designations.

To assist your staff in developing these plans, 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. For the most part, the attachments are similar to those provided the agencies for use in developing the FY 1994 plans.

These attachments complement material provided to the agencies, including an overall assessment of the FY 1994 plans, a package of excerpted pages from ten exemplar plans, and individual critiques of the FY 1994 plans.

The pilot projects are helping lead the way as we increase our use of performance information in managing our programs better and allocating our resources wisely. I very much appreciate your agency's participation in this phase of GPRA implementation, and the foundation it is building toward a more effective government.

If you have any questions on the pilot project performance plans, please call Walter Groszyk at (202) 395-6824 (or through an Internet message to groszyk_w@al.eop.gov).

Attachments

bcc:

Official file (rm. 10235)

Deputy Director for Management (2)

HR. Chron

J. Arthur

DO Records

B. Damus

HR: W Groszyk (C:\zeus\trnsmt75 9/13/94)

**SUBMISSION OF PILOT PROJECT
PERFORMANCE PLANS FOR FY 1995**

Submission Date

So that submission of the performance plan precedes the start of the measurement period (FY 1995), the plan should be sent to OMB by September 30, 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 or 1994 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:

- o Goals and indicators should primarily be those used by program managers to determine how well a program or activity is doing in achieving its intended objectives.
- o Include measures that will be useful to agency heads and other stakeholders in framing an assessment of what the program or activity is accomplishing. (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.)

Time-period Covered

The performance plan for fiscal year 1995 covers a 12 month period beginning on October 1, 1994 and ending on September 30, 1995. The measurement of actual performance compared to the target levels established in the performance goals and indicators should generally coincide with this 12 month period. (See also question 3 in attachment 2 on lags in obtaining actual performance data.)

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 a "Program by activities" listing because it is embedded 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. (Agencies believing that the "Program by activities" listing should be revised to display better the GPRA performance goals can request changes to these listings. See Section 11.6 (c) of OMB Circular A-11.) 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

Quantifiable measures are preferred because of their objective nature. However, 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. GPRA defines one alternative form as containing separate descriptive statements of (1) a minimally effective program, and (2) a successful program with sufficient precision and in such terms

that allow for an accurate, independent determination of whether the program's performance met the criteria of the description. Pilot project agencies may use this alternative form and include it in the FY 1995 performance plans, without advance OMB authorization.

GPRA also permits an agency to propose its own alternative form, provided that this form also is a description stated with sufficient precision and in such terms that would allow an accurate, independent determination to be made of whether the program's performance met the criteria of the description. There is no advance OMB authorization for an individualized alternative form. Pilot project agencies proposing to use an individualized alternative form should include this in the submitted plan. OMB authorization for the use of an individualized alternative form will be provided after its review of the submitted plan.

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 1995 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.)

**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 1995 performance plans, should agencies expect to revise these FY 1995 plans based on this review?**
- A2.** Requested revisions of the FY 1995 performance plans will generally be confined to those plans where measurement of performance appears to be infeasible because of the lack of sufficient goals or indicators for accomplishing such. In these cases, OMB may request the agency to revise and re-submit its FY 1995 plan. (See also question 8 on withdrawing pilot project designations.) Repeating a process begun with the FY 1994 plans, OMB will review and provide a critique of the FY 1995 plans to agencies for use in preparing the FY 1996 performance plans. The present schedule calls for the FY 1996 plans to be sent to OMB in February 1995. As the FY 1996 plans are submitted some months before the start of the fiscal year, the more likely prospect is for revisions to be requested in the FY 1996 plans.
- Q3. May an agency include a performance goal for which it will be unable to measure actual performance against that goal during the fiscal year 1995 time-period?**
- 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 1995, approximately when the actual performance data for the October 1994/September 1995 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 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 initial performance plans will be uneven. An agency's self-appraisal of limitations in its FY 1995 plan and an indication of how the FY 1996 performance plan (or the FY 1999 plan) will likely be changed will assist OMB significantly in its review and critique of the FY 1995 plans.
- Q7.** How should the performance plans address changes in performance expected to occur as a result of waivers of administrative requirements given as part of a managerial accountability and flexibility pilot project?
- A7.** This will be a matter of agency choice. There is insufficient time between the submission date for the FY 1995 performance plans and the approval of waiver requests for the managerial flexibility pilots to require that the effect(s) of these waivers be reflected in the FY 1995

plans. A performance measurement pilot project also intending to become a managerial flexibility pilot has three options for addressing the anticipated changes in performance:

(1) include the expected changes in performance in the submitted FY 1995 performance plan. (This might be done by displaying the performance levels with and without a waiver.)

(2) rely on the information provided in support of the waiver request as part of the managerial flexibility pilot project nomination. (OMB would subsequently append this information to the performance plan.)

(3) amend the FY 1995 performance plan at a future date to reflect the approved flexibility waivers.

Q8. Can the designation of a pilot project end before FY 1997?

A8. Yes. While GPRA has no specific procedure to annul a designation, the number of designated agencies substantially exceed the ten required by the statute. Thus, OMB will consider withdrawing the designation of a pilot project that: (a) is unable to meet the GPRA requirement that a strategic plan be used in preparing the performance plan for at least one of the years of the pilot project; or, (b) is experiencing major difficulties in establishing and expressing performance goals in its plan, and is unlikely to overcome these difficulties in either its FY 1995 or FY 1996 plans.

An agency seeking to withdraw the designation of a pilot project need not submit a performance plan for FY 1995 for the pilot project. A withdrawal request should be sent to OMB by September 30, 1994. Agencies considering withdrawal should discuss this in advance with the cognizant OMB program division staff. OMB may also initiate discussions with an agency on a possible withdrawal based on its review of the FY 1994 and/or FY 1995 plans.



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

THE DIRECTOR

October 20, 1994

M-95-01

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

FROM: Alice M. Rivlin *AMR*
Director

SUBJECT: Submission of Nominations for Managerial
Accountability and Flexibility Pilot Projects
under the Government Performance and Results Act

The Government Performance and Results Act of 1993 (P.L. 103-62) calls for the designation of at least five executive departments and agencies as pilot projects for managerial accountability and flexibility. Under the Act, these pilot projects must be selected from the set of designated performance measurement pilot projects.

These pilot projects involve waiving administrative requirements and controls to give managers greater flexibility and discretion when managing in return for their greater accountability for achieving program results and improving performance. The waivers are for requirements and controls to which your agency is subject, and that are prescribed by another Federal agency. The concept of paralleling more managerial flexibility with greater accountability is a key facet of GPRA, and can be critical to the successful implementation of this Act.

This memorandum has four attachments containing information on the submission of pilot project nominations, and the designation process. Attachment 1 covers the contents of a nomination; Attachment 2 describes the information that should be provided with each requested waiver; Attachment 3 outlines the review and approval of waivers; and Attachment 4 is a set of explanatory questions and answers regarding these pilots.

Nomination Date

Nominations should be sent to OMB by November 16, 1994.

Information on Candidate Areas for Waivers

Concurrent with this memorandum, your agency is being sent (under separate cover) information on requirements and controls that the four main establishing agencies would consider waiving. (These agencies are the Department of the Treasury's Financial Management Service, GSA, OMB, and OPM.) This information also identifies requirements that would not be waived. By providing this information, we hope that agencies will be better able to

target waivers they could pursue, and minimize the time and effort spent on seeking waivers which are unlikely to be given.

If you have any questions on the pilot projects for managerial accountability and flexibility, please call Walter Groszyk at (202) 395-6824 (or through an Internet message to groszyk_w@al.eop.gov).

