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# Performance Management and Budgeting in the Federal Government: Brief History and Recent Developments

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# Summary

The Government Performance and Results Act of 1993 (P.L. 103-62), known as GPRA or the Results Act, sought to promote greater efficiency, effectiveness, and accountability in federal spending by establishing a new framework for performance management and budgeting in federal agencies. GPRA represents the latest in a series of initiatives in the last 55 years attempting to link budget levels with expected results, so that spending decisions can be better aligned with anticipated performance, an approach commonly referred to as "performance budgeting."

On April 9, 2001, President Bush transmitted his budget for FY2002, in which various steps to strengthen the linking of budget and management decisions to performance were endorsed. This was followed in August by the "President's Management Agenda" for improving performance; one of five government-wide initiatives identified was budget and performance integration. On February 4, 2002, President Bush transmitted his budget for FY2003, which introduced a Management Scorecard, to measure agency progress on the initiatives. The FY2003 budget also contained initial efforts at performance analysis of over 100 programs that were used to inform funding decisions, constituting the first time a President's budget submission attempted formally to link budget requests with program performance.

A new program assessment rating tool (PART) was developed in 2002, and used by agency program managers and OMB staff to evaluate over 200 programs during the course of formulating the FY2004 budget. The PART reviews have continued and expanded, covering 40% of programs in the FY2005 budget and 60% of programs in the President's FY2006 budget submission.

In Congress, interest continues in monitoring the PART process, as well as in the Administration's budget and performance integration initiative and ongoing implementation of GPRA. In the 108th Congress, H.R. 3826, to provide a statutory mandate for PART-like reviews, was reported favorably by the Government Reform Committee, and a similar measure, H.R. 185, has been approved by the committee in the 109th Congress. The extent to which performance information will influence budget deliberations in Congress remains to be seen. Adopting performance budgeting will not remove controversy from the budget process, since budgeting entails the allocation of limited resources among competing priorities. Performance information may make a positive contribution to the federal budget debate, but a performance budget will not eliminate the need for difficult political choices.

The appendix gives important benchmarks in the evolution of performance management and budgeting in the federal government. This report will be updated as events warrant.

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## Introduction

The Government Performance and Results Act of 1993 (P.L. 103-62; 107 Stat. 285), known as GPRA or the Results Act, sought to promote greater efficiency, effectiveness, and accountability in federal spending by establishing a new framework for performance management and budgeting in federal agencies. GPRA establishes three types of ongoing planning, evaluation, and reporting requirements for executive branch agencies: strategic plans (covering six years but to be revised at least every three years), annual performance plans, and annual reports on program performance. In complying with GPRA, agencies must set goals, devise performance measures, and then assess results achieved.[1]

GPRA represents the latest in a series of initiatives undertaken during the past 50 years, attempting to link budget levels with expected results, so that spending decisions can be better aligned with anticipated performance. This general perspective is commonly referred to as "performance budgeting," and is intended to be viewed as an evolving, rather than a static, approach.[2] A recent definitional effort suggests: "A performance budget is an integrated annual performance plan and annual budget that shows the relationship between program funding levels and expected results. It indicates that a goal or set of goals should be achieved at a given level of spending."[3]

## Past Attempts

In the aftermath of World War II, the First Hoover Commission, charged with promoting economy, efficiency, and improved services in the executive branch, included among its many recommendations a call for performance budgeting in the federal government.[4] In the 1960s, the Planning-Programming-Budgeting-System (PPBS) was introduced in the Defense Department, and subsequently mandated government-wide by President Johnson. PPBS attempted to integrate planning and budgeting functions through modern systems analysis and cost-benefit analysis to review alternatives, costs, and consequences. In 1973, President Nixon initiated Management by Objectives, primarily a management improvement effort seeking to hold agency managers responsible for achieving stipulated outcomes, and linking the agreed-upon objectives to the agency's budget request. Still another reform effort followed in 1977, when President Carter brought Zero Base Budgeting (ZBB) to the federal government. With ZBB, agencies were to prepare a series of decision packages to reflect alternative funding levels; the intent was to link directly the expected program results with the level of spending.

