



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

THE DIRECTOR

December 19, 1995

MEMORANDUM FOR

Program Associate Directors
Deputy Associate Directors
Comptroller, Office of Federal Financial Management
Administrator, Office of Federal Procurement Policy
Administrator, Office of Information and Regulatory Affairs
Associate Director, Economic Policy
Assistant Director, Budget Review
Assistant Director, Legislative Reference
General Counsel

FROM:

Alice M. Rivlin *AMR*

SUBJECT:

Implementation of the Government Performance and Results Act
(GPRA)

Responsibility for carrying out GPRA is largely vested in the Director of OMB and the agency heads. Many of the GPRA responsibilities assigned to OMB complement the statutory charter for the Deputy Director for Management, as set out in the CFOs Act, in the areas of strategic planning, performance measurement, and program evaluation. Thus, I have asked John Koskinen to take the lead role in overseeing and directing both the OMB and government-wide implementation of this Act.

While we have increased the focus on performance in the budget process, we are at a point where there is a pressing need for increased involvement by your divisions and offices in this GPRA effort. Therefore, I have asked John to convene an OMB-wide working group to provide advice and assistance on the implementation of GPRA.

Background

Among the important and time-sensitive responsibilities assigned to OMB by GPRA are the following:

- receiving from each agency no later than September 30, 1997, a strategic plan covering its programs and activities;
- receiving, reviewing, and identifying revisions to the annual performance plan prepared by each agency, which are to be sent to OMB coincident with the agency's budget request, beginning with the budget request for FY 1999; and
- preparing an overall Federal Government performance plan, beginning with the budget for FY 1999, based on the agency performance plans.

GPRA Implementation Group

The attachment outlines the prospective tasks that the GPRA Implementation Group will undertake. The group's role will not be limited to oversight, for we expect the group to propose and suggest ideas and approaches for meeting various implementation requirements and schedules. The group will also be a principal means for communicating developments and issues to the RMOs and the agencies. Because of the many-faceted nature and scope of GPRA, and the need to integrate various related initiatives and requirements into a comprehensive framework, we are also seeking participation from the statutory and support offices as well as the RMOs.

I anticipate that the working group would function over the next two years. This time frame will span the initial strategic plan submissions, the first submissions of the annual performance plans, and OMB's preparation of the first government-wide performance plan. The time required will vary over the period, and the workload can be adjusted to meet the demands of the budget season. John will convene the group in early January.

I ask each of you to designate one representative for this Working Group from each office or division. Please e-mail Debbie Shaw (5-9151) no later than COB next Wednesday December 27, with the name of your representative(s). The most effective participant would likely be someone at the branch chief level or above.

Thank you for your help. I look forward to continuing to work with you in this important enterprise.

Attachment

c: John A. Koskinen
Jack Lew
Charles Kieffer
Jack Arthur

Potential GPRA-Related Implementation Tasks
for the Work Group

1. Implementation of the Strategic Planning Guidance and the Director's Memorandum of September 14, 1995

The Director's cover memorandum to Part 2 of Circular A-11 and Part 2 provide guidance to agencies on preparing and submitting the strategic plans required by GPRA. The Director's memorandum signaled that agencies should anticipate that OMB would call for parts of an agency's strategic plan in CY1996, even if the plan was still being developed. (The likely time for having agencies send selected parts of their plans is late Spring/early Summer.) Such a call would give OMB staff an early, across-the-board opportunity to review and discuss the proposed mission statement and strategic goals of the agencies prior to these plans being submitted. These parts of the strategic plan are also important to any review that OMB would undertake in CY1996 of the performance goals and measures that an agency planned on including in its FY 1999 performance plan (see #2 below).

The areas we should address include the following:

- What should the RMO look for when reviewing the parts of a strategic plan sent to OMB by the agencies next year?
- Are there recommended approaches for how an RMO should coordinate with an agency during the development of a strategic plan, and when this should occur?
- Are there templates for what constitutes a satisfactory strategic plan, and how might these be communicated to agencies still working on developing their plans, or to agencies which have less experience and capability for developing these plans?
- What, if any, is the OMB role in harmonizing goals and objectives in individual agency strategic plans for cross-cutting functions and programs?
- How best to minimize or avoid 'surprises' when an agency's strategic plan is submitted to OMB?
- What, if any, additional information or instructions should be given to the agencies with respect to their application in areas such as tax expenditure, regulatory reform, performance-related procurement, and personnel-related performance management in their strategic plans?

- How can strategic plans be related to Presidential Performance Agreements?

Once these areas have been addressed, there may be need for supplementing guidance to Part 2 of Circular A-11; or for instructions and informational material to be given to RMO staff for their use in working with the agencies as these strategic plans are being developed.

2. Performance Goals and Measures

OMB has already spent significant time in helping many agencies develop performance measures. However, we are still a great distance from having a useful and informative set of performance measures for many of the government's major programs. Applying the experience of the pilot projects, the Spring Performance Review, and the effort to develop expanded amounts of performance information for the FY 1996 and 1997 budgets, we are considering conducting a 'dry run' of the FY 1999 performance plans next Fall and Winter. This 'dry run' would have agencies describe the proposed performance measures they expect to include in their FY1999 annual performance plans. (The actual projected FY 1999 performance values would not be given, although, in some instances, we would expect agencies to provide FY 1998 performance information for these or similar measures.) The 'dry run' would allow OMB and agencies to forge early agreement on the measures, and permit the agencies to collect baseline and trend data from which to set their target performance levels.

Assessments of the progress that each agency is making in measuring performance are, at best, anecdotal at this time. We are endeavoring to take a more comprehensive snapshot through the recently issued management BDR. Through this snapshot, we will have a basis for identifying those agencies that lack good performance information and work on ways to build their capabilities and capacity in this area.

The areas that could be addressed include:

- How to design and carry out a 'dry run' of FY 1999 performance goals 12-15 months from now?
- The timing and content of instructions to the agencies with respect to the 'dry run'.
- The development of prototype concepts for the content, structure, and presentational mode for the government wide performance plan. (The idea would be to examine and test these months in advance of having to prepare the FY 1999 plan.)
- Identifying agencies that are successfully developing good performance measures, and determining whether and how their measures might be adapted or

grafted for use in other agencies.

- Are there criteria that should be used in determining the adequacy of measures, and are there measures that should be included in the performance plans of agencies conducting similar functions or operations?
- Are there approaches that agencies and OMB can apply in developing measures for programs whose performance is beyond the direct control of agency managers (e.g., grant programs), and to emphasize the importance of getting measures that managers use to manage?

3. Best Practices

One method that has been previously helpful to agencies has been the sharing of best practices. An important source of best practices should be the pilots, as well as case studies of agencies experiences and successes to date (see also #4 below). The implementation group should determine if these are useful ways of helping agencies in both the strategic planning and performance measurement. If so, how do we get agencies to share experiences? What, if any, is OMB's role as a clearinghouse or in determining whether best practices are really best?

4. Professional Development and Training

Agencies are often heavily decentralized across a number of often disparate component units and many locations. Some "holding company" departments have left both strategic planning and performance measurement to the bureaus and seen the departmental role as one of coordinator. Many agency managers are seen as being more oriented to managing against rules and procedures, with little or no accountability for how programs perform or the results that are achieved. Both circumstances suggest the need for potentially extensive professional development or training.

This activity could be closely related to the best practices task described above. One important means of training is the development of case studies for use throughout the Government. The implementation groups may wish to consider if this or some other method of training is appropriate. Important questions to address would include:

- Who should develop such case studies and conduct such training?
- How it should be funded?
- What should OPM's role be?
- How should OMB interact to train its own staff and potentially to act as a trainer?

- How should the implementation groups make sure that RMOs and statutory offices are equipped for the task?

5. Spring Review in CY 1996

Should there be such a review next year? What should it focus on? When should it be held? Should there be agency participation?

6. Connecting Resources to Results

Agencies continue to stress the need for the budget process, GPRA, and other performance-related planning and reporting requirements to be connected as seamlessly as possible. Work on an integrated framework to accomplish this to the extent practicable is already underway. Groups are looking at report streamlining to create two reports: a *Planning Report* and an *Accountability Report*. *Accountability Report* pilots are going forward under the Government Management Reform Act. These pilots need to be evaluated to see if the formats are useful or whether they should be changed. The pilots presuppose a particular cycle that was discussed with RMOs last summer. Is this cycle adequate or should it be modified?

Cost accounting standards are being developed by the Federal Accounting Standards Advisory Board that would encourage agencies to collect costs of activities. How should these be used to create the linkage between cost information and performance information?

Several departments have raised concerns about the inadequacy of their current appropriations account structure to reflect and present thematic goals and objectives for major programs and functions. Analysis has been done on how these might be changed to make the data contained in them more useful. Should this activity be advanced and broadened? If so how by whom, and when?

The role of Congress in using performance and cost information is crucial if it is to become an important part of making budget decisions. How do we get Congress, particularly the Appropriators, to participate in the use of performance information?



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

DEPUTY DIRECTOR
FOR MANAGEMENT

March 21, 1996

MEMORANDUM FOR PROGRAM ASSOCIATE DIRECTORS

FROM: John A. Koskinen *JK*

SUBJECT: OMB Staff Preparation for GPRA Implementation

OMB's GPRA Implementation Group (GIG) has recommended that a set of briefing/discussion meetings be held soon with OMB staff on actions being taken to prepare for the government-wide implementation of GPRA in 1997. (The GIG was established by the Director last December and has representatives from each program division and statutory office.) The purpose, timing, and general content of these meetings is set out below. Two of the key actions -- a Summer Review of agency strategic plans and a Fall Review of program performance goals and indicators -- are described in the attached memorandum from the Director to the agencies.

The Meetings

Five meetings, one for each PAD area, will be scheduled. Each meeting will be in two parts. To begin, there will be a 15-20 minute general overview of what is going to happen during Summer Review and the performance-related part of Fall Review. This presentation will cover our expectations for what agencies should provide, and the scope and nature of OMB's review of the information submitted. Both the process and hints what to look for in plan content will be included. Performance measures being established on a government-wide basis, e.g., for procurement, would be referenced in the presentation. Efforts to develop cross-agency measures, such as for credit programs or trade promotion, would be covered. Examples of 'good' and 'bad' performance measures could also be included.

Following the overview will be a general discussion of OMB's role in these initiatives, as well as questions and answers. Participants will be encouraged to make suggestions for how the process might be improved or other actions to be taken.

RMO Role

Each meeting will be conducted by an RMO staff representative to the GIG, with these staff presenting the overview and leading the discussion. This allows an RMO to highlight its specific agencies and any RMO preferences regarding coordination with them. OMB's technical experts on GPRA will attend, and can answer any questions as necessary.

All RMO staff, including branch chiefs, DADs, and PADs, are strongly encouraged to attend. Those unable to attend the meeting of their RMO may attend another meeting. Staff from the OMB statutory and other offices are also encouraged to attend any of the meetings.

Schedule

Because of potential workload, most of the meetings are to be scheduled after Congress has recessed at the end of March. One meeting will be held the week of March 25, with the remaining four held early in April. Most meetings will be a brownbag, generally lasting for 75-90 minutes. Room 2010 has been reserved.

Informational Material

In advance, RMO staff will be given a copy of the proposed OMB memorandum to the agencies on Summer Review and the performance aspects of Fall Review. The memorandum will not be sent to the agencies until these meetings are completed. However, we have informally distributing it in draft to the six agency representatives on the CFO Council's Subcommittee on GPRA Implementation for any comments they wish to provide. The GPRA Implementation Group will also be providing staff with other relevant material as it becomes available.

