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# PERFORMANCE AND MANAGEMENT ASSESSMENTS

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## 2. BUDGET AND PERFORMANCE INTEGRATION

### I. INTRODUCTION

The American taxpayer expects the Federal Government to implement programs that will ensure the Nation's security and provide critical services. Taxpayers deserve to have their money spent wisely to create the maximum benefit. The Executive Branch should be held accountable for program performance by the American people. For the Federal Government to be held accountable, the American people must have clear, candid information about each program's success and failures. The Administration is providing this type of information. More importantly, in all cases, the Administration is implementing detailed plans to improve program performance.

The role of the President's Budget and Performance Integration (BPI) Initiative is to ensure that Federal dollars produce the greatest results. To accomplish this, agencies and OMB identify which programs work, which are deficient, and what can be done to improve the performance of them all. In some cases, it may be necessary to reallocate funding to more effective programs. This and other decisions about programs are ultimately made jointly by the Congress and the President, but the analysis of program performance can help the Executive and Legislative Branches make more informed decisions. To expand the use of information about program performance, OMB is launching *ExpectMore.gov*, a user-friendly website that provides the public with performance information about Federal programs. (Greater detail about *ExpectMore.gov* will be provided in a subsequent section.)

The Budget and Performance Integration Initiative measures its success in two principal ways:

- *Improved Program Performance*: Through the use of performance assessments, programs will have the information they need to improve their performance every year. The initiative requires each agency to identify opportunities to improve program management and design, and then develop and implement clear, aggressive plans to get more for tax dollars every year.
- *Greater Investment in Successful Programs*: Overall, scarce resources need to be allocated to programs that benefit the Nation most effectively and efficiently. Program performance will not be the only factor in decisions about how much funding programs receive. However, the Congress and the

President, equipped with information about program performance can consider performance to a greater degree in their decision-making and invest primarily in programs that provide the greatest return on the investment of taxpayer dollars. If poor performing programs are unable to demonstrate improved results, then that investment may be reallocated to programs that can demonstrate greater success.

Currently, the Initiative is showing great progress toward the first goal. Programs are becoming more efficient and more effective through implementation of meaningful improvement plans.

Many programs are demonstrating improved results.

- The Department of Veterans Affairs is reducing the time veterans wait to get medical appointments. From 2001 to 2005, the Veterans Health Administration (VHA) substantially reduced the number of new veteran enrollees unable to schedule an appointment for medical care from a high of 176,000 to 22,494. VHA remains a leader in customer satisfaction, with an inpatient satisfaction score of 84 out of 100 on the American Customer Satisfaction Index, slightly higher than the score of 79 for comparable private sector services.
- To reduce fatalities from automobile accidents, the National Highway Traffic Safety Administration promoted greater seat belt use among high-risk groups such as younger drivers, rural populations, pick-up truck occupants, 8–15 year-old passengers, occasional safety belt users, and motor vehicle occupants in States with secondary safety belt use laws. As a result, nationwide seat belt use increased from 73 percent in 2001 to 82 percent in 2005, an all-time high.

Agencies are also identifying the steps they will take to improve each program's performance even more. All programs, regardless of whether they perform poorly or well, should strive to perform better each year.

Progress toward the second goal of improving resource allocation is slow. Overall high performers received larger funding increases than those that did not perform as well, but in general, recommendations to reduce funding for ineffective programs or those that can not demonstrate results have been less successful.

### II. HOW THE BUDGET AND PERFORMANCE INTEGRATION INITIATIVE WORKS

There are several aspects of the Initiative designed to maximize program performance:

- Assess performance with the PART (Program Assessment Rating Tool)

- Publish a Scorecard to hold agencies accountable for managing for results, addressing PART findings, and implementing follow-up actions
- Broadcast results on a new website, *ExpectMore.gov*
- Implement inter-agency program improvement

**Comprehensive Assessment by the Program Assessment Rating Tool (PART)**

How do we ensure programs are improving every year? First, we assess their current performance. In order to improve program outcomes, it is critical to have a good understanding of how the program is currently performing. To date, we have assessed the performance of 80 percent of all Government programs using the PART.

