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July 16, 2002

M-02-10

MEMORANDUM FOR HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Mitchell E. Daniels, Jr.
                    Director

· SUBJECT: Program Performance Assessments for the FY 2004 Budget

Improving programs by focusing on results is an integral component of the President's budget and performance integration initiative. OMB's April 24, 2002 FY 2004 Budget planning memorandum emphasized the importance of program effectiveness ratings in formulating the FY 2004 Budget. It informed you that formal effectiveness ratings would be conducted for approximately 20 percent of Federal programs, and that the results of these ratings would be published in the FY 2004 Budget. Since then, and with valuable assistance from agency staff, we have progressed in this effort.

For instance, OMB and agencies have identified the programs that will be rated for FY 2004 (see Attachment). Programs listed total approximately $480 billion, or over 24 percent of Federal spending, and reflect a diverse mix of discretionary and mandatory programs. Thank you for your serious commitment to this effort and for helping develop this list.

A critical goal for the FY 2004 Budget is to improve the program rating process by making ratings more consistent, objective, credible and transparent than they were for FY 2003. To this end, OMB, with advice from the President's Management Council's (PMC) subgroup on Budget and Performance Integration, developed the draft program assessment rating tool (PART). On May 17, 2002, the draft PART and instructions were officially provided to agencies through the PMC.

The PART was thoroughly tested by OMB and agency staff during OMB's Spring Review process. We also received excellent feedback from agencies, informal comments from Congressional and General Accounting Office staff, and advice from outside experts, including OMB's Performance Measurement Advisory Council of experts from outside the government. As a result, we have concluded that the PART is a useful and informative instrument that will help us achieve our objective for FY 2004.

The comments we received also identified improvements that could be made to the PART. In response to these comments we have revised the PART. PARTs for all program types, and revised guidance, can be found at http://www.whitehouse.gov/omb/budintegration.

The revised PART will be used by OMB, working closely with agency staff, to complete program effectiveness assessments for the FY 2004 Budget by September 30, 2002. I

have asked my staff to complete the PARTs by September 9, 2002, so that any issues regarding completed PARTs can be addressed by September 30.

Major Changes in Final PART

The revised PART includes the following major changes from the draft PART:

- *Four point scale in Section IV, Results* – We received many comments on the "Yes/No" format for responses. Many parties liked the certainty and forced choice of "Yes/No." Others felt the format did not reveal adequate distinction between the performance of various programs, especially in the results section. In response, the PART has been revised to include four choices of responses in the results section (Section IV) only. Now, a program that achieves some of its goals, or that shows reasonable, but not complete progress toward goals, will receive partial credit in the results section, the most heavily weighted section. For Sections I – III, which focus more on processes than results, the "Yes/No" format is retained.

- *Questions Added in Sections II and III for corrective actions* – Many parties commented that the draft PART does not distinguish between programs that were taking action to address planning and management deficiencies, and those that were not. While the PART is primarily a snapshot of the current status of programs, it is important to recognize when significant efforts are underway to address deficiencies in a program. The revised PART contains new questions in sections II and III to address this issue. These new questions, combined with the new format for section IV described above, will result in more refined and meaningful distinctions between programs.

- *Better focus on performance and performance measures* – The PART format for Section IV has also been revised to explicitly require display of performance targets and actual performance on the key measures identified by the agencies and OMB. Guidance has also been revised to require that at least one of the key measures identified for the program be an efficiency measure.

- *Critical Federal Role question to be examined separately from the PART* – We received comments that question 3 in the Section I of the draft PART ("Is the Federal role critical?") was too subjective and could vary depending on philosophical or political viewpoints. We also received many comments that this question is so important that it should not only be retained, but be elevated in importance in the overall score.

  To keep the PART as objective as possible, this question has been eliminated, and the remaining questions in Section I have been adjusted to focus on objective, evidence-based criteria about program purpose and program design. The appropriateness of the Federal Role in addressing national interests, problems or needs will be specifically examined during OMB's Fall Budget Reviews, but will not

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be included in the PART.

The new PART includes additional revisions to specific questions in response to comments we received. In general, we have tried to reduce the number of questions, especially in Section III, without losing important information.

Subjectivity of PART Responses

During the PART testing and comment period, the issue of the subjectivity of PART responses, either on the part of OMB or agency staff, was raised repeatedly. While subjectivity can be minimized, it can never be completely eliminated regardless of the method or tool. In providing advice to OMB Directors, OMB staff have always exercised professional judgment with some degree of subjectivity. That will not change. As one of our Advisory Council members stated, the PART makes public and transparent the questions OMB asks in advance of making judgments, and opens up any subjectivity in that process for discussion and debate. The PART is a necessary step forward in systematizing and revealing OMB's deliberations.