Attachments

**NOMINATIONS OF PILOT PROJECTS
FOR MANAGERIAL ACCOUNTABILITY AND FLEXIBILITY
UNDER THE GOVERNMENT PERFORMANCE AND RESULTS ACT (GPRA)**

There is no specific format to be used in submitting a proposal requesting designation as a managerial accountability and flexibility pilot project. The nomination request should be signed by the head of the executive department or agency.

A proposal should cover the following areas:

- (1) An identification of the agency component(s), program(s), or activities that would form the pilot project, and to which the waiver(s) would apply. These may be either the same component(s), program(s), or activities covered by the performance measurement pilot project, or a part of those component(s), program(s), and activities. (See also question 3 in Attachment 4.)
- (2) A list of all the requirements or controls from which the agency seeks a waiver.
- (3) An indication whether, at the end of the pilot project period, the agency could estimate, for the waivers received, the costs and benefits of these waivers, and their usefulness in improving program performance. (Estimates of costs, benefits, and usefulness are required for an OMB report to the President and Congress on the pilot projects.)
- (4) Whether the proposed managerial flexibility pilot project is for FY 1995 and 1996, or for FY 1996 only.

Appended to the proposal should be the description(s) of the requested waiver(s) as specified in Attachment 2.

DESCRIPTION OF PROPOSED WAIVERS ASSOCIATED WITH
NOMINATIONS OF PILOT PROJECTS
FOR MANAGERIAL ACCOUNTABILITY AND FLEXIBILITY

For each waiver being requested, please provide the following information.

(1) A short description of the requirement or control that would be waived. Please identify the executive department or independent agency that established the requirement or control, and include a citation (if known) of the rule, directive, or other prescribing document.

(2) An identification of the agency component(s), program(s), or activities to be covered by the waiver. (Where a waiver would be applied to more than one pilot project in an agency, the description should group together all pilot projects being covered by that waiver.)

(3) A brief estimate of the expected effects on performance resulting from the waiver. Preferably, the effects should be defined quantitatively, although a narrative description will suffice. At a minimum, the waiver and its prospective effects should be correlated with performance goal(s) or indicator(s) in the performance plan. (See also question 12 in Attachment 4.)

(4) An indication of when, after a waiver is approved, it would be operationally effective. This period may be expressed as a calendar date or the time interval occurring after waiver approval.

(5) A summary of any recent discussions regarding the proposed waiver with the executive department or independent agency establishing the requirement or control.

(6) If relevant, a declaration that waiver approval would not result in a unilateral waiving of terms or conditions of any contract, a collective bargaining agreement, or other legal instrument that is in effect.

(7) An indication of any significant, direct effect that a proposed waiver would have on requirements put in place to address or correct a material weakness related to internal controls.

(8) An indication of whether the expected effects on performance from this waiver are contingent on the approval of other waivers.

Any material prepared in response to any additional information specified by an establishing agency with regard to waiver proposals should be attached.

Also, agencies may wish to describe briefly any internally-imposed requirements that are being waived in conjunction with the proposed pilot. (See also question 12 in Attachment 4.)

REVIEW AND APPROVAL OF AGENCY NOMINATIONS AND WAIVERS

The review of agency nominations would be done concurrently with review and approval of the proposed waivers. Designation of the pilot project would be accompanied by the approved waivers. (Waiver review and designation would be completed as expeditiously as possible, within six to eight weeks following submission of the nominations.)

After receiving the nominations and waiver requests, OMB will send all proposed waivers to the establishing agency responsible for the requirements or controls from which waivers are being sought.

The establishing agency would simultaneously review all related waiver requests as a group. Following this review, the establishing agency would provide the requesting agencies and OMB with a list of those waivers it has endorsed (i.e., approved). This would allow the establishing agency to consider whether to issue a blanket waiver, if appropriate and relevant, to all requesting pilot projects, or to grant waivers selectively (i.e., on their individual merits, or to create a control group, etc.). During this review period, the establishing agency and a requesting agency may negotiate terms and conditions of any waiver.

Proposed waivers of OMB-established requirements would be reviewed by OMB during the same period as other waivers are being reviewed by the other establishing agencies.

To minimize the potential for an inequitable balance in waiver approvals among requesting agencies, there will be informal coordination between the establishing agencies (including OMB) during the review period.

As provided by the Act, OMB must ultimately approve all waivers, including those of requirements established by other agencies. This approval would be conveyed to the pilot project agency in the designation letter. (An explanatory note: The language in GPRA specifies that when agencies other than OMB act favorably on a request for a waiver, they endorse the waiver. OMB approves all waivers, including those of its own requirements. OMB cannot approve any waiver that was not first endorsed by the establishing agency.)

Questions and Answers Regarding
NOMINATION OF PILOT PROJECTS
FOR MANAGERIAL ACCOUNTABILITY AND FLEXIBILITY

Q. 1. What requirements can be waived?

A. 1. GPRA provides for the waiver of administrative or procedural requirements and controls established by another agency. (Self-imposed requirements and controls are not covered by the waiver process. See also question 12 on nominating pilot projects with self-imposed requirements.)

GPRA does not authorize the waiver of statutory requirements. However, if an agency establishing the requirement has authority (other than GPRA) to waive a statutory requirement, then such a waiver may be requested and approved through the GPRA process. (Agencies need not use the GPRA process to apply for and receive such waivers. GPRA does provide for determinations on waiver requests within a time certain, and the opportunity to combine different waivers and enhance their collective impact on performance.)

Regulations promulgated under the rulemaking provisions of the Administrative Procedures Act (5 U.S.C. 553) may not be waived without appropriate notice and comment, unless the rule already provides authority for such waivers.

While waivers could allow shifting of funds between certain budget object classes within an appropriation or fund account, transfer of funds budgeted for certain object classes are not authorized. This proscription covers subclassification 13 (benefits for former personnel), 33 (investments and loans), 41 (grants, subsidies, and contributions), 42 (insurance claims and indemnities), 43 (interest and dividends), and 44 (refunds). (Object classes potentially covered by a waiver are: 20 (contractual services, including travel and transportation, GSA rental payments, communications, utilities, and miscellaneous charges) and subclassifications 11 (personnel compensation), 12 (personnel benefits), 31 (equipment), and 32 (land and structures)). (Agencies should note that GPRA conveys no authority to remove restrictions imposed by Congress in authorization or appropriation acts regarding transfer of funds between and within accounts.)

Q. 2. May a waiver be authorized for program-related requirements?

A. 2. No. Waivers cover requirements and controls pertaining to the internal allocation and use of resources and the administration and management of programs and activities. Distinguishing between program and administrative requirements is not always simple or easy, but, generally, waivers should not directly affect individuals or entities outside the Federal Government. For example, waivers do not cover benefit amounts, eligibility qualifications for Federal assistance, grant distribution formulas, engineering or scientific specifications, etc.

Q. 3. What limits are placed on agency eligibility to be designated as managerial accountability and flexibility pilot projects?

A. 3. Only agencies designated as pilot projects for performance measurement (i.e., performance plans and program performance reports) may be designated as pilot projects for managerial accountability and flexibility. Performance measurement pilots are not required to request designation as a managerial accountability and flexibility pilot.

The nomination cannot be expanded or extended to encompass programs, activities, or organizations not included in a performance measurement pilot project designation. (Agencies may propose a managerial flexibility pilot on a smaller scale than the performance measurement pilot.)

Q. 4. May an agency, over time, change the waiver period or shift the waiver between programs, components, or activities?

A. 4. Yes. The waiver period will usually be for two years: FY 1995 and 1996. A lesser period may be provided if the requesting agency in its nomination specifically sought such, or if the agency establishing the requirement imposed a shorter period. Agencies planning on selectively shifting waivers from one organizational component to another during the waiver period, or assessing the effect of waivers through an on-off mode, should indicate the intention to do so in their nomination proposal.