**What is the PART and How is it Used?**

The PART helps assess the management and performance of individual programs. With the PART, agencies and OMB evaluate a program’s purpose, design, planning, management, results, and accountability to determine its overall effectiveness. Recommendations are then made to improve program results.

To reflect that Federal programs deliver goods and services using different mechanisms, the PART is customized by program type. The seven PART types are: Direct Federal, Competitive Grant, Block/Formula Grant, Research and Development, Capital Assets and Service Acquisition, Credit, and Regulatory. The PART types apply to both discretionary and mandatory programs. *ExpectMore.gov* also classifies each program by its specific program area (such as environment, transportation, education, etc) so we can accelerate the improved performance of programs with similar missions.

Each PART includes 25 basic questions and there are additional questions tailored to different program types. The questions are divided into four sections. The first section of questions gauges whether a program has a clear purpose and is well designed to achieve its objectives. The second section evaluates strategic planning, and weighs whether the agency establishes outcome-oriented annual and long-term goals for its programs. The third section rates the management of an agency’s program, including the quality of efforts to improve efficiency. The fourth section assesses the results programs can report with accuracy and consistency.

The answers to questions in each of the four sections result in a numerical score for each section from 0 to 100 (100 being the best score). Because reporting a single weighted numerical rating could suggest false precision, or draw attention away from the very areas most in need of improvement, numerical scores are combined and translated into qualitative ratings. The bands and associated ratings are as follows:

Rating	Range
Effective .....	85–100
Moderately Effective .....	70–84
Adequate .....	50–69
Ineffective .....	0–49

Regardless of overall score, programs that do not have acceptable performance measures or have not yet collected performance data generally receive a rating of “Results Not Demonstrated.” This rating suggests that not enough information and data are available to make an informed determination about whether a program is achieving results.

PART ratings do not result in automatic decisions about funding. Clearly, over time, funding should be targeted to programs that can prove they achieve measurable results. In some cases, a PART rating of “Ineffective” or “Results Not Demonstrated” may suggest that greater funding is necessary to overcome identified shortcomings, while a funding decrease may be proposed for a program rated “Effective” if it is not a priority or has completed its mission. However, most of the time, an “Effective” rating is an indication that the program is using its funding well and that major changes are not needed.

### **Publish a Scorecard To Hold Agencies Accountable**

Agencies are achieving greater results with the help of the habits and discipline established through the Budget and Performance Integration Initiative (BPI). These agencies recognize that the PART can be a useful tool to drive the agencies to improved performance.

The President's Management Agenda established clear, Government-wide goals or Standards for Success (<http://results.gov/agenda/standards.pdf>) for several key areas, one of which is Budget and Performance Integration. Agencies have developed and are implementing detailed, aggressive action plans to achieve these goals. Most importantly, agencies are held publicly accountable for adopting these disciplines. The Standards for Success for the BPI Initiative are below:

- Meets quarterly with senior agency managers to examine reports that integrate financial and performance information that covers all major responsibilities of the Department. Agency achieves planned improvements in program performance and efficiency in achieving results each year;
- Develops strategic plans that contain a limited number of outcome-oriented goals and objectives. Annual budget and performance documents incorporate measures identified in the PART and focus on the information used in the senior management report described in the first criterion;
- Demonstrates that it has performance appraisal and awards systems for all Senior Executive Service (SES) and managers, and more than 60 percent of the workforce, that effectively: link to agency mission, goals, and outcomes; hold employees accountable for results appropriate for their level of responsibility; differentiate between various levels of performance (i.e., multiple performance levels with at least one summary rating above Fully Successful); and provide consequences based on performance. In addition, at a beta site, there is evidence that clear expectations are communicated to employees; rating and awards data demonstrate that managers effectively planned, monitored, developed and appraised employee performance; and the site is ready to link pay to the performance appraisal systems. The agency is working to include all agency employees under such systems;
- Reports the full cost of achieving performance goals accurately in budget and performance documents and can accurately estimate the marginal cost of changing performance goals;
- Has at least one efficiency measure for all PARTed programs; and
- Uses PART evaluations to direct program improvements, and PART ratings and performance information are used consistently to justify funding requests, management actions, and legislative proposals. Less than 10 percent of agency programs receive a Results Not Demonstrated rating for two years in a row.