Nonetheless, we are taking several steps to minimize subjectivity:

- *Clarified Guidance* - We have strengthened and clarified the PART instructions including the evidence required to support a "Yes" or "No" answer, with the specific goal of reducing the subjectivity of responses. Revised guidance can be found at http://www.whitehouse.gov/omb/budintegration.

- *Training* - OMB's Performance Evaluation Team (PET) will conduct training over the next several weeks for OMB examiners and agency staff aimed at achieving consistency of approaches and standards applied in answering questions. Additional information is available through your OMB RMO contact.

- *Review of Completed PARTs for Consistency* - OMB will initiate a process to selectively review questions on completed PARTs for consistency in application of instructions and standards. We will provide additional information on this process at a later time.

- *Potential Involvement of IGs, GAO or other third parties in the assessment* – We have met with the Inspector General community, the General Accounting Office, and other groups with expertise in program evaluation. All of these groups expressed interest not only in the process, but also in assisting OMB and agencies in completing the assessments. Knowledgeable third parties can help identify relevant information for consideration in the assessments. In addition, third parties can provide an objective viewpoint if disputes arise in considering PART questions. We will continue to discuss with these groups how they can most effectively participate in this process, including providing some level of independent review. I encourage all agencies to make the PART assessment process as open and inclusive as feasible.

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Finalizing PARTs

As with many other aspects of the budget development process, disagreements between OMB and agency staff may remain after staff work on the PART is complete, and after a technical review for consistency. In these cases, agencies and OMB should resolve disagreements in the traditional manner, i.e., first through OMB branch chief and division director, and then through the OMB Program Associate Director. As noted above, all issues, questions and disagreements must be resolved and finalized by September 30.

Presentation of PART Results in the FY 2004 Budget

Final decisions have not yet been made regarding presentation of PART results in the FY 2004 Budget. We received good advice from the Performance Measurement Advisory Council (PMAC) on making sure the presentation highlights separately the results score and key measures. We also believe sections I – III scores should be displayed in some fashion, and an overall assessment (e.g., "effective" or "ineffective") will be shown. One outstanding question is if or how to show the overall weighted numeric PART score for the program. Since this score will determine the overall assessment, we will almost certainly make the score and the basis for it (i.e., the completed PART) available to the public. The PMAC will discuss presentation options further at their September meeting.

Relationship to GPRA

Agencies expend considerable time and effort developing and updating their Government Performance and Results Act (GPRA) plans and reports on an annual basis. The program assessment effort presents an opportunity to inform and improve agency GPRA plans and reports, and establish a meaningful, systematic link between GPRA and the budget process. This effort will also help identify specific performance measures that could support budget and management recommendations and efforts. Through this process, OMB will work with agencies to maintain measures in GPRA materials that are useful and eliminate reporting burdens that have no utility.

How Ratings Will Be Used

Finally, many agencies expressed concern over how the ratings would be used during the Fall Budget Review, and specifically that a low PART score would automatically result in a funding reduction. OMB does not view the PART as an automated approach to making budget decisions. A low PART score does not, in itself, signify whether a program needs more or less funding. The PART provides a tool for diagnosing how programs can be improved and it is from such diagnosis, as well as other information regarding the program, that budget and management decisions will be made. FY 2004 decisions will be fundamentally grounded in program performance, but will also continue to be based on a variety of other factors, including policy objectives and priorities of the Administration, and economic and programmatic trends.

Attachment

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Programs to be Assessed for FY 2004*

CABINET AGENCIES:

Department of Agriculture
Multifamily Housing Direct Loans and Rental Assistance Grants
Rural Utilities Service Electric Loan Program (Not including
  Hardship loans)
Wildland Fire Management
Food Aid Programs (including P.L. 480 Title)
Marketing Loans and Loan Deficiency Payments
Farmland Protection Program
Wildlife Habitat Improvement Program
USDA Service Centers (FSA, NRCS, and RD, also includes CCE)
Food Safety and Inspection Service (FSIS)
APHIS: Agic. Quarantine and Inspection
APHIS: Animal Welfare
Water and Wastewater Grants
Forest Service Operating Program
National School Lunch Program

Department of Commerce
U.S. Patent Trademark Office-Patents
EDA-Patents
National Weather Service
U.S. Patent Trademark Office-Trademarks
NIST-In-house Labs
Bureau of Economic Analysis
Pacific Coastal Salmon Recovery Grants
National Marine Fisheries Service
Minority Business Development Agency