Included in the information material being provided prior to the meeting will be guidelines on adapting GPRA requirements to those agencies with \$20 million or less in annual spending, or which will cease operating before or during FY 1999.

Attachment

cc: Alice M. Rivlin
Jack Lew
Ed DeSeve
Sally Katzen
Steve Kelman
Joe Minarik
Barry Anderson
Jack Arthur
Bob Damus
Larry Haas
Jim Murr
Deputy Associate Directors



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

THE DIRECTOR

May 16, 1996

M-96-26

MEMORANDUM FOR HEADS OF SELECTED AGENCIES

FROM: Alice M. Rivlin *AMR*

SUBJECT: Exemptions for Selected Agencies from Government Performance and Results Act Requirements

This memorandum establishes a process for small agencies to receive an exemption from meeting requirements of the Government Performance and Results Act of 1993 (GPRA).

Section 4 of this Act allows exemptions for independent agencies with \$20 million or less in annual outlays. Exemptions cover requirements associated with the preparation of strategic plans, annual performance plans, and program performance reports. Agencies may seek an exemption from all GPRA requirements. Additionally, following discussions with OMB, agencies that are not exempted may prepare plans and reports on a scale proportionate to their spending and staffing levels.

The process of exempting agencies from GPRA requirements is being initiated at this time because GPRA planning is occurring now.

Attachment 1 sets out the general policy and procedures regarding exemptions. This attachment also covers how GPRA requirements may be adapted to match with the size and capabilities of agencies not receiving an exemption. Attachment 2 summarizes the GPRA requirements covered by an exemption.

Questions about exemptions or adaptations specific to your agency should be addressed to your OMB Resource Management Office.

Attachments

**GENERAL POLICIES
FOR AGENCIES ELIGIBLE FOR EXEMPTION FROM GPRA REQUIREMENTS**

A. Eligibility

Independent agencies with \$20 million or less in total annual outlays are eligible to be considered for an exemption. Please note that the \$20 million threshold is established in the statute. Bureaus, offices, or other component organizations of a department or independent agency are not eligible.

The projected level of agency spending in fiscal year 1996 should be used as the basepoint for determining prospective eligibility. Agencies with fiscal year 1996 spending greater than \$20 million, which reasonably expect fiscal year 1999 spending to be \$20 million or less, may also request an exemption.

B. Exemption Scope

An approved exemption will cover all GPRA requirements. An exemption covering only selected requirements will not be given.

C. Requesting and Obtaining an Exemption

Agencies may request an exemption by sending a letter from the agency head to John A. Koskinen, the OMB Deputy Director for Management. Agency requests will be evaluated on:

- 1.) whether meeting GPRA requirements would significantly affect how an agency conducted operations, managed activities, or carried out programs;
- 2.) whether relevant and useful performance information could be prepared for an agency's program and activities; and,
- 3.) the extent that an agency's budget requests to OMB and budget justifications to Congress currently include substantial information that could be used to satisfy GPRA requirements.

To inform the decision on an exemption, an agency may wish to address these criteria in its request.

Letters seeking an exemption from GPRA requirements should be received no later than May 29, 1996. OMB will make determinations on all requested exemptions by June 14, 1996. As part of this period coincides with the initial stage of Summer

Review (see OMB Memorandum 96-22, April 11, 1996), OMB will coordinate with requesting agencies on their participation, if any, in Summer Review.

D. Duration of an Exemption

An exemption becomes effective with the transmittal of OMB's letter to the agency approving an exemption. The duration of an exemption will be determined individually for each agency. This duration may be indefinite, or for a fixed period. Exemptions established for a fixed period may be renewed. An agency which no longer qualifies for an exemption because of a change in its funding level will be given one or more full fiscal years to prepare the plans and reports required from non-exempted agencies.

E. Adapting GPRA Requirements for Non-exempted Agencies

For agencies with few staff, a modest budget, and a limited program, the scope of GPRA plans and reports is necessarily different than for larger agencies. For this reason, eligible agencies (see section A. above) who have not received an exemption may contact their OMB Resource Management Office about adapting their GPRA plans and reports to reflect their size and capabilities. This contact should be initiated as soon as practicable. Those agencies requesting but not receiving an exemption (see Section C. above) may contact the Resource Management Office regarding an adaptation. This should also be done as soon as practicable following notice that a requested exemption was not approved.

SUMMARY LIST OF GPRA REQUIREMENTS FOR PLANS AND REPORTS

1. Strategic Plans

Requirements are set out in 5 USC §306, and in Part 2 to OMB Circular No. A-11, issued on September 14, 1995.

Plan Content Requirements

- A mission statement for the agency.
- A description of the agency's general goals and objectives.
- A description of how the general goals and objectives will be achieved, including the human, capital, information, and other resources, and the operational processes, skills, and technology required to achieve the goals.
- A description of how the annual performance goals in the annual performance plan are related to the general goals and objectives.
- An identification of the key, external factors that could significantly affect achievement of the general goals and objectives.
- An indication of how program evaluations were used in establishing goals, and a schedule for future evaluations.

Plan Preparation and Submission Requirements

- The transmittal of the initial plan to OMB and Congress by September 30, 1997.
- Providing OMB with an advance copy of the strategic plan prior to its transmittal to Congress.
- A revision and update of the strategic plan at least every three years.
- Consultation with Congress when preparing the plan.
- Consultation with interested or potentially affected entities to provide views and suggestions on the plan during its preparation.
- A plan transmittal letter to the Congress and the Director of OMB.

2. Annual Performance Plans

Requirements are set out in 31 USC §1115(a). OMB has not yet issued supplementing guidance to agencies on the preparation and submission of performance plans for fiscal year 1999 and subsequent years.

Plan Content Requirements

- One or more measurable performance goals for the fiscal year, or one or more performance indicators for goals that are not measurable.
- A description of the human, capital, information, or other resources required to meet the performance goals.
- A description of the operational processes, skills and technology required to meet the performance goals.
- A description of the means being used to verify and validate measured values.
- An acknowledgment of the role and description of the contribution made by non-Federal entities in preparing the plan.

Alternative Form of Measurement Provision

- If an agency, as part of its waiver request, describes the specific, non-quantitative performance goals or indicators that it intends to include in its annual performance plan, OMB will review the proposed goals or indicators, and may authorize the agency to use the alternative form of measurement (i.e., non-quantitative) as provided for by 31 USC §1115(b).

Plan Preparation and Submission Requirements

- The submission of the annual performance plan to OMB coincident with the submission of a fiscal year's agency budget request to OMB.
- The transmittal of the plan to Congress at a time concurrent with transmittal of the agency's budget justification or release of the President's budget.

3. Annual Program Performance Reports

Requirements are set out in 31 USC §1116(d). OMB has not yet issued supplementing guidance to agencies on the preparation and submission of program performance reports due in 2000 and subsequent years.

Report Content

- A review of the success of achieving the performance goal(s) for the fiscal year, by comparing actual performance to the target levels in the performance goals and indicators in the annual plan.
- An explanation of why a performance goal was not met.
- The plan and schedule for achieving in the future a performance goal that was not met.
- An assessment of the performance plan for the current fiscal year relative to the performance achieved in the preceding fiscal year.
- The summary findings of any program evaluations completed during the fiscal year covered by the report.
- Performance trend data.

Report Preparation and Submission Requirements

- Transmittal of the annual program performance report to the President and Congress.
- Transmitting the annual report not later than March 31 of the year following the end of the fiscal year covered by the report.

4. Requirements Associated with Managerial Accountability and Flexibility Waivers

The waiver of administrative requirements to provide for greater managerial flexibility and accountability is authorized by 31 USC §9703. Agencies, regardless of size, may request waivers.



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

September 9, 1996

M-96-22
Supplement 2

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Jacob J. Lew
Acting Director

SUBJECT: Information on Performance Aspects for Fall Review

This memorandum provides additional information (Attachment 1) on the performance aspects of Fall Review. A focus of Fall Review will be the performance goals and indicators that agencies propose to include in the annual performance plans required by the Government Performance and Results Act (GPRA).

Previously, OMB Memorandum 96-22 (April 11, 1996) and Supplement 1 to Memorandum 96-22 (May 31, 1996) described efforts OMB will take this year to help agencies prepare to meet the requirements of GPRA. The main government-wide efforts are a Summer Review (now completed) on agency strategic plans, and a Fall Review. Excerpts from an attachment to Memorandum 96-22, which contains specific information on the timing of Fall Review and the agency material to be provided to OMB, are also appended (Attachment 2).

Your staff should contact your OMB Resource Management Office for any specific questions or instructions on the timing and content of material for the performance aspects of Fall Review.

OMB has begun to draft guidance on the preparation and submission of the annual performance plans required by GPRA. Preparation of this guidance will be a collaborative effort with the agencies, and we welcome your agency's participation. Agencies wishing to participate should contact Walter Groszyk by e-mail (groszyk_w@a1.eop.gov) or FAX (202 395-5177) and indicate interest in receiving draft material and/or being part of an interagency work group.

Attachments

SUPPLEMENT 2
ADDITIONAL INFORMATION ON
PERFORMANCE ASPECTS OF FALL REVIEW

Note: This supplement is for those agencies subject to the GPRA requirement for preparing and submitting an annual performance plan for FY 1999.

1. Relationship between Strategic Plan and Annual Performance Plan. In a strategic plan, the mission statement presents the main purposes for all the major functions and operations of an agency. The general goals and objectives -- whether programmatic, policy, or management -- develop with greater specificity how an agency will carry out its mission. The annual performance goals and indicators are derivative of these general goals and objectives. The annual goals and indicators define the expected progress, often incremental, in achieving the long-term general goals.

An emphasis in Summer Review was on how agencies intended to link the general goals and objectives in a strategic plan to the performance goals and indicators in the annual performance plan. As many agencies have yet to describe the relationship between these two sets of goals, the Fall Review will also focus on this element. Some agencies may wish to revise their draft general goals and objectives to bring about this linkage, and should provide OMB with any revision of their general goals during the course of Fall Review. Agencies may also consider defining intermediate outcomes or sub-goals and objectives in their strategic plan, using these to help establish this link, while building a hierarchical pyramid of goals.

2. Performance Goals and Indicators. While the annual performance goals will predominately tie to the general goals and objectives, agencies can include annual goals for other programs and activities which are not encompassed within the general goals and objectives. Agencies should note that the strategic plan must cover only the major functions and operations of the agency, while the annual performance plan must cover every program activity, although the performance data for these activities may be consolidated or aggregated. (GPRA defines a program activity as a specific activity or project listed in the program and financing schedules of the annual budget of the United States Government.)

Agencies may also define annual performance goals for supporting efforts and initiatives -- including changes in processes, significant investments in facilities or equipment, cooperative steps with non-Federal governments, benchmarking efforts to achieve world class systems (e.g.,

procurement performance measures referenced in OMB Memorandum 96-25), and regulatory actions -- where these represent means and approaches being used to achieve the general goals and objectives.

Annual performance goals and indicators should, where appropriate, also reflect agency initiatives to set customer service standards, undertake administrative reforms, or bring about agency-wide change.

3. Alternative Forms of Setting Performance Goals. Performance goals should be objective, quantifiable, and measurable. When it is not feasible to express performance goals in such a manner, GPRA allows OMB to authorize agencies to use an alternative form of measurement, which is described below. As part of Fall Review, agencies may propose an alternative form of setting goals for a particular program activity.