Each quarter, agencies received two ratings. First, they are rated on their status in achieving the overall goals for each initiative. They are then given a green, yellow or red rating to clearly announce their performance. Green status is for success in achieving each of the criteria listed earlier; yellow is for an intermediate level of performance; and red is for unsatisfactory results.

Second, agency progress toward reaching the Budget and Performance Integration standards is assessed separately. This is reviewed on a case by case basis against the work plan and related time lines established for each agency. Progress is also given a color rating. Green is given when implementation is proceeding according to plans agreed upon with the agencies; Yellow for when some slippage or other issues require adjustment by the agency in order to achieve the initiative objectives on a timely basis; and Red when the Initiative is in serious jeopardy. In this case, it is unlikely to realize objectives absent significant management intervention.

As of December 31, 2005, nine agencies achieved green status on the Budget and Performance Integration Initiative Scorecard. The agencies at green are:

1. Department of Energy
2. Department of Labor
3. Department of Transportation
4. Department of State
5. National Aeronautics and Space Administration
6. National Science Foundation
7. Small Business Administration
8. Social Security Administration
9. U.S. Agency for International Development

The Scorecard is an effective accountability tool to ensure agencies manage the performance of their programs. Although a scorecard rating is not directly linked to any specific consequences, it is quickly understood at the highest levels of the Administration as an indicator of an agency's strength or weakness.

The Government-wide scorecard reporting on individual agency progress is published quarterly at <http://results.gov/agenda/scorecard.html>.

### **Broadcast Results on ExpectMore.gov**

This year, a new website, *ExpectMore.gov*, will provide Americans with candid information about which programs work, which do not, and what all programs are doing to get better every year.

Up until now, Americans have had limited access to information on how the Federal Government performs. In many cases, the Federal Government performs well. In some cases, it performs better than the private sector.

This site will contain PART summaries for all programs that have been assessed to date. The site will provide the program information a concerned citizen would need to assess a program's performance. Each assessment includes a brief description of the program's purpose, its overall rating, some highlights about its performance and the steps it will take to improve in

the future. For those interested in more information, there are links to the detailed program assessment, as well as that program's website and the assessment summaries of other similar programs. The detailed PART assessment includes the answer to each PART question with an explanation and supporting evidence. It also includes the performance measures for the program along with current performance information. In addition, there is an update on the status of follow-up actions to improve program performance.

A visitor to the site may find, at least initially, programs are not performing as well as they should or

program improvement plans are not sufficiently ambitious. We expect this site to change that. The website will have a variety of benefits. It will:

- Increase public attention to performance;
- Draw greater scrutiny to agency action (or inaction) to improve program results:
  - Improvement plans will be transparent
  - Statements about goals and achievements will be clearer; and
- Create demand for better quality and more timely performance data.

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# ExpectMore.gov

EXPECT FEDERAL PROGRAMS TO PERFORM WELL, AND BETTER EVERY YEAR.

The Federal Government is working to ensure its **programs perform well**. Here we provide you information about where we're **successful** and where we **fall short**, and in both situations, what we're doing to **improve our performance** next year.

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## Implement Inter-Agency Program Improvement

The Administration continues to look for new ways to improve the performance of programs with similar purpose or design by using the PART to analyze performance across agencies (i.e., cross-cutting analysis). Cross-cutting analysis can improve coordination and communication by getting managers from multiple agencies to agree to a common set of goals and placing the focus on quantifiable results. This type of analysis breaks down barriers across the Federal, State, and local levels so all are working toward the same goal. Only topics that are expected to yield meaningful results are selected for cross-cutting analyses. This past year the Administration completed cross-cutting analyses of block grant programs, Small Business Innovation Research, and credit programs.