Department of Defense
*NOTE: This is the original program list. It will be modified pending
discussions between OMB and DoD*
Defense Environmental Restoration Program (DERP)
Defense Health Programs (DHP) including Milpers and Construction
C-17 Strategic Airlift Aircraft
Navy Marine Corps Intranet (NMCI)
Recruiting
Introductory Pilot Training
Facilities Sustainment, Restoration, Modernization & Demolition
– (O&M)
Depot Level Maintenance
Energy Conservation Improvement Program (ECIP)
F-22 Fighter Aircraft
Unmanned Combat Aerial Vehicles
DDG-51 Destroyer
F/A-18 E/F Navy Fighter/Attack Aircraft
LPD-17 Amphibious Ship
Joint Strike Fighter (JSF)
Space-Based Infra-Red (SBIRS) High Missile Warning Satellite
Ballistic Missile Defense System – Midcourse
Chemical Demilitarization
Future Combat System
Interim Armored Vehicle (IAV)
V-22 Tilt Rotor Aircraft
Basic Research
Housing Privatization
Cooperative Threat Reduction (CTR)

Department of Education
Even Start

Department of Education, continued
Safe and Drug Free Schools State Grants
Vocational Rehabilitation State Grants
TRIO Student Support Services
TRIO Upward Bound
Selected ESEA Programs
All IDEA Programs
All Vocational and Adult Education Programs
Projects with Industry (PWI)
Student Loan Programs
Pell Grants
Student Aid Administration
GEAR UP
Leveraging Education Assistance Partnerships (LEAP)
Assessment & Statistics

Department of Energy
Environmental Management (EM)
Weatherization Assistance Program
Office of Science
All applied R&D:
  -Fossil Energy
  -Energy Efficiency
  -Nuclear Energy
  -EM
National Nuclear Security Administration (NNSA):
        Safeguards and Security
        Facilities and Infrastructure
        ASCi
        MPC&A
Power Marketing Administrations:
  -Bonneville Power Administration
  -Southeastern Power Administration
  -Southwestern Power Administration
  -Western Area Power Administration
  -Falcon and Amistad Operating and Maintenance Fund

Department of Health and Human Services
FDA Center for Biologics Evaluation and Research
FDA Center for Food Safety and Applied Nutrition
FDA Center for Drug Evaluation and Research
FDA Center for Devices and Radiological Health
FDA Center for Veterinary Medicine
HRSA Health Centers
HRSA Ryan White
HRSA Health Professions
HRSA National Health Services Corps
HRSA Nursing Loan Repayment
HRSA Maternal Child Health (MCH) Block Grant
IHS Federally-Administered Activities
IHS Sanitation Facilities
CDC Immunizations
CDC Domestic HIV/AIDS Prevention
CDC Chronic Disease Breast and Cervical Cancer
CDC Chronic Disease - Diabetes
NIH Overall
SAMHSA Grants to States for the Homeless
SAMHSA Children's Mental Health Services
SAMHSA Substance Abuse Treatment Programs of Regional
    and National Significance

*This is a near-final list of programs to be assessed for FY 2004. Some programs may change as OMB and agencies continue discussions.

Department of Health and Human Services, continued
AHRQ Surveys (Medical Expenditure Panel Surveys, Healthcare
  Cost and Utilization Program, Consumer Assessment of Health
  Plans)
AHRQ Translating Research into Practice
CMS State Children's Health Insurance Program (SCHIP)
ACF Head Start
ACF Foster Care
ACF Refugee and Entrant Assistance
AoA Congregate Meals Program
Health Care Fraud and Abuse Control (HCFAC) Program
BioT: Health Alert Network (to all States) (and related activities in
  FY03)
BioT: Metropolitan Medical Response System (contracts to
  statutorily selected cities)

Department of Housing and Urban Development
Housing Vouchers (Section 8 Tenant-Based Rental Assistance)
Section 8 Project-Based Rental Assistance
Elderly Housing Grants
Disabled Housing Grants
HOME
Native American Housing Grant

Department of the Interior
DOI Wildland Firefighting
BIA School Construction
BIA School Operations
BLM restoration activities
BOR Hydropower Program
BOR Rural Water Supply Projects
BOR Title XVI Water Reuse and Recycling
FWS Hatcheries
FWS Partners Program
MMS Environmental Studies Program
NPS deferred maintenance backlog
NPS Natural Resource Challenge
OSM Abandoned Mine Land Program
OST Tribal land consolidation
USGS National Mapping Program