- Q. 5. Will the establishing agency provide the requesting agency with an explanation for any waiver that is not endorsed or approved?
- A. 5. Yes. A brief written explanation will be provided.
- Q. 6. May an establishing agency or OMB set terms and conditions on a waiver it endorses or approves?
- A. 6. Yes, it may.
- Q. 7. Will waivers end with the conclusion of the pilot projects on September 30, 1996?
- A. 7. Waivers that are having a positive effect on program performance could be continued administratively into FY 1997 and 1998. Any continuation would depend on a future (circa 1996) review and re-approval of the waivers.
- Q. 8. How should agencies identify statutory requirements for which future waiver authority should be sought?
- A. 8. Agencies are encouraged, over the course of the pilot period, to identify statutory requirements for which waiver authority could be sought in future legislation.
- Q. 9. Will agencies be able to submit additional requests for waivers after the initial nomination process?
- A. 9. This is very likely, but a final determination on whether to accept and act on waiver requests received following the designation of the pilot project agencies will be made in the Fall of 1994, at the end of the designation process. (See also question 12.)
- Q. 10. In its review and approval of waivers, can OMB overrule a decision by an establishing agency not to endorse, i.e., authorize, a waiver?
- A. 10. No. GPRA conveys no independent authority to OMB to rescind, modify, or suspend requirements imposed on other agencies by the establishing agency under its own authorities.
- Q. 11. How will agencies report on the usefulness of managerial flexibility waivers?
- A. 11. The annual program performance reports prepared and submitted by the performance measurement pilot projects will include, as required by GPRA, a description of the use of waivers and an assessment of the effectiveness

of waivers in achieving performance goals. The initial program performance report (for FY 1995) is to be submitted to OMB by March 31, 1996.

Q. 12. May an agency submit a pilot project nomination containing waivers of self-imposed requirements, but which requests no waivers of requirements established by other agencies?

A. 12. Yes, provided that the nomination indicates that a waiver of a requirement(s) established by another agency will be sought at a future date. The nomination should list and briefly describe the agency's self-imposed requirements that are being waived as part of the proposed pilot project. (The waiver of any self-imposed requirements is not subject to review or approval under GPRA.)

As many of the requirements or controls affecting managers and staff are set by the agency itself, agencies are strongly encouraged to combine waivers of agency-imposed requirements with those of requirements established by other agencies. This combination of waivers can enhance the scope of the managerial flexibility provided and the extent of the effects on program performance.

Agencies may include an assessment of the costs, benefits, and usefulness of any waivers of self-imposed requirements in the program performance reports that will be prepared and submitted by the pilot projects.



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

THE DIRECTOR
M-95-04

March 3, 1995

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Alice M. Rivlin *AMR*
Director

SUBJECT: Spring Review on Program Performance

In preparing the FY 1996 Budget, OMB asked for increased program performance information as part of the ongoing effort throughout government to define programmatic goals, measure how well those goals are being achieved, and assess program effectiveness. Clearly, the public has a right to know as much as possible about the results obtained for the resources invested.

This year agencies should develop and include significantly greater amounts of performance information for key programs in their FY 1997 budget requests to OMB. To increase the time we have to work together to identify useful performance information, we plan to conduct a Spring Review on Program Performance to discuss what is known about the actual performance of key programs, what is not known, and what performance information is needed and can reasonably be expected to be available for the FY 1997 budget and appropriation processes.

The Spring Review will build upon Phase II of the National Performance Review (NPR). Under Phase II, each agency is being asked to identify its basic Federal mission, its long-term objectives, and the major programs necessary to achieve those objectives. Working together during the Spring Review, OMB and the agencies will consider relevant performance information for each agency's key programs, including information obtained where available and appropriate from (a) the program's data system, (b) evaluation studies, (c) Government Performance and Results Act (GPRA) performance plans and program performance reports, (d) customer service standards, (e) performance measures in annual financial statements, (f) programs to be included in performance partnerships, and (g) agency performance agreements.

As a result of Spring Review, we expect to produce (a) an assessment of performance information in key program areas, (b) agreement between OMB and each agency about the specific performance information to be provided for key programs with the FY 1997 budget submission, and (c) identification of actions that would improve performance in key program areas.

The attachments which follow explain the Spring Review on Program Performance in greater detail. They also suggest how the Review relates to Phase II, agency Performance Agreements, the GPRA, and "performance partnerships". The collective objective of these and other performance initiatives should be for each agency to present a clear picture of its goals, the links between these goals and how it spends its money and organizes its personnel, and the extent to which it accomplishes its goals.

Attachments

SPRING REVIEW ON PROGRAM PERFORMANCE

As NPR Phase II concludes in March, OMB will undertake a Spring Review on Program Performance focused on how to build more and better performance information into the FY 1997 budget decision-making process. This attachment sets forth the structure and timing of the review. Attachment B describes how the Spring Review relates to several other performance initiatives. Attachment C identifies the information to be developed jointly by OMB and the agencies to begin a spring dialogue on performance. (OMB's Resource Management Offices will contact the major agencies which need to prepare this exhibit). Attachment D is an example of a completed exhibit. Attachment E is a "Primer on Performance Measurement."

The following outline describes our current plans for the review:

1. Purpose --
 - Determine what is known about the actual performance of important programs, what is not known, and what performance information OMB and the Congress need and can reasonably expect to get for FY 1997 budget and appropriations processes.
2. Focus --
 - "Key" program areas for the FY 1997 budget and appropriations processes. ("Key" programs will be determined jointly by the agency and OMB in March.)
3. Relationship with Phase II of Reinventing Government --
 - Build on each agency's Phase II decisions and identification of its basic Federal mission, its long-term objectives, and key programs.
4. Inputs --
 - Agency and OMB assessment of performance information in key program areas:
 - What performance information is now available,
 - What performance information will be available for the FY 1997 budget submission to OMB in September, and for the 1997 appropriations process.

- Agencies outline goals, commitments and performance measures to be included in FY 1996 Performance Agreements consistent with FY 1996 budget proposal and the decisions made in NPR Phase II.
- FY 1996 GPRA performance plans for pilot projects submitted to OMB by April 14.

5. Products --

- Guidance to individual agencies about the kinds of performance information to be included in the annual budget process.
- Agreement between OMB and the agency on the specific program performance information to be provided for key programs with their FY 1997 budget submission.
- Identification of actions that would improve performance in key program areas.
- Secondary products:
 - increased understanding about how the various performance-related initiatives such as performance agreements, customer service standards, implementation of GPRA, performance measures in financial statements, etc., can all be tied together;
 - interaction among agencies to explore performance measures that are consistent for comparable activities;
 - development of incentive structures to encourage improved performance; and
 - identification of topics for general guidance which could be addressed in Circular A-11.

6. Timing --

- January-
late March: ● National Performance Review Phase II.
- February: ● OMB develops guidance on Spring Review.

- March:
 - RMOs agree with agencies on the key program areas (including groups of related programs with the same objective) to be examined.
 - Performance reports for FY 1994 submitted for GPRA pilot projects.
- April:
 - Agencies produce inputs identified in item 4 to begin Spring Review.
- late April-early May:
 - RMO discussions with departments and agencies.
- May:
 - Director's reviews for all major agencies with Director and Deputies. Reviews for all other agencies will be completed at the RMO level.
- May-September:
 - Follow-up with agencies by RMO staff and Director, as appropriate.
- September:
 - Agencies submit:
 - FY 1997 budget with performance information identified earlier,
 - FY 1996 Performance Agreements, and
 - Preliminary set of GPRA performance measures (related to FY 1999 performance plans).
- October-December:
 - President and agency heads sign FY 1996 Performance Agreements.
- January:
 - President's Budget completed.

OTHER PERFORMANCE INITIATIVES

A number of efforts are underway that are related to the effort to improve government performance. As the initiatives accelerate and their dimensions grow, it is important to begin viewing these as part of a coherent, mutually supportive framework.