**Block Grants.** One of the most common tools used by the Federal Government is the block grant, particu-

larly in the social services area where States and localities oftentimes award grants to local service providers. Block grants are embraced for their flexibility to meet local needs and criticized because accountability for results can be difficult when funds are allocated based on formulas and population counts rather than achievements or needs. In addition, block grants pose performance measurement challenges precisely because they can be used for a wide range of activities. The obstacles to measuring and achieving results through block grants are reflected in PART scores: they receive the second lowest average score of the seven PART types: 8 percent of block grant programs assessed to date are rated ineffective, and 45 percent are results not demonstrated.

The characteristics that distinguish high performing block grant programs from low performing ones are:

- Top management is committed to managing for results;

- Strong, outcome-oriented performance measures and goals are used by management and grantees;
- Performance information is relevant, transparent and accessible so management and grantees can easily find out what works and replicate it
- Program performance is incorporated into managers' and employees' performance appraisals.

The goal of this cross-cutting analysis was to share best practices for block grant programs across agencies. During this past year, the BPI Initiative led a seminar where multiple agencies learned lessons about performance measurement, accountability, data collection, and reporting for block grants.

All block grant programs will integrate the lessons from this work into aggressive improvement plans that ensure:

- Grantees and subgrantees strive to achieve outcome-oriented goals;
- Data on whether those goals are achieved are collected and made public; and
- Information about proven interventions and how to implement them is shared widely.

The long term impact of this work will be visible over the coming years as we monitor the ability of these programs to create better outcomes for the citizens they serve.

**Small Business Innovation Research (SBIR).** The SBIR program sets aside 2.5 percent of Government research and development contract and grant funding for small businesses. The goal of the program is to assist small businesses in undertaking and obtaining the benefits of research and development leading to commercial products, while assisting agencies in achieving their missions. Approximately \$2 billion was spent last year in SBIR programs.

All Federal agencies with Research and Development budgets above \$100 million per year must publish a list of technical topics that they would like to support, after which small businesses are encouraged to submit research funding proposals addressing opportunities in those areas. First, agencies provide winning companies seed funding to explore the feasibility of their projects and, if deemed promising after initial investigation, funding is provided for subsequent research and development. Awards generally are limited to less than \$1 million per project. Agencies monitor the progress of the selected projects and report key data annually to the Small Business Administration.

A team, consisting of agency and OMB representatives, is carrying out the following activities:

- Assessing the program's impact;
- Focusing on improving program administration;
- Determining if legislative reform is needed;
- Developing common long-term and annual measures; and
- Developing a database that tracks commercialization and sales in a consistent manner.

**Credit Programs.** The Federal Government is one of the world's largest lenders. At the end of 2003, the

Government held a financial asset portfolio of nearly \$1.5 trillion, including direct loans, loan guarantees, defaulted loans, and non-credit debt owed to agencies. Many agencies lack the data, processes, or overall understanding of the credit lifecycle (origination, loan servicing/lender monitoring, liquidation, and debt collection) needed to effectively assist intended borrowers while also proactively reducing errors, risk, and cost to the Government. Some credit program PART scores reflect these fundamental inefficiencies. More information about the performance of credit programs is available in chapter 7 in this volume.

The Budget and Performance Integration initiative identified the "back office" function of the five largest credit agencies (Agriculture, Education, Housing and Urban Development, Small Business Administration, and Veterans Administration) and Treasury as an appropriate target for analysis. The Deputy Director for Management created a Council to address improvements in these back office functions. The Federal Credit Council convened its first meeting in March 2005.

In order to create accountability in credit programs, the President's Management Agenda scorecard has been expanded to include a set of standards for credit program management. The standards include criteria for red, yellow and green status related to:

- loan origination;
- servicing and/or lender monitoring; and
- debt collection.