The alternative form should be consistent with the specifications in §1115(b) of GPRA. This section states that the alternative form shall include separate descriptive statements of a minimally effective program and a successful program with sufficient precision to allow for an accurate, independent determination of whether the actual performance meets the criteria of the description. Agencies may also propose other alternative forms, or state why it is infeasible or impractical to express a performance goal in any form.

During Fall Review, OMB will review and discuss these proposals with the agency.

4. Possible Discussion Topics. Agencies should anticipate that OMB staff may include the following areas of inquiry during the performance aspect of Fall Review:

- where accountability will rest within the agency for achieving each of the proposed performance goals and indicators.
- the nature and scope of agency program managers' participation in, and agreement with, the proposed goals and indicators.
- the extent to which the agency currently measures the performance of the proposed goals and indicators, and the existence, reliability, and extent of baseline or trend data.
- the agency's future ability to measure performance of the proposed goals and indicators.

-- the reliance on entities outside the agency (e.g., states) to achieve the goals, or measure and report on performance.

5. Format. No display format is being prescribed for the agency material being submitted for the Performance Aspects of Fall Review. Agencies are encouraged to test various styles and modes for presenting performance information, and may wish to discuss style or format concepts with their Resource Management Office. These concepts should anticipate future Congressional needs, as the annual performance plan will complement or supplant the agency justification of estimates to Congress.
6. Consolidation, Aggregation, and Disaggregation. GPRA requires that an annual performance plan cover each program activity set forth in the budget for an agency. Agencies are allowed to consolidate, aggregate, or disaggregate performance data for program activities to help in the presentation of informative, useful, and concise plans. In a consolidation, a single set of performance goals and indicators encompasses two or more program and financing schedules. Aggregation occurs when performance goals and indicators are applied-in-common to several or all of the program activities listed in a single program and financing schedule. Individual program activities are broken out into more discrete units in a disaggregation, and the performance data is developed and displayed for these units.

Agencies should identify the specific program and financing schedules in the budget that would be affected by a consolidation, aggregation, or disaggregation. (Aggregation in this instance applies solely to these schedules.) This identification should match individual performance goals and indicators to their associated budget accounts.

7. Restructuring of Budget Accounts. Consolidation, aggregation, or disaggregation of performance data does not automatically introduce a corresponding change to the set of agency budget accounts, or to the list of projects and activities in a program and financing schedule. Agencies wishing to change their account structure, or modify program activity listings in their program and financing schedules to better align these with programs and thematic performance goals are encouraged to propose this as part of Fall Review. Agencies may also propose to shift financing for the resources needed to achieve program goals to these program accounts and bring about a better connection of resources to results. Proposing agencies should also describe their plans and schedules for any consultation with appropriate Congressional committees regarding these changes.

While proposals for account realignment will be considered during Fall Review, agencies should continue using the current account structure when matching the proposed performance goals and indicators to program and financing schedules. Agencies should also note provisions in OMB Circular No. A-11, particularly sections 11.5 and 11.6, regarding budget accounts.,

8. Classified Annex. Agencies intending to prepare a classified or non-public annex to their annual performance plan should contact their Resource Management Office to discuss the programs and activities (or parts thereof) to be covered in such an annex, and the types of performance goals and indicators that would be included therein.

FROM OMB MEMORANDUM 96-22

II. PERFORMANCE ASPECTS OF FALL REVIEW

A. 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 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.

B. Performance Goal Information to be Provided OMB

Agencies should 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 a determination to be made as to their usefulness and value in measuring program performance, how well they reflect the core purpose of the program or activity, and how well they match with the general goals and objectives in the strategic plan.

Specific performance values, e.g., quantified target levels, for FY 1999 need not be provided as part of the description. For example, a described goal would be "to reduce the rate of loan defaults to x percentage of all loans outstanding in FY 1999". The description need not include a value for x. However, in some instances, the performance goals may be actual milestone or schedule dates, or have target levels already set. In these instances, the specific value should be included.

Agencies should not provide an exhaustive list of every possible goal and indicator. Rather, the descriptions, when viewed collectively, should give a sense of the type and scope of the goals and indicators that would be included in the FY 1999 performance plan. Agencies are reminded that GPRA allows performance plans to aggregate, disaggregate, or consolidate program activities, as long as major functions or operations of the agency are not omitted or minimized.

C. Performance Goal Information for FY 1998

Some of the proposed performance goals and indicators are likely to be the same (or quite similar to) measures of program performance that an agency is currently using. Agencies should provide information on projected FY 1998 levels of performance for such measures as part of their budget request for that fiscal year. In preparing and presenting the FY 1998 budget, agencies should expect that the amount and usefulness of performance information will be significantly greater than in past years.

D. Due Date for Material

The descriptions of the proposed performance goals and indicators for FY 1999 should be submitted to OMB with the agency's budget request for FY 1998.

E. Timing and Structure for the Performance Aspects of Fall Review

The Fall Review of the proposed performance goals and indicators will be conducted as a part of the hearings and discussions with the agency on its FY 1998 budget request. These hearings and meetings generally occur between September and November. By December, 1996, consensus should be reached either on the performance goals to be included in the FY 1999 plan, or on the schedule for further work to be done to define these goals early in CY 1997.

The performance aspect of Fall Review will focus on the adequacy and relevance of the proposed performance goals and indicators. A major criterion will be whether the goals and indicators capture the essence of what a program or activity should be achieving, and how well these reflect the performance expectations of those who receive, use, or purchase the services or products offered. As the performance goals should highlight those measures that agency managers use to manage, the agency's ability to provide timely and accurate performance data will also be reviewed.

F. Further Information

Please contact your OMB Resource Management Office if you have questions regarding the performance aspect of Fall Review.



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

THE DIRECTOR

April 14, 1997

M-97-03
Supplement No. 1

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Franklin D. Raines 
Director

SUBJECT: Additional Information on Congressional Consultation

The Government Performance and Results Act (GPRA) requires agencies to consult with Congress when developing their strategic plans. OMB Memorandum 97-03 (November 12, 1996) provided guidance on conducting this consultation.

In a February 25, 1997, letter to OMB, the majority leadership in the Senate and House of Representatives conveyed their views on the consultation process (see attachment 1). On March 17, OMB replied to this letter (see attachment 2). This supplement provides your agency with a copy of this correspondence, and further guidance on several aspects of consultation. We are also appending for your reference correspondence between Senator Fred Thompson, chairman of the Senate Committee on Governmental Affairs, and OMB on the subject of agencies including estimates of regulatory costs in GPRA-required plans (see attachment 3).

The Agency Transmittal Letter: The Congressional letter asked that agencies identify which committees were consulted during development of the strategic plan. This identification should be included in your agency's transmittal letter with your completed strategic plan. In some instances, a joint team comprised of Congressional members or staff of several or more committees may serve as a principal Congressional consultation point for your agency. Such teams should also be identified.

The Congressional letter also suggested that agencies prepare an addendum to the transmittal letter to explain why the contrary views summarized in the transmittal letter were not reflected or incorporated in the plan. Agencies may wish to append this addendum to their transmittal letter if this would be a useful way of informing Congress on the disposition of such views. Alternatively, agencies may prefer to discuss this matter directly with the appropriate Congressional committees at the approximate time of plan transmittal. Explanations may appropriately be limited to significant issues or differences, and need not be offered for every contrary view.

Consultation on a Strategic Plan's Description of Annual Performance Goals: Questions have been raised about whether annual performance goals should be substantively discussed during Congressional consultation. A main element in the strategic plan is the description of the relationship between the general goals and objective in the strategic plan and the performance goals in the annual plan. Presentation and discussion of this relationship during consultation will likely cover descriptions of the annual performance goals, including their type and nature, and whether a particular measure would be useful, appropriate, informative, etc. In most instances, presenting illustrative measures should suffice. An agency need not provide specific values or performance target levels for its FY 1999 goals during consultation on its strategic plan.

Further Information: Please contact your OMB Resource Management Office if you have questions on Congressional consultation.

Attachments

Congress of the United States
Washington, DC 20515

FEB 26 1997

February 25, 1997

Franklin D. Raines, Director
Office of Management and Budget
17th and Pennsylvania Ave., NW
Washington, D.C. 20503

Dear Director Raines:

This year implementation of the Government Performance and Results Act goes government-wide, as agencies are required to submit Strategic Plans to Congress by September 30, 1997. We have reviewed the requirements of this important act and would like to comment on the importance of agency consultations with Congress.

According to the Results Act, "when developing a strategic plan, the agency shall consult with Congress." Because the act does not completely specify what constitutes consultations, we strongly encourage that OMB, in issuing further Results Act guidance to agencies, ensure that agencies are clear on what Congress expects during the coming year by way of these consultations.

In a November 12, 1996 OMB memo to the agencies on Results Act consultations, you stated: *"To make consultations as useful as possible...all substantive documents related to strategic plans should be provided to OMB beforehand, and OMB comments ensuring consistency with national program and budget policies should be incorporated before the documents are given to Congress."*

We hope that you will make it clear to agencies that OMB does not intend to establish a strict "clearance" process for any draft strategic plans meant to be used for discussions with Congress. Such a requirement would not only make the consultation process cumbersome, but does not reflect the iterative nature of government planning as envisioned by the Results Act.

As a result, agencies--and in many cases bureaus within each agency--should begin consultations with Congress as soon as possible and should try to complete the process before Congress' August recess. We believe such a time line will allow Congress sufficient time to have productive discussions with the agencies and give your office time to ensure the final versions of the Strategic Plans are consistent with national program and budget policies.

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While each committee has the full discretion to handle consultations in a manner with which it is most comfortable, we believe the following guidelines will make the consultation process most productive:

Once they have their mission, long-term goals and strategies roughed out, agencies should submit a draft plan to the Chairman and Ranking Member of all major authorizing, appropriating, oversight and budget committees in the House and Senate with jurisdiction over their programs in advance of any consultations, allowing the draft document to serve as the starting point for discussions. The draft Strategic Plans should contain:

- A clear and concise mission statement based on statute;
- Tangible outcome goals for attaining the agency's mission;
- A coherent presentation and justification of the various strategies the agency plans to pursue to achieve each goal;
- An outline of various outcome-related performance measures that will be used to track goal and mission attainment;
- A description of how the activities of the agency relate to the activities of other agencies with similar programs, including specific plans for how such programs will be coordinated; and
- Indications of how the mission, goals, strategies, and performance measures will be represented in the agency's annual performance plans and reports.

Along with the submission of the draft Strategic Plans, agencies should request a meeting for consultation at a time convenient for each committee. To the maximum extent possible, we will attempt to coordinate all relevant committees with jurisdiction over each Department or agency so as to assist in the implementation of the Results Act and reduce the duplication and overlap that congressional committees can add to the process. However, at any time, agencies should be prepared to be called upon by a congressional committee to begin consultations.