National Performance Review Phase II

The second phase of the National Performance Review Phase II is directed toward determining what the Federal Government should do. Agencies will be looking for opportunities to restructure, consolidate, terminate or devolve functions that are not directly related to their primary mission and their key program objectives. To make these determinations, each agency should strive to define its agency missions and long-term objectives together with key programs needed to achieve these objectives. This information will be important for the OMB Spring Review on Program Performance.

Performance Agreements

A significant National Performance Review recommendation was that each major agency should sign a Performance Agreement with the President, including the goals for each agency and specific commitments, accompanied by measurable performance indicators and measures of progress. The nature of those commitments depends upon the resources made available as part of the budget and appropriations processes.

Performance agreements will center increasingly on the achievement of major policy and program objectives, and are thus directly related to the development and use of performance measures. As part of the spring review, the agencies will be asked to outline the goals, commitments and performance measures to be included in their Performance Agreements for FY 1996, based on the resources provided in the President's budget and the decisions made in Phase II of the National Performance Review. After an agency's appropriation is passed by the Congress this year, the agency's Performance Agreement can be adjusted accordingly and submitted to OMB for final review as part of the FY 1997 budget submission in September. The President and the agency head would then sign the approved agreement as close to the start of the fiscal year as possible.

In subsequent years, part of the OMB review of an agency's budget submission will be the results achieved under previous years' Performance Agreements.

Government Performance and Results Act

The Government Performance and Results Act (GPRA) of 1993 established pilot projects beginning in 1994. Performance plans for FY 1996, the concluding year of the performance measurement pilot phase under GPRA, are due to OMB by April 14, 1995. Program performance reports for FY 1994 are due to OMB by March 31, 1995. These dates will allow integration of these plans and reports, where appropriate, into the general

assessment of agency performance measurement activities during the Spring Review. More detailed guidance regarding the preparation and submission of these plans and reports is being forwarded separately.

The GPRA also requires agencies to prepare an annual performance plan starting with the FY 1999 budget request. Experience with the agency performance measurement pilot projects so far indicates that an early start at defining and describing the performance measures in these plans will be critical to meeting this requirement. Thus, agencies are asked to begin defining a preliminary set of performance measures expected to be included in this annual performance plan, and to submit the description of these measures with their FY 1997 budget requests. This initial set of measures should cover a significant portion of the agency's programs and/or spending. OMB's Resource Management Offices staff will work with each agency to identify particular programs or organizational components to be included in the initial set. We will start this process during the spring since we recognize and expect that the performance information being provided for the FY 1997 budget and the performance measures being proposed for the FY 1999 annual performance plan will often be the same, or nearly so.

Agencies should note that the preliminary definitions to be used for the FY 1999 performance plan need not include the specific target or quantitative levels of performance (i.e., numerical values) to be achieved in FY 1999. Preliminary performance measures for the remainder of the agency's programs or budget will be sent to OMB with the FY 1998 budget request. Agreement on the measures now will allow the agency to obtain actual performance data over 1995-97 to establish baseline values from which to develop FY 1999 performance target levels as required by the GPRA statute.

Performance Partnerships

The Administration has proposed six performance partnerships with States and localities in the FY 1996 Budget. Other performance partnerships are to be developed in NPR Phase II. The proposals will consolidate funding streams, eliminate overlapping authorities, create funding incentives that reward desirable results, and reduce micromanagement and wasteful paperwork. They will also begin to focus programs on outcomes and outputs, treating them as the basic measures of success. The approach is intended to empower States and communities to make their own decisions about how to address their needs, and to hold them appropriately accountable for results.

- o *Outcomes:* The performance partnerships would focus on outputs and outcomes (real results) rather than detailed assessment of the inputs and processes used by States and localities. The emphasis on results will mean, for example, focusing on whether air and water are getting cleaner (not the existence of State environmental regulations) or whether educational goals are being achieved (not the level of school expenditures).

- o *Performance incentives:* Some portion of the funding may be "at risk" based on actual performance. Additional funding or some fraction of current funding (e.g., 10 percent) could be used by an agency as an incentive for States and localities that meet or exceed targeted improvements. Incentives could take other forms, too. For example, high-performing States and localities could be rewarded with additional flexibility or reduced matching requirements. Similarly, disincentives could include reduced flexibility (such as a requirement to shift funds into practices successfully used by high performing States or localities) or requirements for additional commitments of State or local resources.
- o *Simplification and consolidation:* By reducing Federal regulation of inputs and consolidating funding streams, programs can be designed by States and localities to better match their individual needs. Many procedural and reporting requirements should be eliminated or simplified, and significant innovation encouraged.
- o *Shifting decision-making:* Front-line local-level providers would tend to have greater flexibility and find greater incentives for undertaking innovative activities that boost results and reduce costs. As part of their performance plan, recipient jurisdictions could have flexibility to set local benchmarks that are consistent with national program goals.
- o *Improved accountability:* The Federal agency and the State or local grantee will develop, communicate, and monitor measurable program goals and report progress toward achieving them. Recipients could be rewarded for achieving ambitious, rather than readily attainable, benchmarks. At the same time, there may be protections for States and localities for cases where outcomes are not achieved despite the use of best-practices.
- o *Performance measures:* Implementation of performance partnerships will require at least some agreement on national goals – including issues of particular Federal interest – and performance measures. A range of models of the performance measurement process are possible. The performance indicators might be developed by the Federal agency in consultation with grantees, or the grantees might propose indicators, or there could be certain core indicators that are required by the Federal Government which are supplemented with indicators proposed by the grantees. It is expected that the performance measurement process and indicators will evolve over time, as agencies and grantees develop greater experience with this approach.

RELATIONSHIP OF KEY PERFORMANCE OBJECTIVES AND BUDGETS
DEPARTMENT OF _____
KEY PROGRAM _____

1. Program and Policy Objectives:

Outline the major long-term objectives for the program.

- A.
- B.
- C.
- D.

2. Performance measures that will be used in the FY 1997 budget process to assess progress in achieving the objectives:

- A.
- B.
- C.
- D.

3. Summary of current program resources:¹

<u>Programs</u>	<u>FY 1996 budget estimates</u>		<u>FY 1997</u>
	<u>FY 1996</u>		<u>BA Outlays</u>
	<u>BA</u>	<u>Outlays</u>	<u>BA Outlays</u>
Sub-program*			
Sub-program*			

Sub-program*
 Sub-program*

* (Disaggregate by subprogram or project if applicable. Budget estimates in millions of dollars)

4. Using the outcome of NPR Phase II as a base, discuss briefly:

a. What might be done to improve the performance of the program?

¹ In many cases, the program's budget account(s) does not finance all of the resources required to achieve program results. Generally, as a matter of policy, program costs should include: all salaries and expenses, support services (e.g., computer, legal, financial, etc.), fixed assets, inventories, supplies, retiree benefits, clean-up costs, legal claims, and so forth. Responses to Question 5. below should address program costs that are not presently included in the budget estimates, and any special difficulties associated with a mismatch between goals and resources.

- b. Are there laws or administrative controls that are obstacles to improved performance? Briefly describe the major impediments.

5. Use of program and financial data and information:

- a. Review the use of financial (budget and accounting) data, evaluation studies, Inspector General reports, and other information on performance of the program.
- b. Who prepares the data and information? Is it timely and accurate? How might it be improved?
- c. Is financial data available that compares all program costs with the objectives and performance measures that have been established? What changes in budget or accounting structure would be helpful?

**RELATIONSHIP OF KEY PERFORMANCE OBJECTIVES AND BUDGETS
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FHA INSURANCE PROGRAM**

1. Program and Policy Objectives:
 - A. Develop affordable housing.
 - B. Significantly increase homeownership opportunities for families.
 - C. Expand state/local and public/private partnerships to further homeownership and affordable housing opportunities.