The first scorecard will be published subsequent to the President's 2007 Budget, with quarterly scorecard reports describing individual agencies' milestones for addressing weaknesses.

Many agencies lack the systems and data to conduct regular analysis consistent with minimum private sector standards, resulting in larger than anticipated losses to the Government. For example, institution of early warning systems to identify high-risk borrowers and provide targeted intervention at agencies currently without such systems could reduce defaults substantially, given the size of agency portfolios. The Council is working to improve compliance with the provision of the Debt Collection Improvement Act that bars certain borrowers through increased reporting to, and use of, private credit bureaus. This permits better identification of delinquent Federal debtors and avoids extending additional credit to poor credit risks. Savings to the Government are expected to be up to \$100 million per year.

The Council has substantially completed the Sharing Lender Performance Data (SLPD) portal that allows comparison of private lenders' default and delinquency rates, and other portfolio data, across agencies. This will result in better decisions to approve lender participation in programs, provide benchmarks for ranking lenders, and could provide an additional monitoring tool to reduce borrower defaults through early action.

Initiatives of the Council aim to improve management functions and have the potential to reduce delinquent debt by up to \$10 billion, in addition to substantial

cost savings on the front end in the form of reduced administrative and subsidy cost expenses.

***Community and Economic Development Programs.*** The Federal Government spends more than \$16 billion annually to support local economic and community development. In 2004, agencies and OMB participated in a crosscutting review of the 35 Federal programs that make up this effort. Based on PART analyses, input from agencies, and other program information, the team identified common problems that reduced the effectiveness of this Federal spending. They concluded that the programs, taken together, were duplicative, not well-targeted, and in many cases lacked clear goals, and a system to measure community progress and evaluate program impacts.

Last year's budget proposed to consolidate 18 of the programs (which spend about \$4.8 billion) in a new Strengthening America's Communities Initiative. For 2007, the Administration re-proposes program consolidation—this time in HUD and Commerce. The consolidation will be accompanied by three major reforms to make more effective use of these resources by: 1) better targeting funds to places that lack the means to create conditions for economic progress, 2) consolidating overlapping and/or ineffective programs into flexible grants that include rewards for community progress and results, and 3) coordinating the full set of Federal economic and community development programs within a common framework of goals, standards, and outcome measures.

### III. RESULTS

As mentioned above, the BPI Initiative measures its success according to two measures:

- Improved Program Performance; and
- Greater Investment in Successful Programs

There has been a good deal of success toward achieving goals of the first measure. The BPI Initiative has caused agencies to think more systematically about how they measure and improve program performance. Though there are many factors that impact program performance, it is clear that the BPI Initiative has framed the discussion around results. Agencies have developed ways to measure their efficiency so they can figure out how to do more with Americans' tax dollars.

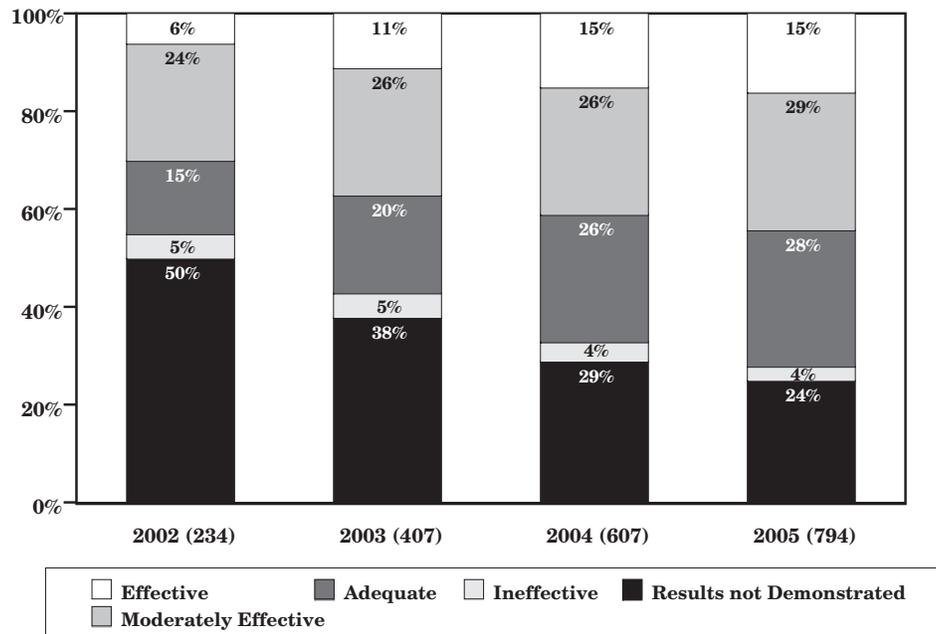
This marks the fourth year that the PART was used to (1) assess program performance, (2) take steps to