Department of Justice
Bureau of Prisons (S&E)
Drug Enforcement Administration (S&E)
OJP Residential Substance Abuse Treatment
FBI Cybercrime
FBI White Collar Crime
INS Immigration Services
OJP Weed and Seed
OJP Drug Courts
Office of Juvenile Justice and Delinquency Prevention
Juvenile Accountability Block Grants

Department of Labor
Trade Adjustment Assistance (TAA)
Occupational Safety and Health Administration (OSHA)
Bureau of Labor Statistics (BLS)
Office of Federal Contract Compliance Programs (OFCCP)
Dislocated Worker Assistance: State Formula Grants
Youth Activities
Federal Employees' Compensation Act (FECA)
Pension and Welfare Benefits Administration (PWBA)
ILAB Technical Assistance Grants (Child Labor and Core Labor
Standards grants)

Department of State and other related agencies
State Dept. - Refugee Admissions to the U.S.
Freedom Support Act Assistance to Russia

Department of State and other related agencies, continued
Security Assistance to Sub-Saharan Africa
Remainder of PKO (includes OSCE Peacekeeping)
Antiterrorism Assistance
Security Construction
New NATO and NATO Aspirants
Refugees-Resettlement and Placement in U.S. and Israel
Public Diplomacy to South Asia and Near East Asia
Border Security

International Assistance Programs
Treasury Technical Assistance
International Development Association
USAID Development Assistance – Environment
USAID Development Assistance – Population Programs
Export Import Bank – Long-Term Guarantees
Overseas Private Investment Corporation – Finance Programs
P.L. 480 Title II Food Aid

Department of Transportation
FAA Airport Improvement Program
FHWA Highway Infrastructure
USCG Search and Rescue
USCG Drug Interdiction
USCG Aids to Navigation
NHTSA Highway Safety Programs
FMCSA Highway Safety

Department of the Treasury
IRS Collection
Federal Law Enforcement Training Center
Earned Income Tax Credit (EITC) Compliance
Office of Foreign Assets Control (OFAC)
ATF Consumer Product Safety Activities (Inspection and licensing
  processing)
Coin Production (Mint)
Bank Enterprise Award (BEA)
Office of the Comptroller of the Currency (OCC) – Bank Supervision
Office of Thrift Supervision - Thrift Supervision

Department of Veterans Affairs
Burial
Medical Care
Compensation

INDEPENDENT AND OTHER AGENCIES:

Corps of Engineers (Civil Works)
Inland Waterways Navigation
Hydropower
Flood Damage Reduction
Wetlands (non-regulatory)
Emergency Management

Corporation for National and Community Service
AmeriCorps

Consumer Product Safety Commission
Consumer Product Safety Commission

Environmental Protection Agency
Leaking Underground Storage Tanks Program
Air Toxics Program
Nonpoint Source Program
Superfund Removal Program
Drinking Water State Revolving Fund
Pesticides
Chemical Programs

*This is a near-final list of programs to be assessed for FY 2004. Some programs may change as OMB and agencies continue discussions.

Environmental Protection Agency, continued
Tribal General Assistance
Civil Enforcement
Pollution Prevention Research

Federal Emergency Management Agency
Hazard Mitigation Grant Program
Disaster Relief Fund - Public Assistance Program
National Flood Insurance Program

General Services Administration
Asset Management of Federally-owned Real Property
Vehicle Acquisition & Leasing
Supply Depots & Special Order Program
Multiple Award Schedules Program

National Aeronautics and Space Administration
Space Station
Mars Exploration Program
Space Shuttle
Space Launch Initiative
Earth Science Technology

National Science Foundation
Core Research
Nanoscale Science and Engineering
PreK-12 Education
Information Technology Research
Major Research Equipment and Facility Construction
Major Facility Operations
Polar Programs

Office of the Comptroller of the Currency
Bank Supervision

Office of National Drug Control Policy
High Intensity Drug Trafficking Area (HIDTA) program
Youth Anti-Drug Media Campaign

Office of Personnel Management
Federal Employees' Group Life Insurance (FEGLI)
Retirement

Office of Thrift Supervision
Thrift Supervision

Small Business Administration
Business Information Centers (BICs)
Service Corps of Retired Executives (SCORE)
Small Business Development Centers (SBDCs)
Section 504 Certified Development Corporation Guaranteed Loan
  Program

Social Security Administration
Supplemental Security Income for the Aged
Disability Insurance

Tennessee Valley Authority
TVA Power Program
TVA Non-power Program

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