2. Performance measures that will be used in the FY 1997 budget process to assess progress in achieving the objectives:

Outputs

Single family mortgage
guarantee commitments

- * Refinancings
- * New units

Single-family HUD-owned
properties sold

- * Units
- * Percent of inventory

Increase in owner-occupied
rehab loan production

- * Units

Multi-family mortgage
guarantee commitments

- * Dollars
- * Units

Partnership agreements for
risk-sharing rental housing

- * Federal dollars
- * Units

Outcomes

- * Low-income buyers
- * Number of first-time buyers
- * Number of low-income first-time buyers
- * Estimated interest savings to buyers
- * Default rate

- * Percent of foreclosure amount received
- * Number of units sold to community groups

- * Default rate

- * Non-federal dollars leveraged

NOTE: The following is a HYPOTHETICAL example, and is not a draft submission by the Department.

3. Summary of current program resources:

<u>Program</u>	<u>FY 1996 budget estimates</u>			
	<u>FY 1996</u>		<u>FY 1997</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Single-family insurance	309	263	309	283
Multi-family insurance	386	348	386	364
Total	<u>695</u>	<u>611</u>	<u>695</u>	<u>647</u>

4. Using the outcome of NPR Phase II as a base, discuss briefly:

a. What might be done to improve the performance of the program?

HUD proposes to reinvent FHA as a wholly-owned government corporation that would use public-private partnerships and market mechanisms to achieve public purposes and achieve significant savings and efficiencies, reducing the number of staff required while increasing the number of Americans assisted.

b. Laws or administrative controls that are obstacles to improved performance

The legislation being proposed for a new Federal Housing Corporation (FHC) would provide greater flexibility in hiring and personnel policies; would speed procurement rules and potentially clarify the relationship of credit reform legislation and typical financial institutions safety and soundness standards.

5. Use of program and financial data and information:

Summaries of reports by the National Academy for Public Administration, Price Waterhouse and the Inspector General are attached.

In general, these reports point out the need for program elimination and a simplification in the program structure of the Department. The Department's FY 1994 Consolidated Financial Statement contains both program and financial performance information.

The improved health of the Single Family program is shown by an increase in the capitalization ratio of the Mutual Mortgage Insurance Fund from -.88% in FY 1990 to 1.44% in FY 1993. More disturbing information is contained in the financial statement regarding the \$11.9 billion reserve on insurance of \$43.5 billion (FY92) and \$10.3 billion in reserve on insurance of \$43.9 billion (FY93) (General and Special Risk Insurance Funds).

This reserve indicates that the changes proposed in legislation are needed to deal with a high level of potential defaults.

PRIMER ON PERFORMANCE MEASUREMENT
(Revised February 28, 1995)

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.

I. **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.
- The measurement of incremental progress toward a specific outcome goal is sometimes referred to as an intermediate outcome. (Using the example above, a target of collecting 88 percent of taxes owed in 2002 might be characterized as an intermediate outcome.)

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 which 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 completely 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).

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

- Outcome:** Orbit a manned spacecraft around Mars for 30 days in 2010 and return crew and retrieved Martian surface and subsurface material safely to Earth.
- Output:** (For FY 2007) Successfully complete a 900 day inhabited flight test of the Mars Mission Module in lunar orbit in the third quarter of CY 2007.
- Input:** Delivery of 36 EU-funded Mars Surface Sample Return probes from the Max Planck Institute in Germany.
- Impact:** A comprehensive understanding of the biochemical, physical and geological properties of the Martian surface and subsurface to a 35 meter depth.
Detection of any aerobic or anaerobic life forms (including non-carbon based, non-oxygen dependent forms) in the Martian surface crust.

AN EXAMPLE OF OUTCOME, OUTPUT, IMPACT, AND INPUT MEASURES FOR AN ENVIRONMENTAL RESOURCES PROGRAM:

- Outcome:** Restore the 653,000 square hectare Kolbyduke Paleoartic Biome Reserve to a pre-Mesolithic state, and preserve it in that state.
- Output:** (In FY 2002) Eradication on all non-native plants from 51,000 square hectares, for a cumulative eradication of non-native plants from 38 percent of the Reserve.
- Input:** (In FY 2002) Donation of 22,000 volunteer workhours from four wildlife organizations.
- Impact:** The protection of this biome as one of three internationally-designated Paleoartic biomes and perpetuating it as a research site for studies of the pre-historic ecological equilibrium.

II. Complexities of Measurement

A. 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.

- B. BY TYPE OF MEASURE.** 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 the 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 the 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.
 - Underscores that these measures are central to an agency's capacity and approach for administering programs and conducting operations.
 - 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 performance 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.

"TRADITIONAL" PRODUCTION OR DELIVERY TYPE MEASURES

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.*

Transaction processing

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

Outcome: *Ensure that 99.5 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.*

Service Volume

Output: *Provide meals and temporary shelter for up to 18 months for 35,000 homeless individuals for up to 18 months following the Short Beach tsunami disaster.*

Outcome: *Maintain a capacity to provide, nationally, meals and temporary shelter for an indefinite period for up to 100,000 individuals who are homeless as a result of major disasters.*

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.*

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.*

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.*

OPERATING-TYPE MEASURES

Utilization rates

- Output:** Operate all tactical fighter aircraft simulator training facilities at not less than 85 percent of rated capacity.
- Outcome:** Ensure optimized operation of all simulator facilities to provide all active duty tactical fighter aircraft pilots with a minimum of 80 hours of simulator training every 12 months.

Out-of-service conditions

- Output:** All Corps of Engineer locks on the Showme River basin shall be operational during at least 22 of every consecutive 24 hours.
- Outcome:** Ensure no significant delays in commercial traffic transiting through the Showme River basin system.

Maintenance and Repair Intervals

- Output:** All out-of-service aircraft requiring unscheduled repairs shall be repaired within 72 hours.
- Outcome:** The Forest Service will maintain 90 percent of its 135 firefighting aircraft in an immediately deployable status during forest fire season.

QUALITY-TYPE MEASURES

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 initial monthly estimate of the previous month's value of exports shall be within one percent of the revised final value.
- Outcome:** All preliminary, periodic estimates of economic activity shall be within three percent of the final value.

Error Rates

- Output:** Not more than four percent of initial determinations of the monthly entitled benefit amount shall be incorrectly calculated.
- Outcome:** (Not commonly measured as an outcome.)

CUSTOMER-RELATED MEASURES

Complaints

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

Outcome: (Not commonly measured as an outcome.)

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.

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.

Responsiveness

Output: 98 percent of notices to the Department of Transportation of navigational hazards will result both in an on-site inspection of the hazard and Notice to Mariners within 48 hours of receipt of the notice.

Outcome: Ensure prompt response to potential public safety concerns in the navigation of coastal and off-shore waters.

EFFICIENCY AND EFFECTIVENESS MEASURES

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.)

Effectiveness

Output: IN FY 1999, 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: Annually, initial treatment will be therapeutically successful for 85 percent of all hospital admissions.

OTHER TYPES OF MEASURES

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.



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

THE DIRECTOR

March 8, 1995

M-95-05

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

FROM: Alice M. Rivlin *AMR*
Director

SUBJECT: Submission of FY 1996 Performance Plans for Pilot
Projects under P.L. 103-62, the Government
Performance and Results Act of 1993 (GPRA)

This memorandum covers the submission of performance plans for FY 1996, the concluding year of performance measurement pilots under the Government Performance and Results Act.