Among other issues that may be raised during consultations, agencies should be prepared to:

- Discuss agency consultations with other committees, and the nature of comments received on the plan;
- Identify what stakeholders were consulted and what views they had on the Strategic Plan;
- Detail how the agency will coordinate its activities (especially for cross-cutting programs) with other federal agencies working in similar activities;
- Provide an overview of key strategic issues/challenges facing their programs and to what extent the strategic plan addresses them;
- State the priorities of the agency and identify where they are reflected in the Strategic Plan and to what extent they reflect the priorities of Congress;
- State what their "value" is to the American people and where and how it is

- articulated in the plan;
- Discuss how their use of regulations or their reliance on tax expenditures will be used to achieve certain goals in the Strategic Plan;
- Come to a reasonable degree of agreement with the committees as to what performance measures will be used to gauge program success—especially outcome measures (In addition to a discussion of performance measures, agencies should recognize that outcome goals should be stated in a manner that allows for determination to be made whether the goal was achieved or not.);
- Identify to what extent the recognized end-outcomes of the agency can be attributed to agency activities and how external factors could impact performance;
- Explain how what the agency does is unique from activities of other federal agencies, state and/or local governments, and private or social-sector entities working in the same areas;
- Clearly outline the logic and thinking behind the goals and strategies laid out in the plan;
- Discuss areas where the agency is asking for increased flexibility to “break the mold” and pursue an “outside the box” strategy to meet a goal or execute a strategy;
- Discuss what type of formats for Strategic Plans, Performance Plans, and Performance Reports best meet the information needs of Congress, federal line managers, and the general public;
- Explain how plans and reports prepared under the Results Act will be used in the day-to-day management of the agency; and
- Detail how the goals, strategies, and performance measures will be linked to the annual budget request of the agency.

Agencies should modify their strategic plans throughout the consultation process, taking into account the comments received from the various congressional committees. As a result, agencies should continually work with relevant congressional committees on updated versions of the draft strategic plans.

Finally, as previously specified in OMB guidance, agencies should send final versions of their Strategic Plans to both the Speaker of the House and President Pro Tempore of the Senate, in addition to the others specified in the Act, on or before September 30, 1997. In the transmittal letter, it would be helpful if agencies would note which committees were consulted. In addition, in an addendum, the agency should note what views or modifications suggested were not included in the final version of the plan, along with the rationale for not including them.

It is our hope that we have been able to provide additional clarity to the issue of Results Act “consultations” with Congress. We appreciate the work OMB has been doing to see that the implementation of the Results Act goes smoothly. For our part, we plan to encourage all House and Senate Committees to take an active role in consultations on agency Strategic Plans and continue to use general oversight hearings throughout the year to monitor progress on the Results Act within the agencies.

Thank you again for your work on implementation of the Results Act.

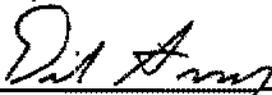
Sincerely,



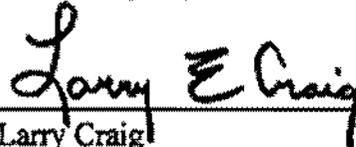
Newt Gingrich
Speaker of the House



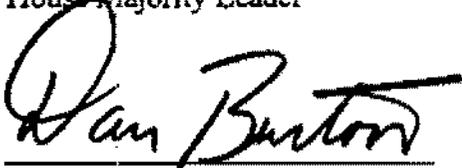
Trent Lott
Senate Majority Leader



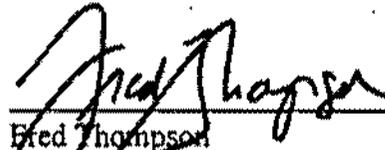
Richard Armey
House Majority Leader



Larry Craig
Chairman, Senate Republican
Policy Committee



Dan Burton
Chairman, House Government
Reform and Oversight Committee



Fred Thompson
Chairman, Senate Governmental
Affairs Committee



John Basich
Chairman, House Budget Committee



Pete Domenici
Chairman, Senate Budget
Committee



Bob Livingston
Chairman, House Appropriations
Committee



Ted Stevens
Chairman, Senate Appropriations
Committee

cc: President and Vice President
House Democrat and Republican Leadership, all House Committee Chairmen and
Ranking Members
Senate Democrat and Republican Leadership, all Senate Committee Chairmen and
Ranking Members
Cabinet Secretaries and Department heads



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

March 17, 1997

THE DIRECTOR

The Honorable Newt Gingrich
Speaker of the House of
Representatives
Washington, DC 20515

Dear Mr. Speaker:

Thank you for the February 25, 1997 letter from you and your colleagues in the House majority leadership, providing your views on the Congressional-agency consultation required by the Government Performance and Results Act. This is an important matter that deserves our joint attention.

Given the importance of agency strategic plans, which set forth what an agency's programs and operations will accomplish over a three to five year period, the statute wisely requires that agencies consult with the Congress and obtain the views of interested public stakeholders when developing these plans. While the final plans are the responsibility of the Executive Branch, effective consultation signals to the American public that both our branches are working together to provide a government that holds itself accountable for the effective expenditure of their tax dollars.

I would like to clarify OMB's clearance process regarding this consultation. Confusion over the matter of clearance may have stemmed from a misunderstanding of OMB's guidance on the preparation and submission of completed strategic plans. This guidance specifies that agencies should submit these plans to OMB for interagency clearance at least 45 days before transmittal to Congress, which is to occur no later than September 30.

This interagency clearance process does not apply to draft plans and related discussions with Congress and other interested parties. As your letter notes, OMB guidance to the agencies on the consultation process (OMB Memorandum 97-03 dated November 12, 1996) does request agencies to give OMB, in advance, copies of substantive documents being provided to Congress during consultation. This allows us to ensure that the documents are consistent with and accurately reflect national policies and this administration's budget and program priority goals for the period covered by the plans. However, the time we need for this review is brief and should neither burden nor delay consultation. In many instances, we have already discussed earlier versions of these documents with the agencies which will minimize the time needed for any subsequent review. While we do not anticipate problems in this area, please advise us if any specific difficulties arise.

Strategic plans are still in a formative state when consultation is conducted, and we expect that completed agency plans will be reflective of and responsive to Congressional views.

However, not every proposal made during consultation will be incorporated in a plan, nor every idea accepted. The policies underlying agency programs are determined by Congress through the enactment of laws. An agency's strategic plan is its commitment to achieve the goals and objectives that will implement these statutory policies. The final management choices on the pace, emphasis, and priority of accomplishments are guided by Administration priorities, and are essentially an agency's to make.

There is no statutory specification for how consultation is to be done. OMB is using its guidance on how a plan is sent to Congress to underscore the importance of this key feature of the planning process. Our guidance requires an agency, in its letter transmitting the completed strategic plan to Congress, to summarize the general scope and nature of its consultation, and include a summary of views from the Congress or public stakeholders that disagree, in a substantive and germane way, with the programmatic, policy, or management courses-of-action presented in the completed plan. By separate communication to the agencies, we will also ask that the summary identify the Committees consulted, as you suggested.

I am sending a copy of this letter to the agency heads together with a copy of your letter to me. This correspondence will reaffirm to the agencies the importance of a meaningful consultation process.

We are heartened by the strong interest being shown by the Congress in this Act and we appreciate the efforts you and House Majority Leader Arney have initiated to foster a coordinated consultation process in the House between each agency and its relevant committees. We agree with House Majority Leader Arney's statement that this Act is bi-partisan and non-ideological and we look forward to working with members from both sides of the aisle in both houses to implement this legislation successfully.

Sincerely,



Franklin D. Raines

Identical Letter to:

House Democrat and Republican Leadership, all House Committee Chairman and Ranking Members

Senate Democrat and Republican Leadership, all Senate Committee Chairman and Ranking Members

cc: Cabinet Secretaries and Department Heads



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

THE DIRECTOR

March 17, 1997

The Honorable Trent Lott
Majority Leader
United States Senate
Washington, DC 20510

Dear Mr. Leader:

Thank you for the February 25, 1997 letter from you and your colleagues in the Senate majority leadership, providing your views on the Congressional-agency consultation required by the Government Performance and Results Act. This is an important matter that deserves our joint attention.

Given the importance of agency strategic plans, which set forth what an agency's programs and operations will accomplish over a three to five year period, the statute wisely requires that agencies consult with the Congress and obtain the views of interested public stakeholders when developing these plans. While the final plans are the responsibility of the Executive Branch, effective consultation signals to the American public that both our branches are working together to provide a government that holds itself accountable for the effective expenditure of their tax dollars.

I would like to clarify OMB's clearance process regarding this consultation. Confusion over the matter of clearance may have stemmed from a misunderstanding of OMB's guidance on the preparation and submission of completed strategic plans. This guidance specifies that agencies should submit these plans to OMB for interagency clearance at least 45 days before transmittal to Congress, which is to occur no later than September 30.

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I am sending a copy of this letter to the agency heads together with a copy of your letter to me. This correspondence will reaffirm to the agencies the importance of a meaningful consultation process.

We are heartened by the strong interest being shown by the Congress in this Act and in working to bring about its successful introduction over the next year. We also appreciate the effort that the Speaker and House Majority Leader Richard Arney have initiated to foster a coordinated consultation process in the House between each agency and its relevant committees. This approach holds such promise that we ask you to consider whether a similar process might be tried in the Senate. We believe this would help improve the substance of the consultation as well as allow it to be done more efficiently.

We agree with House Majority Leader Arney's statement that this Act is bi-partisan and non-ideological and we look forward to working with members from both sides of the aisle in both houses to implement this legislation successfully.

Sincerely,



Franklin D. Raines

Identical Letter to:

House Democrat and Republican Leadership, all House Committee Chairman and
Ranking Members
Senate Democrat and Republican Leadership, all Senate Committee Chairman and
Ranking Members

cc: Cabinet Secretaries and Department Heads

FRED THOMPSON, TENNESSEE, CHAIRMAN

WILLIAM V. ROY, JR., DELAWARE
 TED STEVENS, ALASKA
 SUSAN COLLINS, MAINE
 SAM BROWNBACK, INDIANA
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 THAD COCHRAN, MISSISSIPPI
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 ARLEN SPECTER, PENNSYLVANIA

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 RICHARD J. DURBIN, ILLINOIS
 ROBERT G. TORRICELLI, NEW JERSEY
 MAX BAILEY, GEORGIA

United States Senate

COMMITTEE ON
 GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510-6250

February 24, 1997

NAHMAH E. BISTARE, STAFF DIRECTOR AND COUNSEL
 LEONARD WEISS, MINORITY STAFF DIRECTOR

The Honorable Franklin D. Raines
 Director
 Office of Management and Budget
 Washington, D.C. 20503

Subject: Implementation of the Government Performance and
 Results Act

Dear Mr. Raines:

I write to express my interest in working with you and others in the Administration to successfully implement the Government Performance and Results Act ("GPRA"). I believe that GPRA has great potential to improve the efficiency, effectiveness and accountability of the Federal Government. This is why GPRA was enacted into law with broad bipartisan support, and this is why I believe we must work together to ensure that GPRA meets its potential. As the new Chairman of the Governmental Affairs Committee, which authorized GPRA, I have a particular interest in overseeing its government-wide implementation. Unfortunately, I am concerned that the agencies may misapprehend their responsibilities under this statute.

As you know, GPRA requires the head of each agency to submit its strategic plan to Congress by September 30, 1997. Each strategic plan must include, among other things, general agency goals and objectives, as well as a description of how those goals and objectives will be achieved. Many regulatory agencies achieve their goals and objectives through regulation, which requires off-budget expenditures by the private or governmental parties that are regulated, as well as other off-budget costs, such as and loan guarantees. These off-budget costs can far exceed the on-budget expenses incurred by the regulating agency. Therefore, it is critical that Congressional and Executive Branch managers understand how both on-budget resources and off-budget costs will achieve agency goals and objectives. I also believe that the public has a right to know this information.