improve program performance, and (3) help link performance to budget decisions. To date, the Administration has assessed 794 programs, which represent approximately 80 percent of the Federal budget. Over the next year, the Administration will use the PART to assess the performance and management of most of the remaining Federal programs.

With the help of the PART, we have improved program performance and transparency. There has been a substantial increase in the total number of programs rated either "Effective", "Moderately Effective", or "Adequate". This increase came from both re-assessments and newly PARTed programs. The chart below shows the percentage of programs by ratings category.

## Chart 2-1. Program Ratings are Improving

Cumulative Program Results by Rating Category (2002-2005)



The results demonstrate that the BPI initiative is having success focusing Agencies' attention on program performance. For example, approximately:

- 1 in 7 programs has improved its PART rating;
- Half of programs rated Results Not Demonstrated have improved their ratings;
- 80 percent of programs have acceptable performance measures;
- 40 percent have achieved their long-term goals and 60 percent have achieved their annual goals; and
- 80 percent of programs have efficiency measures and about half of them have achieved their efficiency targets.

Unfortunately, there has not been a similar level of accomplishment in the second measure: Greater Investment in Successful Programs. Though use of performance information has been limited, most in the Con-

gress are aware of the PART. This topic was discussed extensively in a Government Accountability Office (GAO) report issued last year.

GAO recommends that OMB select PART reassessments and crosscutting reviews based on factors including the relative priorities, costs, and risks associated with clusters of related programs, and reflective of congressional input. Additionally, GAO recommended OMB solicit congressional views on the performance issues and program areas most in need of review; the most useful performance data and the presentation of those data. As mentioned above, OMB is using the PART to improve the performance of similar programs in areas that are expected to yield meaningful results. OMB and agencies are also actively soliciting the views of the Congress in PART assessments, on improvement plans, and oversight efforts.

### IV. NEXT STEPS

The BPI Initiative has identified several activities to improve its effectiveness over the coming year:

*Ensure Plans are Aggressive and Result in Improved Performance.*—Rigorous follow-up on recommendations from the PART will accelerate improvements in the performance of Federal programs. This will ensure that the hard work done through the PART produces per-

formance and management improvements. Additionally, implementation of these plans must be tracked and reported.

*Expand Cross-Cutting Analyses.*—Use the PART to facilitate cross-cutting analysis where there is a higher return than approaching programs individually. The goal of these efforts is to increase efficiency and save

dollars. We want to continue to build on the success of previous cross-cuts. Congressional guidance will be a factor in choosing topics for the next group of cross-cutting analyses.

*Maximize ExpectMore.gov Impact.*—The Federal Government should be accountable to the public for its performance. This new web-based tool will provide candid information on how programs are performing and what they are doing to improve. The BPI Initiative

will work to increase the reach and impact of this valuable information to improve program performance and accountability for results.

Note.—A table with summary information for all programs that have been reviewed using the Program Assessment Rating Tool (PART) is available at <http://www.whitehouse.gov/omb/budget/fy2007/sheets/part.pdf> This table provides program ratings, section scores, funding levels, and other information.