Two significant changes are being made to the guidance for the FY 1994 and 1995 plans. First, the annual performance plan is to be submitted in mid-April, some months before fiscal year 1996 begins. (Previously, the pilot plans were due either during or at the start of the fiscal year.) A mid-April date is being set for several reasons. By having pilots submit plans somewhat before the fiscal year begins, we move halfway toward the September date when agencies will be sending annual performance plans to OMB with their budget requests. This earlier submission will help in assessing how well the plans can be prepared in advance. The due date also coincides with the Spring Review on Program Performance, and the plans will be useful in determining the current and future availability of performance information. The second change allows agencies the option of submitting a plan revision later in 1995 that reflects Congressional action.

Two attachments to this memorandum have been prepared to assist your staff in developing these plans. With several changes, these are otherwise similar to those appended to the two previous OMB memoranda on pilot project performance plans. 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. If you have any further questions on the pilot project performance plans, please call Walter Groszyk at (202) 395-6824 (or through an Internet message to groszyk_w@al.eop.gov).

As this is the final submission of the pilot project performance plans, we ask that you particularly focus on how information is displayed -- both in format and style -- in these plans. As we define in the months ahead suitable templates for the FY 1999 plan submissions (which are due about 30 months from now), we continue to look for the better ways of presenting performance information. The GPRA pilot project plans are our best resource for developing these formats.

Let me again express how much the staff of OMB and I appreciate your agency's participation in these performance measurement pilot projects. This has been a valuable learning experience throughout the pilot agencies, and is helping to create a sound basis for the forthcoming phase of GPRA implementation government-wide.

Attachments

**SUBMISSION OF PILOT PROJECT
PERFORMANCE PLANS FOR FY 1996**

Submission Date

The plan should be sent to OMB by April 14, 1995. If a department or agency chooses to prepare a revision to this plan, the plan revision should be sent to OMB by September 30, 1995, or within 30 days of enactment of the department or agency's FY 1996 appropriations, whichever is later.

Plan Content

The basic content of an annual performance plan is 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. (This description may be omitted for any operational or resource factor that has not changed significantly from fiscal year 1993 or 1994 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:

- o Goals and indicators should primarily be those used by program managers to determine how well a program or activity is doing in achieving its intended objectives.
- o Include measures that will be useful to agency heads and other stakeholders in framing an assessment of what the program or activity is accomplishing. (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.)

Submission of A Plan Revision and Additional Content Therein
Congress allows agencies to revise an annual performance plan to reflect the significant effects of Congressional action on the achievement of performance goals. As the FY 1994 and FY 1995 pilot project performance plans were submitted either during or at the start of the fiscal year, this revision option was not feasible. Thus, the FY 1996 performance plan is the first plan submitted sufficiently in advance of the fiscal year to allow this option to be exercised.

An agency may elect to prepare and submit a plan revision. If a plan revision is prepared, it need only include changes from the plan submitted in April, and not replicate the complete content of the plan submitted in April.) A plan revision should include the following:

- o Adjustments made in the target levels of achievement (as expressed in the performance goals and/or indicators). The levels in both the April plan and the subsequent plan revision should be presented to show the adjustment.
- o Identification of any performance goals dropped from the April plan.
- o A brief summary of the nature and scope of Congressional action(s) which significantly affected the April plan.

Plans should not be revised to reflect the consequences of factors or actions -- other than Congressional action -- that may have occurred since the April plan was prepared. (However, see also questions 2 and 7 in attachment 2 on revisions resulting from OMB review of the April plan, and describing the performance-related effects of managerial accountability and flexibility waivers, respectively.)

Waivers of Administrative Requirements and Controls

GPRA specifies that annual performance plans, beginning with FY 1999, are to include any requests for waivers of administrative procedural requirements and controls. These future-year plans are also to include endorsements of proposed waivers by those agencies (other than OMB) establishing the requirements. However, during the pilot project phase, requests for new waivers will be handled separately from the submission and review of performance plans. Agencies designated as pilot projects for managerial accountability and flexibility should not submit proposed waivers of administrative procedural requirements and controls for FY 1996 as part of their performance plan. (See also question 7 in attachment 2 on including the effects on performance resulting from approved waivers.)

Time-period Covered

The performance plan for fiscal year 1996 covers a 12 month period beginning on October 1, 1995 and ending on September 30, 1996. The measurement of actual performance compared to the target levels established in the performance goals and indicators should generally coincide with this 12 month period. (See also question 3 in attachment 2 on lags in obtaining actual performance data.)

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 a "Program by activities" listing because it is embedded 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 1996. (Agencies believing that the "Program by activities" listing should be revised can request changes to these listings. See Section 11.6 (c) of OMB Circular A-11.) 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

Quantifiable measures are preferred because of their objective nature. However, 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. GPRA defines one alternative form as containing separate descriptive statements of (1) a minimally effective program, and (2) a successful program with sufficient precision and in such terms that allow for an accurate, independent determination of whether

the program's performance met the criteria of the description. Pilot project agencies may use this alternative form and include it in the FY 1996 performance plans, without advance OMB authorization.

GPRA also permits an agency to propose its own alternative form, provided that this form also is a description stated with sufficient precision and in such terms that would allow an accurate, independent determination to be made of whether the program's performance met the criteria of the description. There is no advance OMB authorization for an individualized alternative form. Pilot project agencies proposing to use an individualized alternative form should include this in the submitted plan. OMB authorization for the use of an individualized alternative form will be provided after its review of the submitted plan.

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 1996 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.)

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 1996 performance plans, should agencies expect to revise these FY 1996 plans based on this review?

A.2 Requested revisions of the FY 1996 performance plans will generally be confined to those plans where measurement of performance appears to be infeasible because of the lack of sufficient goals or indicators for accomplishing such. In these cases, OMB may request the agency to revise and re-submit its FY 1996 plan. (See also question 8 on withdrawing pilot project designations.) As this is the final submission of the pilot project performance plans, OMB's review and critique of the FY 1996 plans is being directed toward establishing a foundation for the performance plans being submitted in September 1997 as part of the agencies' FY 1999 budget request. (Previously, the critiques emphasized changes and improvements to be incorporated in the next year's pilot project plan.)

Q.3 May an agency include a performance goal for which it will be unable to measure actual performance against that goal during the fiscal year 1996 time-period?

A.3 Yes. There is often a substantial lag in obtaining actual performance data for a particular period. The Congressional committees, in their 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 1996, approximately when the actual performance data for the October 1995/September 1996 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?

A.4 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.

Q.5 How should a generic or agency-wide performance goal be included in the performance plan?

A.5 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.

Q.6 Should the FY 1996 performance plan indicate anticipated changes in performance goals or measurement in future years?

A.6 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 initial performance plans will be uneven. An agency's self-appraisal of limitations in its FY 1996 plan and an indication of how the FY 1999 plan will likely be changed will assist OMB significantly in its review and critique of the FY 1996 plans, and in the discussions on various performance initiatives (including GPRA implementation) to be held with the agencies during the Spring 1995 Program Performance Review.

Q.7 How should the performance plans address changes in performance expected to occur as a result of waivers of administrative requirements given as part of a managerial accountability and flexibility pilot project?

A.7 There is insufficient time between the April submission date for the FY 1996 performance plans and the approval of waiver requests for the managerial flexibility pilots to require

that the effect(s) of these waivers be reflected in the FY 1996 plans. A performance measurement pilot project that is also designated as a managerial flexibility pilot has several options for addressing the anticipated changes in performance:

(1) Rely on the information provided in support of the waiver request as part of the managerial flexibility pilot project nomination. OMB would subsequently append this information to the performance plan. (Waiver-related performance information will be appended to the submitted FY 1995 performance plans, so that this can be covered -- to the extent feasible -- in the program performance reports for FY 1995.)

(2) If a revised FY 1996 performance plan is prepared, include in the revised plan the anticipated effects on performance from the approved waivers.

Q.8 Can the designation of a pilot project end before FY 1997?