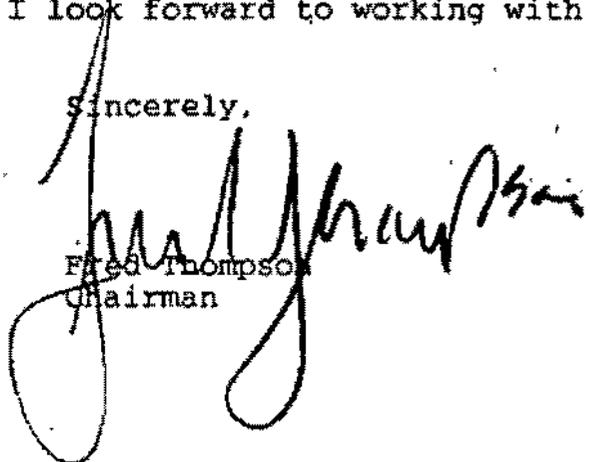
However, I understand that agencies are developing their strategic plans without considering the role of regulatory costs and other off-budget expenditures in meeting their goals and objectives. If agency strategic plans fail to address the issue of off-budget costs, I am concerned that the entire GPRA planning process will be undermined. Since the primary input into achieving many agency goals and objectives are off-budget expenditures, especially regulations, it will be difficult for

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Congress and the Executive Branch to judge the efficiency and effectiveness of Federal programs unless agencies demonstrate the role of off-budget costs in meeting their goals and objectives.

I would appreciate it if you would inform me at your earliest convenience whether the agencies, as they develop their strategic plans, are directly considering the role of regulatory and other off-budget costs in meeting their goals and objectives. If they are not, I would appreciate any suggestions on how we could solve this problem. I look forward to working with you.

Sincerely,



Fred Thompson
Chairman

FT:pm



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

THE DIRECTOR

April 11, 1997

The Honorable Fred Thompson
Chairman
Senate Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Thank you for your letter of February 24, 1997, expressing your interest in working with the Administration to implement successfully the Government Performance and Results Act and suggesting that agencies consider regulatory and other non-Federal costs when developing the strategic plans required by this Act.

We agree that Congress and managers in the Executive Branch need to understand how both on-budget and non-Federal spending will help achieve agency goals and objectives. In our September 1995 guidance on preparing strategic plans, we specified that, as appropriate, agencies should describe any expected reliance on regulation, tax expenditures, or dedicated fees and collections in helping achieve the general goals and objectives in their plans. As strategic plans are prepared at a level of generality consistent with a five-year or longer time horizon, estimates of cost and benefits of individual regulations may not be available or appropriate for inclusion. If estimates of the cost and benefit of economically significant regulations exist, and such information will be appropriate and informative, it should be included in strategic plans.

We will also be issuing guidance on preparing and submitting annual performance plans which contain more detailed information specific to a fiscal year. We will be pleased to share this additional information with you when it is issued.

I appreciate your interest in this matter and look forward to working with you to ensure the successful implementation of this important legislation.

Sincerely,

Franklin D. Raines
Director



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

May 19, 1997

THE DIRECTOR

The Honorable Bob Livingston
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515-6015

Dear Mr. Chairman:

In its report on *Budgeting for Federal Capital* (GAO/AIMD-97-5; November 12, 1996), the General Accounting Office recommended certain actions by the Office of Management and Budget. This letter responds to those recommendations.

The two recommendations to OMB, which appeared on page 84 of the GAO report, were as follows:

GAO recommends that the Director of the Office of Management and Budget continue OMB's top-level focus on fixed-asset acquisitions to include working with agencies and the Congress to promote flexible budgetary mechanisms that help agencies accommodate the consistent application of up-front funding requirements while maintaining opportunities for appropriate congressional oversight and control.

As OMB continues to integrate GPRA requirements into the budget process, GAO recommends that the Director of the Office of Management and Budget, ensure that agencies' capital plans flow from and are based upon their strategic and annual performance plans. In addition, OMB should continue its efforts to ensure that cost, schedule, and performance goals are monitored as required by FASA.

As a general comment, we have been working closely with GAO for several years in a very cooperative way to improve planning, budgeting, and the acquisition of capital assets. GAO shared with us a preliminary draft of *Budgeting for Federal Capital*, and met with us before its completion to discuss the report. In this same cooperative framework, GAO has been participating with OMB and many Federal agencies in the development of a "Capital Programming Guide," which OMB plans to release in June. The purpose of the Guide is to provide professionals in the Federal Government with a basic reference on principles and techniques for planning, budgeting, acquisition, and management of capital assets. GAO has identified leading practices regarding capital programming in State and local governments and the private sector that will complement the Guide. We are pleased that GAO, at the request of the Congress, has taken an interest in this important area.



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

THE DIRECTOR

May 19, 1997

The Honorable John Glenn
Ranking Member
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510

Dear Senator Glenn:

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

May 19, 1997

THE DIRECTOR

The Honorable Dan Burton
Chairman
Committee on Government Reform and Oversight
U.S. House of Representatives
Washington, D.C. 20515-6143

Dear Mr. Chairman:

In its report on *Budgeting for Federal Capital* (GAO/AIMD-97-5; November 12, 1996), the General Accounting Office recommended certain actions by the Office of Management and Budget. This letter responds to those recommendations.

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

May 19, 1997

THE DIRECTOR

The Honorable Henry A. Waxman
Ranking Member
Committee on Government Reform and Oversight
U.S. House of Representatives
Washington, D.C. 20515

Dear Representative Waxman:

In its report on *Budgeting for Federal Capital* (GAO/AIMD-97-5; November 12, 1996), the General Accounting Office recommended certain actions by the Office of Management and Budget. This letter responds to those recommendations.

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

May 19, 1997

THE DIRECTOR

The Honorable David R. Obey
Ranking Member
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Representative Obey:

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As a general comment, we have been working closely with GAO for several years in a very cooperative way to improve planning, budgeting, and the acquisition of capital assets. GAO shared with us a preliminary draft of *Budgeting for Federal Capital*, and met with us before its completion to discuss the report. In this same cooperative framework, GAO has been participating with OMB and many Federal agencies in the development of a "Capital Programming Guide," which OMB plans to release in June. The purpose of the Guide is to provide professionals in the Federal Government with a basic reference on principles and techniques for planning, budgeting, acquisition, and management of capital assets. GAO has identified leading practices regarding capital programming in State and local governments and the private sector that will complement the Guide. We are pleased that GAO, at the request of the Congress, has taken an interest in this important area.

We agree with both of the GAO recommendations, and we have continued to take actions recently to carry out the steps that they support.

GAO's first recommendation was for flexible budgetary mechanisms to accommodate the consistent application of up-front funding. This is supported by the Administration's *Principles of Budgeting for Capital Asset Acquisitions*, which were published as part of the *FY 1998 Budget* and also as a separate document. The *Principles* support full up-front funding, which requires that budget authority sufficient to complete a useful segment of a capital project (or the entire capital project, if it is not divisible into useful segments) must be appropriated before any obligations for the useful segment (or project) may be incurred. Full up-front funding is important because it allows segments to proceed with certainty that funds are available to complete them, acknowledges the full cost in advance, and establishes a baseline cost for accountability. The *Principles* provide flexibility as a result of:

- *the application of the concept to useful segments.* A useful segment is a part of a capital project that will have significant programmatic use (i.e., the benefits exceed the costs) even if no additional funding is enacted. This means that if the project can be divided into such segments (e.g., one building in a campus of buildings, or a separate module of a larger information technology capital purchase), the entire project need not be funded to follow the full funding rule.
- *advance appropriations.* The full amount of budget authority in the budget year may result in an unrealistic one-time and temporary "spike" or "lump" in that year if the capital project is relatively large. Many benefits of full funding can be captured and lumpiness can be avoided by the flexible use of both regular and advance appropriations, i.e., by enacting the full amount of budget authority in advance but by making some of it available in the budget year and some of it in later years.
- *separate capital acquisition accounts.* When capital projects are aggregated in several capital acquisition accounts in an agency, the problem of lumpiness can be ameliorated because funding for different projects each year can result in roughly smooth and level funding from year to year. In addition, if it is not level, then the cause of the increase can be shown to be temporary, and it can be explained and justified separately. The use of capital acquisition accounts was encouraged in Part 3 of Circular A-11, as it was in prior years in bulletins on this subject, and is supported in the *Principles*.

The *FY 1998 Budget* incorporates an initial effort to implement this approach. In recognizing the importance of upfront funding and flexibility, the budget requested full funding for all new acquisitions in the budget year. For many ongoing projects, full funding was requested through advance appropriations in future years. Projects proposed for full funding in this budget that might have been incrementally funded in the past affect the Army Corps of Engineers, NASA, and the Departments of Commerce, Energy, Health and Human Services, Interior, Justice, Transportation, and Treasury. The amounts appear in Table 6-5 (p. 116) of the *Analytical Perspectives* volume of the *FY 1998 Budget*.

OMB recognizes that the use of full funding is a new approach for some agencies, and we look forward to continued discussions with the Congress on the best way to capture the benefits of full funding and ensure appropriate oversight and control.

The second recommendation asked that OMB ensure that agency capital plans flow from strategic and annual performance plans, prepared pursuant to the Government Performance and Results Act (GPRA), and that cost, schedule, and performance goals are monitored as required by the Federal Acquisition Streamlining Act (FASA).

OMB supports this recommendation very strongly. OMB is now in the process of revising its annual Circular A-11, which contains instructions to agencies on how they are to prepare their budget requests for FY 1999. Both Part 2 of the Circular, which addresses GPRA requirements, and Part 3, which addresses planning and budgeting for the acquisition of capital assets, will strongly support these goals. These goals were stated very clearly in the bulletins to the agencies on fixed assets in 1994 and 1995 and in Part 3 of the Circular last year, which replaced the bulletins. This recommendation is also supported by the *Principles*.

In addition to the required reporting in response to the Circular, OMB plans to issue in June a "Capital Programming Guide," which makes recommendations to the agencies on how to plan, budget, procure, and manage capital assets. A central feature of the Guide is to provide specific and prominent guidance to ensure that the agency capital plan suggested in the Guide is designed to carry out the strategic and annual performance plans prepared pursuant to GPRA.

We support GAO's work in this area and look forward to working with your committee and the Congress to help ensure better planning, budgeting, acquisition, and management of capital assets.

Sincerely,



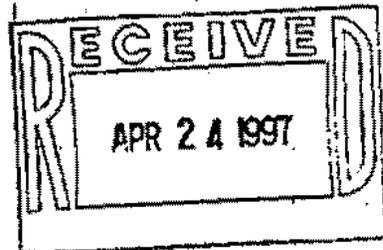
Franklin D. Raines
Director

cc: Paul Posner
Director, Budget Issues
General Accounting Office

Identical Letter Sent to The Honorable Fred Thompson,
The Honorable Ted Stevens, The Honorable Robert C. Byrd,
The Honorable Bob Livingston, The Honorable John Glenn,
The Honorable Dan Burton, The Honorable Henry A. Waxman,
and The Honorable David R. Obey

APR-23-97 WED 12:51

P.02

GAOUnited States
General Accounting Office
Washington, D.C. 20548Accounting and Information
Management Division

B-261817

November 12, 1996

The Honorable Franklin D. Raines
Director, Office of Management
and Budget

Dear Mr. Raines:

Enclosed are copies of our report on budgeting for federal capital. We conducted our work at the request of the Chairman of the House Committee on Government Reform and Oversight.

This report contains recommendations to you. The head of a federal agency is required by 31 U.S.C. 720 to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Reform and Oversight no later than 60 days after the date of this letter. A written statement also must be sent to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of this letter.