A.8 Yes. While GPRA has no specific procedure to annul a designation, the number of designated agencies substantially exceed the ten required by the statute. Thus, OMB will consider withdrawing the designation of a pilot project that: (a) is unable to meet the GPRA requirement that a strategic plan be used in preparing the performance plan for at least one of the years of the pilot project; or, (b) is experiencing major difficulties in establishing and expressing performance goals in its plan, and is unlikely to overcome these difficulties in its FY 1996 plans. (Several pilot project designations were withdrawn in FY 1995.)

An agency seeking to withdraw the designation of a pilot project need not submit a performance plan for FY 1996 for the pilot project. A withdrawal request should be sent to OMB by April 14, 1995. Agencies considering withdrawal should discuss this in advance with the cognizant OMB program division staff. OMB may also initiate discussions with an agency on a possible withdrawal based on its review of the FY 1994 and FY 1995 plans.



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

THE DIRECTOR

March 28, 1995

M-95-08

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Alice M. Rivlin *AMR*

SUBJECT: Performance Partnerships

The President's FY 1996 Budget includes several proposals that dramatically change the way the Federal government works with States to achieve the goals we share. These "Performance Partnerships," which we have proposed in the areas of environmental protection, public health, and housing, among others, represent a fundamentally new way of doing business. Neither the block grants of the early 1980s and the myriad narrow categorical programs that exist today integrate flexibility and accountability. In contrast, Performance Partnerships are an opportunity for the Federal government and the States to exchange funding restrictions for a new, incentive-based focus on performance and outcomes.

Performance partnerships work best: (1) when the Federal Government intends that services be delivered at State and local levels, (2) where there is shared agreement among Federal, State and local partners about national goals and objectives, and (3) where progress toward the goals and objectives can be measured.

Performance partnerships consolidate funding streams and eliminate overlapping authorities, create incentives to reward desirable results and reduce micromanagement and wasteful paperwork. They begin to move programs away from process and focus on outcomes and outputs as the basic measure of success. The partnerships seek to empower communities to make their own decisions about how to address their needs, and to be held accountable for results.

During the second phase of reinventing government, one of the major questions that we are asking is whether or not the work we do in Washington can be done better by States, localities or private citizens. You should use the attached "Performance Partnerships - Summary and Guiding Principles" as a set of "*rebuttable presumptions*" as you design performance partnerships in your agency.

Our goal must be to dramatically restructure the relationship between the Federal Government and the States and localities to create stronger partnerships. Performance partnerships provide a new opportunity to provide States and localities more flexibility to solve their problems, in return for more accountability for results.

Attachment

PERFORMANCE PARTNERSHIPS

SUMMARY

WHAT IS A PERFORMANCE PARTNERSHIP?

- CONSOLIDATED PROGRAMS WITH
 - INCREASED FLEXIBILITY
 - ACCOUNTABILITY FOR PERFORMANCE

WHERE DO THEY MAKE SENSE?

- IF PROGRAMS ARE DELIVERED AT STATE AND LOCAL LEVELS.
- THERE IS SHARED AGREEMENT ON GOALS AND OBJECTIVES, AND
- YOU CAN MEASURE RESULTS.

HOW ARE THEY DIFFERENT FROM BLOCK GRANTS?

- OUTCOMES (NOT PROCESS) ARE THE PRINCIPAL MEASURE OF SUCCESS, AND
- FUNDS AND FLEXIBILITY ARE TIED TO IMPROVED PERFORMANCE

HOW ARE THEY "PARTNERSHIPS"?

- FEDERAL, STATE, AND LOCAL GOVERNMENTS AND PROVIDERS JOINTLY DESIGN THE PROGRAM AND MEASURE PROGRAM RESULTS
- PARTNERS WORK TOGETHER TO REMOVE BARRIERS TO SUCCESS

PERFORMANCE PARTNERSHIPS

Guiding Principles

Current Federal grant system.

A great deal of the current grant system has broken down in a tangle of good intentions gone awry. There are too many funding categories, suffocating regulations and paperwork, misdirected emphasis on remediating rather than preventing problems, and no clear focus on measurable outcomes. The system stifles initiative and squanders resources without achieving sufficient results. Performance partnerships offer improvements to the current system.

What is a performance partnership?

Performance partnerships provide increased flexibility on how a program is run in exchange for increased accountability for results.

- Increased flexibility includes:
 - consolidated funding streams
 - elimination of micro-management,
 - devolved decision-making (national goals and objectives, with much more flexibility for State and local partners to determine HOW these are achieved), and
 - reduced wasteful paperwork.

- Increased accountability for results means the partners will:
 - begin to treat outcomes and outputs as the basic measure of success (e.g., teenage pregnancy rate rather than number of visits to a clinic), and
 - create funding and other incentives to reward desirable results and performance towards results.

Where do performance partnerships make sense?

Performance partnerships work best:

- When the Federal Government intends to deliver services at State and local levels,
- Where there is shared agreement among Federal, State and local partners about national goals and objectives, and
- Where progress toward the goals and objectives can be measured.

Checklist of Guiding Principles for Designing a Performance Partnership

A number of key characteristics should be considered in designing and implementing performance partnerships:

1. Program consolidations
2. Partnership
3. Increased Flexibility
4. Improved Accountability
5. Measuring Performance
6. Performance Incentives
7. Shift in the Locus of Decision-making
8. Administrative Simplification
9. Administrative Savings
10. Implementation
11. Entitlement Programs

The checklist which follows contains principles which build upon the description of the Administration's six proposed "performance partnerships" in the President's FY 1996 Budget (see pages 152-154). The guiding principles should be regarded as "*rebuttable presumptions*":

- (a) In any policy arena in which there is a strong national interest and a history of Federal grants and other assistance to State and local governments, agencies should give strong consideration to developing one or more performance partnerships.
- (b) If a proposed performance partnership is not consistent with a particular principle, there should be a compelling argument about how the program is otherwise addressing local needs, stops micromanagement, and holds its partners accountable for results.

1. Program consolidations

- Proposals should restructure current grant program authorizations to consolidate programs and/or funding streams and eliminate overlapping authorities:
 - Every effort should be made to merge funding streams which now force recipients to wastefully isolate administration and delivery of one program from another to avoid being penalized by auditors.

2. Partnership

- Federal, State and local partners should jointly design the partnership and the strategies to implement it.
- Performance partnerships should accommodate different program strategies with different State and local partners.

3. Increased Flexibility

- Performance partnerships should:
 - Promote multiple approaches to meeting national objectives,
 - Allow federally-funded activities to be fully integrated with State,

local, and provider activities, and

- Allow flexibility so that State and local institutional forces and incentives achieve the desired results.

- If State plans are necessary, multiple "State Plan" requirements should be replaced with one "community-based strategic plan." Such a plan would outline basic strategies and tactics, and accommodate much more diversity from community-to-community and state-to-state than existing approaches.

- Partnerships should:

- Minimize "required" service requirements, and
- Provide multi-year funding.

4. Improved Accountability

- Federal agencies and State or local partners should develop, communicate, and monitor measurable program goals and report progress toward achieving them:

- Think in terms of shared accountability.

- Performance partnerships should focus on *outputs* and *outcomes* (real results) rather than detailed assessment of the

inputs and process used by States and localities:

- An emphasis on results means, for example, concentrating on getting cleaner air (not the existence of State environmental regulations) or whether educational goals are being achieved (not the level of school expenditures).

- Notwithstanding increased flexibility, performance partnerships will maintain Constitutional and critical, national public policy requirements:

- Non-discrimination requirements, for example, will apply.

5. Measuring Performance

- Performance partnerships should be structured, managed, and evaluated on the basis of *results* (i.e., progress in terms of agreed upon measures of performance).