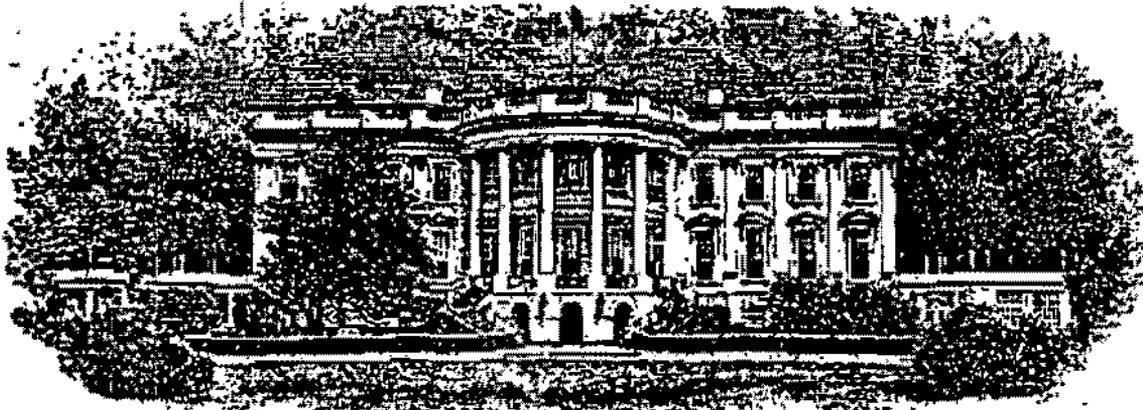
Sincerely yours,

Paul L. Posner
Director, Budget Issues

Enclosures (2)

52284

Executive Office of the President



Office of Management and Budget Budget Analysis Branch

Date: 4/23/97

To: Dionne Hardy

Re: 11/12/96 letter from GAO

Fax: X53888

Sender: Larry Hush

YOU SHOULD RECEIVE 3 PAGE(S), INCLUDING THIS COVER SHEET. IF YOU DO NOT RECEIVE ALL THE PAGES, PLEASE CALL (202) 395-3945.

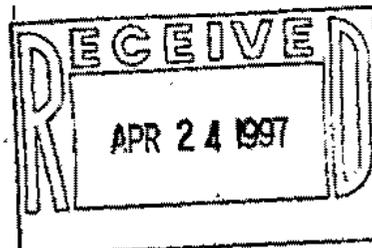
APR-23-97 WED 12:51

P. 02



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Washington, D.C. 20548

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Paul L. Posner
Director, Budget Issues

Enclosures (2)

52284

04/24/97

**OMB CORRESPONDENCE TRACKING SYSTEM
CORRESPONDENT CONTROL SHEET**

HANDLING: REGULAR

OMB CONTROL NUMBER: 52284
CORRESPONDENT: DIRECTOR PAUL L. POSNER
SIGNERS:
SUBJECT: BUDGET FEDERAL CAPITAL REPORT COMMENT REQUEST
LEAD TO: BASD
INFO COPIES: DO, DD, DDM, GC, AD/COM, AD/B

SHORT SUMMARY OF MATERIALS

HANDLING INSTRUCTIONS

COORDINATE WITH:

DATE DUE

RESPONSE DUE TO AD/B BY: 05/12/97
FOR: DIRECTOR'S SIGNATURE
-- 05/20/97

PLEASE NOTE THAT CU HAD NO RECORD OF THE INCOMING LETTER

	Prepared	Cleared	Cleared	Cleared	Cleared	Cleared	Cleared
Name, Division							
Initials, Date							

	Cleared						
Name, Division							
Initials, Date							

**Correspondence Unit Tracking System
Routing Form**

Currently Routed To: AD/B

Status: OPEN

OMB Control Number: 52284 Action Date: 04/24/97
 Routing Number: 1
 Correspondent: DIRECTOR PAUL L. POSNER
 Subject: BUDGET, FEDERAL, CAPITAL, REPORT, COMMENT, REQUEST
 Lead To: BASD
 Info Copies: DO; DD; DDM; GC; AD/COM; AD/B
 Handling: REGULAR

SHORT SUMMARY OF MATERIALS

In its report on "Budgeting for Federal Capital" (Nov. 12, 1996), GAO recommended certain actions by OMB. A response to the GAO recommendations is required, and this letter responds. The response indicates that OMB supports the recommendations, has worked cooperatively with GAO in this area, and identifies examples of recent OMB actions that support the recommendations.

HANDLING INSTRUCTIONS

Coordinate With: AD/B By: 05/12/97
 Response Due To: For: DIRECTOR'S SIGNATURE
 05/20/97

DISPATCH INFORMATION

Dispatched: _____ Signed Date: _____

*Also, I think
 there's a typo -
 The "identical"
 letters... language
 is on the
 front
 page rather
 than the
 last
 page*

Route To	Sign Off	Signed By/For	Date/Time	Comments
BASD For L. Hush	 5/1/97	Linn M. Ligon For Lerry Hush	05/01/97 01:55:05 PM	Originated and cleared 5/1.
BASD For Phil Dame	 5/1	Linn M. Ligon For Phil Dame	05/01/97 01:55:16 PM	Cleared 5/1. Forwarded 5/2.
AD/B For B. Anderson	 5/5	For		
GC For Bob Demus	 5/5	For		

*LOIS, Please get identical
 letters to Ober,
 and Waxman
 B. Anderson
 Skiff*

AD/LA For C. Kieffer		For CCK 5/5		
C/OFFM For E. DeSève		For CCK 5/6		
DD/M For J. Koskinen		For JAL 5/7		
DD For Jack Lew		For NWL 5/9		
DD For R. Culberson		For NWL 5/14		
AD/ADM For S. Weigler		For NWL 5/14		
DD Misank per JB 5/9		For CCK 5/9/97 10:13 AM.		
For		For		



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

May 19, 1997

THE DIRECTOR

The Honorable Fred Thompson
Chairman
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510-6250

Dear Mr. Chairman:

In its report on *Budgeting for Federal Capital* (GAO/AIMD-97-5; November 12, 1996), the General Accounting Office recommended certain actions by the Office of Management and Budget. This letter responds to those recommendations.

The two recommendations to OMB, which appeared on page 84 of the GAO report, were as follows:

GAO recommends that the Director of the Office of Management and Budget continue OMB's top-level focus on fixed-asset acquisitions to include working with agencies and the Congress to promote flexible budgetary mechanisms that help agencies accommodate the consistent application of up-front funding requirements while maintaining opportunities for appropriate congressional oversight and control.

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

THE DIRECTOR

May 19, 1997

The Honorable Ted Stevens
Chairman
Committee on Appropriations
United States Senate
Washington, D.C. 20510-6025

Dear Mr. Chairman:

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

THE DIRECTOR

May 19, 1997

The Honorable Robert C. Byrd
Ranking Member
Committee on Appropriations
Washington, D.C. 20510

Dear Senator Byrd:

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**STATEMENT OF
FRANKLIN D. RAINES
DIRECTOR
OFFICE OF MANAGEMENT AND BUDGET
BEFORE THE SENATE APPROPRIATIONS
AND GOVERNMENTAL AFFAIRS COMMITTEES
JUNE 24, 1997**

Chairman Stevens, Chairman Thompson, I am pleased to appear at this joint hearing of the Senate Appropriations and Governmental Affairs Committees this morning, and to discuss the importance to the Government and the American public of the Government Performance and Results Act of 1993 (GPRA). I am joined by John Koskinen, OMB's Deputy Director for Management, who has had a central role during the past three years in OMB's GPRA implementation effort.

My statement will be brief. To my statement, I have appended a summary of the major provisions of this Act, and recent actions to carry these out.

We are about one month away from the fourth anniversary of GPRA enactment, and three months away from when the Act takes effect government-wide. So this is a timely opportunity to review where we are and what further work needs to be done.

Let me start with an important principle. This Act was drafted and enacted in a spirit of bipartisanship. It is essential that this spirit continue, as it has over these four years, to be a featured aspect of implementation if we are to bring about the better government that we all seek.

The potential impact on the public if this law is implemented effectively should not be underestimated. One reason for the deep disaffection with government in this country at all levels -- state, local, and national -- is that we poorly explain to the American public why the government does what it does.

Under this Act, we will be discussing with each other, and showing the public, what the goals should be for our major programs and activities. Once these goals are defined, accountability will be established for the progress made in achieving those goals. Being able to answer the public's questions about what they get for the money we spend should go a long way toward restoring their faith in the ability and interest of the government to do the right thing.

This is an era of fiscal limits. Resources are scarce. Not every priority can be met, nor all needs satisfied. Every program must count. So we must ask: Which programs are effective, and which are not? Which programs are efficient, and which are not? GPRA is intended to help all of us obtain better answers to those questions.

Let me now briefly summarize those aspects of GPRA implementation that are our most immediate focus.

Strategic Plans

GPRA requires Federal agencies to submit a strategic plan to Congress and OMB not later than September 30, 1997. Further, when preparing their strategic plans, agencies must consult with Congress.

Strategic plans set the general course and direction for what agencies will be doing over the next five years, and longer. Strategic plans are built from a statutory base of enacted legislation. These laws state the purpose and intent of Congress and the President when programs are established and funded. The process of preparing these plans allows both the Executive and Congress to examine, in a fresh and comprehensive way, the whole structure of programs, projects, and initiatives put in place over decades.

The specifications for a strategic plan and the process for developing those plans are defined in 42 lines of text in the United States Code. The specifications are straightforward and uncomplicated. But no one should be misled into thinking that preparing a strategic plan is easy or simple. Only a short period and a quick effort is needed to produce a superficial plan, one reflecting little participation by agency leadership. What we are now seeing, belatedly in some instances to be sure, are earnest endeavors across the agencies to produce substantive plans and engaging, in a serious way, agency leaders in the process.

For a plan to have meaning and consequence, it must be the product of a deliberative consideration of what can be realistically accomplished. Priorities must be assigned, choices made, and commitments given. As an OMB staffer recently reported after attending a strategic planning session at an agency, the underlying maxim for the session was "If there is no pain, then we aren't doing it right."

Agency Implementation to Date

As we near the September date when completed strategic plans are to be sent to Congress, I share the concern that much work is still to be done, and the time for doing it is growing short. Let me outline the scope of the task remaining. About half of the departments and largest agencies are in good shape or making real progress. The other half must make a substantial effort if they are to produce credible plans by September. Nine of these departments and agencies have yet to submit a sufficiently complete draft strategic plan to Congress to provide a basis for substantive consultation.

Many plans remain in a formative state. Required elements are often still being developed. In some plans, agencies are finding it easier to describe internal management

activities than to define program goals. In other instances, we are reviewing whether the goals in the plan realistically match what can be achieved with the resources likely to be available. For the past two years, OMB has done intensive assessments of the agency strategic planning effort, and looked at early iterations of the plans. While most agencies have made substantial progress, the assessments revealed several areas where further work is needed. Many agencies are having difficulty describing the relationship between the long-term goals in the strategic plan and their annual performance goals. Also, agencies understandably have first focused on their own programs, and are only beginning to look at enhancing interagency coordination for programs or activities that are cross-cutting in nature.

When the plans are done, we should expect that not everyone will agree with the completed product. We also should not view these first plans as being perfect expressions of what each agency will do for the next five years. We are at the start, not the end of a dialogue and an effort to set our course for what we will do, how we will do it, and what we will accomplish. These plans -- and how they are prepared -- will evolve, be refined, and improve. Over 75 years ago, Congress first commissioned the annual submission of the President's budget. The current budget has changed significantly -- and not just in dollar amount -- from that first submission. Similarly, we should look to and work toward increasing the usefulness and value of future strategic plans.