- Performance measures will typically include a mix of outcome and output measures, including both measures of progress toward national goals and measures of important negative consequences that are likely to result from program activities.

- Partnerships should focus on *outcomes* (not *process*) as the principal criteria by which to measure success.

- Authorizing legislation should include a statement of:

- "National goals and objectives" that the partnership seeks to help achieve, and

For example: "parental responsibility."

- Types of "performance information" that would indicate what types of information would indicate progress toward the national goals and objectives.

For example: "paternities established".

- The Federal agency should be authorized to develop national goals and objectives where the authorizing legislation does not specify them.

For example: "The Secretary shall, in conjunction with the States, local governments, providers and consumers, develop national goals and objectives."

- "Performance measures" and performance targets should *not* be incorporated in authorizing legislation.

For example: "The Secretary shall, in conjunction with States, local

governments, providers and consumers, develop and update measures for determining State or local performance in achieving progress toward the national goals and objectives."

Accordingly, performance measures and targets should be:

- Mutually developed by the partners, or
- In the case of certain core indicators, developed by the Federal Government in consultation with grantees, and supplemented with indicators mutually agreed to by the grantees.
- Refined over time in consultation with the grantees.

Performance measures require specification of at least the following:

- (1) Type of performance information.
- (2) Data source (or sources).
- (3) Acceptable levels of precision and accuracy.
- (4) Domains of estimations (e.g., States, counties, etc.)
- (5) Frequency of data collection.

(6) Time period covered.

For example: for "paternities established"

- (1.1) Percentage of new welfare cases for which paternities have been established, for each fiscal year cohort of new welfare recipients.
- (1.2) Percentage of the total welfare caseload for which paternities have been established, as of the close of each fiscal year.
- (2) Selected welfare system case records and information obtained through external quality control review.
- (3) Total estimation error not to exceed 7% at the county level and/or 1% at the State level.
- (4) The sample design must support precision and accuracy requirements for State (county) level estimates or for the population generally (e.g., the entire sample may be allocated across the State, "n" cases allocated per county, or even "n" cases per 1,000 per county).
- (5) Annually.
- (6) The last fiscal year.

For example: "The Secretary shall, in conjunction with the States, local governments, providers and consumers, develop individual performance agreements which specify the program, goals and objectives, program performance measures, performance targets, and the timeframes for achieving the performance targets."

● Assessing progress:

- The authorizing legislation should include a requirement that the Federal agency work with the partners to develop a system for assessing the extent of progress toward national objectives.

For example: "The Secretary shall, in conjunction with the States, local governments, providers and consumers, develop a system for assessing the extent of progress toward the national objectives."

- At least annually, the partners should assess the level of performance achieved, the extent to which performance meets or exceeds agreed-on performance targets, and the extent to which performance has changed over time. These reports should acknowledge the influence of important external factors that may

● Performance agreements:

- Federal agencies should develop individual performance agreements with each State/locality receiving funds.

have affected the performance levels achieved.

- From time to time, annual performance reports should be supplemented by program evaluations that estimate the net program impacts caused by the program. These program evaluations would use research designs to estimate the difference that the program makes (i.e., the difference between (a) the actual performance levels achieved, and (b) the performance levels that would have been achieved in the absence of the program).

- Data collection:

- The partners will have to identify or develop data systems to define and assess "results" and "improvement in results."

For example: "The Secretary is authorized to withhold up to 5 percent of the amount appropriated to the program to support the development and updating of data systems tied closely to the national goals; the development of performance agreements with States; and data quality assurance and data quality improvement; and research and development of performance measurement methodology."

- Partners should consider whether and how to get data that is generalizable, and consistent among and within States overtime.

- Refining the measures over time:

- It is expected that the performance measurement process and indicators will evolve over time, as Federal agencies and grantees develop greater experience with this approach.

6. Performance Incentives

- Agencies should consider whether funds should be allocated in part on performance (but other factors such as need may also be determinants, including population, poverty, disease incidence, morbidity, and mortality, as appropriate).
- Partners should be recognized and rewarded for success -- both high performance and improved performance.
- Recipients should be rewarded for achieving ambitious, rather than readily-attainable, performance targets.

- Some portion of the funding should be based on actual performance:

- Some portion of funding should be available to the Federal agency as an incentive for States and localities that make improvement.

For example: "The Secretary is authorized to reserve up to 10 percent of the funds to be used for performance incentive awards for recipients making progress toward meeting national goals."

- "Up to" is important, since it will first be necessary to get a sensible measurement system in place, before attempting to award performance incentives.

- Rewards should not be directed toward only "exceptional" performance, but allow the Secretary to reward high or improved performance (i.e., "progress toward achieving national goals").

- High-performing States and localities should be rewarded with additional flexibility or reduced matching requirements.

- Similarly, disincentives should include reduced flexibility:

- A requirement to shift funds into practices successfully used by high performing States and localities, or
- Requirements for additional commitments of State or local resources, or
- Reduction or termination of Federal funding.

- Partners should avoid punishing innovation and experimentation:

- Keep in mind: no one is accountable for results *now* under the current system.

- Since there is shared accountability for results, Federal agencies should also respond to problems by providing technical assistance about promising practices:

For example: "The Secretary shall provide technical assistance to the States to help them expand and improve"

- States and localities should be held harmless for cases where outcomes are not achieved despite the use of best practices (given the current state of knowledge).

7. Shift in the Locus of Decision-making

- The partners should decide largely on the "What" and leave

most of the "How" to States and localities.

- Performance partnerships should seek to empower communities to make their own decisions about how to address their needs, and to be held accountable for results.
- Front-line, local-level providers should have greater flexibility and responsibility for service design, delivery, and results.
- Partnerships should permit customers and beneficiaries to shape programs to better match their individual needs -- by giving them voice, choice, and the means to integrate services from multiple providers.
- Recipient jurisdictions should have flexibility to set local benchmarks that are consistent with national program goals.

8. Administrative Simplification

- Partners will seek to reduce barriers to success.
- Partnerships should resemble "performance contracts" (i.e., contract for measurable results) rather than traditional cost-reimbursement, "level-of-effort" grants.
- Performance partnerships should reduce Federal regulation of inputs, and avoid

micro-management, and wasteful paperwork:

- Rigid and costly program restrictions should be eliminated.
 - Procedural, detailed application, financial management, auditing and expenditure reporting requirements should be eliminated or simplified to permit comprehensive service delivery:
 - The focus should be "Is the community achieving measurable results that indicate progress toward national goals?" -- rather than "Were the dollars spent on the identified problem?"
 - Federal agencies should, to the extent feasible, establish or negotiate performance targets, rather than specify the manner of compliance that States or localities must adopt.
 - Reporting and monitoring should focus on performance (outcomes and outputs that indicated progress toward strategic goals) rather than inputs.
- ## 9. Administrative Savings
- Administrative savings should be realized through consolidation and program and administrative simplification:

- Consolidated planning requirements, for example, should enable more integrated services with less overhead.

10. Implementation

- Proposals should consider:
 - Phased-in implementation,
 - Initially, shifting toward performance partnerships with self-selected or "volunteer" States/local partners that are ready.
- Partnership proposals should accommodate different degrees of devolution between Federal, and various State and local governments.

11. Entitlement Programs

- Performance partnerships for entitlement programs might:
 - Initially allocate funds to States to match what they currently receive,
 - Adjust over time for growth of poverty population and inflation,
 - Authorize the Secretary to provide extra funds to States during economic downturns,
 - As an incentive (since funding levels are fixed), permit high-performing States to re-direct their matching funds.

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- Eligibility may need to be simplified, for example, to transform public assistance offices from bureaucratic eligibility offices into family support and job preparation centers linking a range of services.

- There may be a need to set specific common measures, but allow for flexibility for local circumstances:
 - Measures should be both population- and client-based.