Annual Performance Plans

Strategic plans provide the framework for the annual performance plans required by GPRA. The first of the agency annual performance plans for fiscal year 1999 will be sent to OMB this September with the agency's budget request. The plans are then sent to Congress early next year when the President's budget for fiscal year 1999 is transmitted. These annual plans are tied to the budget, and set out specifically what we will get from the money that we will spend. Strategic plans describe the long-term course; the annual plans define what will be accomplished in any one year as we proceed on that course.

Agency budget justifications to both OMB and the Congress have included information about what the agency does. In many instances, this information is in the form of descriptions and enumerations that count workload or transactions, such as applications received or grants awarded. In other instances, the number of employees or facilities operated, or the amount of acreage managed, is used to illustrate how or on what the money will be spent. Of course, in most instances, simple workload and transaction counts doesn't tell us enough.

That fact has led OMB, for years, to work with the agencies on increasing the amount and value of data on the effects and impact of programs, and whether programs fulfilling their purpose. We have sought to have this information incorporated into the

submissions of agency budget proposals to the President, and subsequently in the budget justifications to Congress. GPRA echoes this effort, and by embedding the need for this information in statute will add immeasurably to the prospect of having much more and better information on results and effects.

I am certain we will find that as we increasingly understand how programs are doing, and their effects and impact, we will increasingly use and rely on this information as we make program and funding decisions. Much of this will not happen overnight. In some instances, the information will be obtained quite quickly. In other cases, such as the impact of educational innovation, it may be some years before the impact can be determined. We must be both patient and realistic about when information will be forthcoming.

What Will Be Different Under GPRA?

The fiscal year 1999 budget transmittal will mark the first appearance of the annual performance plans as a part of the Federal budget process. The performance measures that agencies expect to include in these plans will be described in their strategic plans. The consultations currently underway with Congress on these strategic plans are an important opportunity for you to help define those measures that will be informative and useful to the Appropriations Committees in reaching decisions on an agency's budget request.

With GPRA, we have the opportunity to change the nature of the conversation from one which now focuses on how much money we are providing, or inputs, to one oriented more toward what the money will buy, or outcomes. Examples of such an outcome is "lowering the number of highway traffic deaths." Results from the GPRA performance measurement pilot projects also show how this can work. The Coast Guard rethought its approach to safety, and began emphasizing the human factor rather than vessel inspection. The new approach resulted in a substantial reduction in the number of job-related deaths in certain maritime industries, -- and saved resources as well.

Budgeting under the regimen of a long-term balanced budget agreement can be seen as a zero-sum game. Within the discretionary spending cap, choices about which programs receive funding increases, remain level funded, or shrink, should increasingly be governed by performance. While performance will never be the only element in the process, analysis about should become a major factor in decision making.

We are mindful that our use of performance information when making budget decisions will never be the only relevant factor. Policy judgments will continue to be a factor; in some instances, the prevailing factor.

We must avoid using GPRA only as a budgetary clever. One response to poorly performing programs may be to cut or eliminate resources -- but perhaps with more money

allocated differently, or new managers, or a different management approach, performance of these programs would improve. When faced with poor performance, we must first understand the reasons for it and then apply the appropriate remedy. If the automatic consequence of poor performance is to end the program, then soon the only performance reported will be good performance. Not that every program will indeed be effective and efficient, only that the reports will indicate such. So it will be important for us to be discerning and critical in our assessment of program performance, and prudent in the courses that we take.

I urge you to get involved. Increasing the extent and value of performance information in the Executive Branch should be as important to your decisions as it is to ours.

As we near the date when the major provisions of the Act take effect government-wide, our efforts, and those of the agencies, to meet successfully the requirements of the Act are intensifying. I have growing confidence that the initial products of the Act will be of significant value as we mutually work toward achieving a balanced budget and explaining to the American people what they are getting for their taxes.

This concludes my statement, Mr. Chairman. I'd be pleased to take any questions you may have.

SUMMARY OF MAJOR PROVISIONS

A. Strategic Plans

GPRA requires that Federal agencies to submit a strategic plan to Congress and OMB not later than September 30, 1997. The strategic plan covers the major functions and operations of the agency, and contains:

- a comprehensive mission statement
- general goals and objectives
- a description of how the general goals and objectives will be achieved
- a description of the relationship between the performance goals in the annual performance plan and the general goals and objectives in the strategic plan
- an identification of those key factors, external to the agency and beyond its control, that could significantly affect achievement of the goals and objectives
- a description of program evaluations used in the strategic plan, and a schedule for future program evaluations.

The strategic plan spans a minimum six year period: the fiscal year it is submitted, and at least five fiscal years forward from that fiscal year. A strategic plan is to be revised and updated at least once every three years. 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, indicate how these goals will be achieved, and are the foundation and framework for implementing all other parts of GPRA.

GPRA requires agencies, when preparing their strategic plan, to consult with Congress, and solicit and consider the views and suggestions of stakeholders, customers, and other potentially interested or affected parties.

The Administration is currently undertaking a strategic assessment of agency goals and commitments. This assessment is being conducted jointly by the agencies and OMB. A focus of the strategic assessment is the agencies' implementation of GPRA, and the preparation of the strategic plans and the annual performance plans that are due in September.

Generally, the agency plans reflect a serious effort and allow us to conclude that agencies should be able to produce useful and informative strategic plans by this Fall.

B. Annual Performance Plans

An annual performance plan consists of three main elements:

- the performance goals and indicators for the fiscal year;
- a description of the processes, skills, and technologies, and the human, capital, and other resources that will be needed to meet the performance goals; and
- a description of the means that will be used to verify and validate measured values.

The first of the agency annual performance plans will be sent to OMB this September. These plans will be for fiscal year 1999. The annual performance plans will contain the specific performance goals that the agency intends to achieve in the fiscal year. GPRA provides that a subsequent iteration of the annual performance plan be sent to Congress concurrently with release of the President's budget.

The agencies and OMB gained valuable experience in preparing annual performance plans through the pilot project phase of GPRA. GPRA required that at least ten departments or agencies be designated as pilot projects for performance plans and program performance reports. The pilot projects covered three fiscal years and tested the ability of agencies to establish performance goals, and subsequently measure and report actual performance against these goals. Pilot projects were designated in all 14 Cabinet departments and an equal number of independent agencies. The 28 designations included over 70 individual pilots in the departments and agencies.

The performance measurement pilot projects became a substantial initiative. Approximately a quarter of the entire Federal civilian workforce were covered by the pilots. The size of individual pilots ranged from complete agencies to small component organizations. The largest pilots included the entirety of the Internal Revenue Service, Social Security Administration, Defense Logistics Agency, and the Forest Service. Several agencies covered a large proportion of their programs through individual pilots.

The most important conclusion reached on completion of the performance measurement pilot projects is that -- without these pilots and the time given agencies across the government to gain experience in performance-based management -- there would be little prospect for a successful implementation of GPRA government-wide. The scope and dimension of these pilots confirmed that virtually every activity done by government can be measured in some manner, although not perfectly.

Over the course of the three years, improvement was generally seen in the pilot projects' ability to set goals, and measure and report performance against these goals. The improvement was uneven, and not always immediate. Goals often were changed or refined from year to year. While this is to be expected in any pilot project process, it also indicates

that the first years of full-scale implementation of GPRA will be the start of a dialogue about performance and performance measures, not the end of it. Measures will be modified, better and more appropriate goals will be defined, performance data will increase in both volume and quality. Over time the overall quality of agency plans and reports should improve significantly.

OMB has initiated a review of the performance goals that agencies proposed to include in their annual performance plans for FY 1999. This review is still ongoing. The agencies are providing OMB with descriptions of their proposed performance goals, illustrating what will be measured and the nature and type of measurement. Gaining an early consensus on these goals will not only help assure that they are appropriate and relevant but will allow agencies to measure current performance, creating a baseline from which to set future performance levels or targets.

In another joint collaboration with the agencies, OMB has prepared guidance on the preparation and submission of annual performance plans for FY 1999. This guidance was issued May 23, 1997. We expect agencies to produce useful and informative annual performance plans for FY 1999.

C. Government-wide performance plan

GPRA requires that a government-wide performance plan be annually prepared and made part of the President's budget. The government-wide performance plan will be based on the agency annual performance plans. The first government-wide plan will be sent to Congress in February 1998, and cover FY 1999. In this regard, we would welcome your views on those features that you believe would make the plan informative and useful to the Congress.

D. Program Performance Reports

The agency's program performance report is the annual concluding element of GPRA. These reports are required within six months of the end of a fiscal year, and compare actual performance with the performance goal target levels in the annual performance plan. In cases of unmet goals, agencies will explain why the goal was not achieved, and describe the actions being taken to achieve the goal in the future. The first program performance reports, for FY 1999, are to be sent to the President and Congress by March 31, 2000.

Some agencies are experimenting with different formats for performance reporting in the Accountability Report pilot program authorized by the Government Management Reform Act. For FY 1996, eight agencies are issuing Accountability Reports, and are including various information on the agency's performance as well as other statutorily-

required information, such as the agency's audited financial statement and the Federal Managers' Financial Integrity Act report.

For over a decade, a major effort has been underway to improve financial systems, standards, and reporting in the Executive branch. There has been much progress, but we are not yet done. Without good systems and reporting, we will be hard-pressed at precisely and completely describing where the money went. The meshing of program performance information with financial performance information is important if we are to give a full picture. We intend to bring about the integration of program and financial performance reporting, and to continue improving and enhancing the capability of agency financial and management systems to provide this information.

**STATEMENT OF
FRANKLIN D. RAINES
DIRECTOR
OFFICE OF MANAGEMENT AND BUDGET**

**HOUSE COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT
OCTOBER 30, 1997**

Mr. Chairman, members of the Committee, I am pleased to testify today on the implementation of the Government Performance and Results Act (GPRA).

GPRA, or as it is now often called, the Results Act, became law in August 1993, and we are presently on schedule with its implementation across the government. The first real products of this law are at hand, and this is an opportune time to assess where we are and what lies ahead.

Agencies began their efforts four years ago. While this may seem to be a long time, the Congress wisely provided this period for both preparation and change. Certainly, few, if any, other recent laws have such potential for altering the landscape of government management and affecting what the government does for the American people. These changes are not made quickly, nor will they be done perfectly the first time around.

We appreciate the continuing focus by the Congress on this legislation and how it is being carried out. And while we should not underestimate the prospective impact of this law, any impact will be muted without the support of Congress in its implementation.

In this regard, let me acknowledge the very substantial effort made by this chamber over the past year in working with us and the agencies in getting implementation underway. I particularly wish to thank the Majority Leader for his continuing interest and leadership of your effort. I would like to thank Acting Comptroller General, Jim Hinchman, for the work of the General Accounting Office as well.

Let me briefly review what the Results Act requires of agencies at this point.

Strategic Plans

By September 30, 1997, agencies were to transmit strategic plans to Congress and OMB. These strategic plans define the agency's mission, and describe how the agency intends to carry out this mission. The plans contain long-term goals and objectives, and indicate the means and strategies agencies expect to use and apply in achieving their goals and objectives. In short, the plans describe what an agency will do and how it will do it. The strategic plan also includes several other elements, such as an identification of those factors, outside the agency and beyond

its control, that might affect achievement of its goals and objectives.

A strategic plan charts a course of action and level of accomplishment for each agency throughout the remainder of this decade, and into the next. Collectively, they describe what our national government intends to do and accomplish. They also form the foundation for the annual performance plans, which set out agency performance levels for each fiscal year.

Ninety-five agency plans, including plans from all the Chief Financial Officers Act agencies, were sent to Congress and OMB on or about September 30th. From the standpoint of the Executive Branch, we made a commitment earlier this year to deliver agency strategic plans that were both timely and compliant with the statute. I believe we have delivered on that commitment.

The totality and scale of this planning effort is without precedent in the American experience, -- either public or private. Approximately ten trillion dollars in Federal spending, and over four million civilian and postal employees as well as military personnel, are covered by these plans.

Annual Performance Plans

The first set of agency annual performance plans has been received by OMB. These plans are for fiscal year 1999, and are currently being reviewed and used by OMB staff as we prepare the President's budget for the next fiscal year.

The annual plans contain measurable goals of what will be accomplished in a particular fiscal year. To a large extent, the goals will describe the progress, often incremental, the agency is making in achieving the long-term goals and objectives that are set out in its strategic plan.

Annual plans define what we will get from the money that we will spend. Not only in terms of government products, services, and benefits, but how well these are sustained, produced, and delivered, and the effects and consequences of our programs on the nation and the world. As such, they are the essence of the Results Act.

Performance goals and the target levels for those goals are matched to the budget request of the agency. Agencies will make any necessary changes to their performance goals and target levels later this year to reflect the President's decisions on their budget request. Next February, concurrent with the transmittal of the President's budget, the agency annual performance plans will be sent to Congress.

The agency program performance reports for fiscal year 1999, which compare actual performance to the goal levels in the annual performance plan, are to be submitted to Congress by March 31, 2000.

The Strategic Planning Experience

The strategic planning required by the Results Act is simple in concept, but difficult to do well. OMB's own experience -- as Mr. G. Edward DeSeve, OMB's acting Deputy Director for Management, stated before Mr. Horn's subcommittee several weeks ago -- spanned two years and involved, in some manner, nearly all of OMB's staff.

When we committed to delivery of timely and compliant strategic plans, we also predicted that all the plans would not be of uniformly high quality. Some are better than others, and that is to be expected. Some agencies had prior experience in strategic planning; for many, this was their first plan ever. Some agencies had on-board staff who regularly helped prepare strategic plans; others lacked this capacity.

There is no 'right way' to prepare a strategic plan. Agencies were free to use different approaches, and did so. While requests were made of OMB that we prepare a model or template plan as a reference for the agencies, we chose not to do so. We believe that an illustrative, exemplary plan would capture only how information is presented, and not the dynamic or substance of how an agency developed its plan.

For every agency, the development of these plans has been an iterative process. Initial drafts were usually incomplete, various plan elements often mismatched, and some goals poorly described. But with each successive version, the plans improved. Perseverance and hard work paid off.

Each plan became better in different ways, a circumstance not lending itself to universal characterizations. Improvements in the style and clarity of presentation were widespread. Most agencies had difficulty describing the linkage between their annual performance goals and their long-term goals. Over this past summer, as agencies prepared their fiscal year 1999 performance plans which contain the annual goals, their ability to describe this linkage improved markedly. And as I noted earlier, we believe that all the plans now address the required elements for a strategic plan.

GPRA does not intend that strategic plans be hollow instruments. For the first time, agency strategic plans are translated, on a yearly basis through the annual performance plans, into a program of action and accomplishment funded by the budget. These are real products with real consequence. The best test of the quality of these strategic plans will be found in the annual performance plans you receive next February, and how well these annual plans move the agency toward achieving its long-range goals and objectives, and, ultimately, its mission.

The Results Act did not provide for pilot testing of strategic plans, as it did for annual performance plans. However, several performance plan pilot projects indirectly served as a test of the need for strategic plans. These pilots had great difficulty in defining their performance goals because of uncertainty within the agency over what should be accomplished and thus what should

be measured. A lack of strategic direction impeded their selection of annual goals.

Recognizing that strategic plans, particularly for larger agencies, would require many months to prepare, OMB began developing the guidance for the preparation and submission of these plans in January 1995, two and a half years before the plans were due. This guidance was a collaborative effort involving over 25 agencies. The guidance was issued in September 1995, a full two years in advance of the submission date, and remains largely unchanged today.

Prior to issuing the strategic planning guidance, OMB had begun placing a greater emphasis on providing and using performance information in the course of preparing the President's budget. This focus on performance built on long-standing practice at OMB, but grew with the fiscal year 1997 budget, and will be at a high level this Fall as we work on the fiscal year 1999 budget. With this emphasis, we were able to introduce changes in how information was developed and used in the budget process, and call on agencies to begin thinking about the information they would be including in their annual plans for fiscal year 1999.

OMB also anticipated a need to engage the agencies on an ongoing basis as strategic plans were drafted. During the Summer of 1996, OMB did a special review of agency strategic plans in their developmental or preliminary state. This was followed by another focused review of the draft strategic plans in the Spring of this year. These reviews led to several generic conclusions on progress and problems, both across the government and for individual agencies.

An agency's strategic plan cannot be written by the staff for the staff. Without active participation by senior agency leadership in plan development, questions will arise about the extent of agency and leadership commitment to carrying out any plan. GPRA is largely about how programs are executed, not how they are formulated. While some perhaps may see their primary role as that of creating policy, not being attentive to how well policies are administered and implemented can effectively nullify any policy.

Congressional consultation and views of interested and potentially affected parties

The Results Act requires agencies to consult with Congress when developing a strategic plan, and also allow interested or potentially affected parties, such as states, stakeholders, customers, or other agencies, to provide the agency with views on the plan. This GPRA provision made development of strategic plans a very open, public process. No agency exists unto itself, and moving beyond organizational walls to learn what others expect, or to understand other views, can only help an agency define what it should be doing, and how well.

OMB required each agency to summarize its consultation and outreach in its letter transmitting the strategic plan to Congress. This letter was also to include a summary of any substantive and germane views that disagreed with the programmatic, policy, or management course-of-action presented in the submitted plan. These requirements helped underscore the importance of the consultation process in the course of plan development.

For most major agencies, the Congressional consultation was quite extensive, especially with the House committees and the various inter-committee teams that were established to facilitate consultation. Agencies generally have reported that this consultation was constructive and helpful, and has led to improvements in their plans. Most observers will conclude that the interest shown by Congress both in consultation and implementation is underscoring to the agencies the importance of their producing good, useful plans.

I would like to note that while the statute requires consultation on strategic plans, there is no counterpart provision regarding annual performance plans. The annual plans sent to OMB in September are integral with the agency's budget request, and are used in preparing the President's budget. Agencies may discuss with individual committees the kinds of annual performance measures that they expect to include in their plans, although they are precluded from providing specific, budget-related values for these measures.

OMB is responsible for preparing an annual government-wide performance plan that is required to be part of the President's budget, starting with the budget for fiscal year 1999. I know there is interest in the Congress on what this plan will contain. We would be happy to discuss with you the general format and content of the plan, although specific material in the plan related to the budget must await the President's transmittal of his budget to Congress.

Future Strategic Plans

GPRA requires that strategic plans be revised and updated at least every three years. OMB's guidance allows agencies to make minor adjustments to a strategic plan in interim years, and to use the annual performance plan to identify and describe the minor adjustments.

A strategic plan should be a dynamic document, -- not set in stone so that it fails to reflect significant changes that have occurred or are emerging, and not ever-changing in its revisions so that it is useless as a means for managing or directing any program.

This first set of strategic plans is not the only set of strategic plans that agencies will produce under the Results Act. We should expect that these plans will be refined, enhanced, and a better product in the future. Features may be added, and coverage expanded. Allow me to offer some thoughts and several cautions in that regard.

We recognize there is much interest in having the strategic plans address areas such as cross-cutting programs, management problems, and information system and data capabilities. These areas, as well as descriptions of an agency's reliance on tax expenditures or regulation to help achieve its goals, can currently be included in the strategic plans. Some view the coverage of these areas in many current plans as not being sufficiently extensive.

We expect that agency strategic plans should form the basis for a cross-cut presentation. With the strategic plans in hand, we are now more able to examine linkages and synergies

between various agencies with complementary programs and activities in the same functional or cross-functional area. For example, the State Department developed and sent to Congress a strategic plan covering the international affairs function. The government-wide performance plan for fiscal year 1999, required by GPRA to be part of the President's budget, will present performance goals for budget functions. We intend also to have OMB's Spring Review next year focus on performance goals for cross-cutting programs, and future plans, both strategic and annual, should include more cross-cutting information.

Agencies should address mission-critical management problems in their strategic plans. It is important they do so, because such problems, if uncorrected, are likely to impede achievement of the long-term goals and objectives of the agency. However, we must take care and not convert the strategic plan, with its main focus on programs and program execution, into a document that is a largely a litany of management-related issues and concerns. By concentrating on those programs or operations that have management problems, we could lose sight of the many programs that do not and what they are accomplishing.

We expect that the annual performance plans, which are required to contain descriptions of how performance measurement data will be verified and validated, are the appropriate means for assessing the adequacy of agency data collection capabilities.

We must be careful, at this stage of GPRA implementation, to not ask too much of the agencies or this law. The Results Act was carefully crafted to be both simple and broad, allowing its provisions to be adapted and expanded to bring in other governmental initiatives and requirements. This flexibility might be lost if we begin detailing in an overly precise way what is to be included in these plans, for, if only by inference, such a list would be judgmental about what is important in the conduct of programs and the management of government.

In our May, 1997 Report to Congress on the implementation of the Results Act, we offered no recommendations for changing this Act at this time. Our belief then, as it is today, is that it is premature to determine what changes might be needed or useful, until we can review the value and use of this first set of strategic and annual plans, and the experience of the agencies in producing them.

What Will be Different Under the Results Act

With GPRA, we have the opportunity to change the nature of the conversation from one which now focuses on how much money we are providing, or inputs, to one oriented more toward what the money will buy, or outcomes. Examples of such an outcome is "lowering the number of highway traffic deaths." Results from the GPRA performance measurement pilot projects also show how this can work. The Coast Guard rethought its approach to safety, and began emphasizing the human factor rather than vessel inspection. The new approach resulted in a substantial reduction in the number of job-related deaths in certain maritime industries, and saved resources as well.

Budgeting under the regimen of the balanced budget agreement is a zero-sum game. Within the discretionary spending cap, choices about which programs receive funding increases, remain level funded, or shrink, should increasingly be governed by performance. While performance will never be the only element in the process, analysis of current and projected performance should become a major part of decision making.

We are mindful that our use of performance information when making budget decisions will never be the only relevant factor. Policy judgments will continue to be a factor, in some instances, the prevailing factor.

We must avoid using GPRA only as a budgetary cleaver. One response to poorly performing programs may be to cut or eliminate resources -- but perhaps with more money allocated differently, or new managers, or a different management approach, performance of these programs would improve. When faced with poor performance, we must first understand the reasons for it and then apply the appropriate remedy. If the automatic consequence of poor performance is to end the program, then soon the only performance reported will be good performance. Not that every program will indeed be effective and efficient, only that the reports will indicate such. So it will be important for us to be discerning and critical in our assessment of program performance, and prudent in the courses that we take.

Mr. Chairman, that concludes my statement. I would be pleased to respond to any questions that you or the other members of the Committee may have.