[1] For further background, see CRS Report RS20257, *Government Performance and Results Act: Brief History and Implementation Activities*, by Genevieve J. Knezo.

[2] This conception of performance budgeting is further discussed in a General Accounting Office report on the subject; the brief review here of past efforts relies heavily on that source. See U.S. General Accounting Office, *Performance Budgeting: Past Initiatives Offer Insights for GPRA Implementation*, GAO Report AIMD-97-46 (Washington: GPO, 1997).

[3] John Mercer, *Performance Based Budgeting for Federal Agencies* (Fairfax: AMS, 2002), p. 2. Available at http://www.john-mercer.com/library/Performance_Budgeting_FA.pdf, visited Dec. 2, 2003.

[4] Formally known as the Commission on the Organization of the Executive Branch, the commission was established in 1947 (61 Stat. 246).

## Experiences with GPRA During the Clinton Administration

Successful implementation of GPRA requires direct linkages between an agency's goals and objectives and its budget justification. In its annual performance plan, each agency is to align performance objectives with the program activity structure contained in the President's budget. The law also called for performance budgeting pilots to provide information on the "direct relationship between proposed program spending and expected program results and the anticipated effects of varying spending levels on results." In August 1999 (two years behind the original GPRA schedule),[5] the Office of Management and Budget (OMB) formally designated five projects to serve as performance budgeting pilots.[6]

Shortly before the end of the Clinton Administration in January 2001, then OMB Director Jacob Lew transmitted a GPRA-required report to Congress, which sought to examine government-wide implementation of GPRA from 1997-2000, to report on the results of the performance budgeting pilots, and to address the need for any statutory changes in the law. The report concluded, "Over time measures will improve, and better information will become available. However, these improvements do not require or depend on statutory changes.... (T)herefore OMB would not recommend legislative changes." Some examples of difficulties encountered in the pilots and identified by OMB in the January 2001 report included the following:

> Budgeting is often based on the structure of funding requests to the appropriations committees, and the structure does not always correspond to performance goals.
>
> In many instances, measuring the effects of marginal, annual budget changes on performance is not precise or meaningful.
>
> As a general matter, we are working to move from our almost total reliance on output measures to outcomes. However, it is much more difficult to associate specific resource levels with outcomes, particularly over short periods of time.
>
> The ability to establish clear linkages between program outcomes and funding levels varies depending on the nature of the program and the number of relevant external factors.
>
> Delays in collecting data on programs, sometimes because of necessary reliance on program partners for data collection, present a challenge to synchronization of budget and performance data.[7]

Despite such difficulties, and the continuing need for improvements in performance measurement, it is well to keep in mind that GPRA differs in important respects from past efforts at performance management and budgeting. Previous formulations, such as PPBS and ZBB, were executive branch initiatives; in contrast, GPRA has a statutory base, with its requirements set in law. Unlike past efforts which generally lacked congressional linkages, GPRA provides for mandatory consultation with Congress and the linking of management planning and budget preparation processes.

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[5] In May 1997, OMB announced a delay in the start of the performance budgeting pilots, so as to allow agencies to concentrate on the more immediate task of developing their performance plans.

[6] The projects and agencies represented included military recruitment programs (Department of Defense), Food and Drug Administration (Health and Human Services), severely distressed housing programs (Housing and Urban Development), diplomatic security programs (State), and continuing disability reviews (Social Security Administration).

[7] Executive Office of the President, Office of Management and Budget, Report to the Honorable J. Dennis Hastert, from Jacob J. Lew, Jan. 18, 2001, np.

Evidence of growing congressional involvement with GPRA during the Clinton Administration was suggested by a CRS study[8] which identified and analyzed provisions in public laws and committee reports from the 106th Congress (1999-2000) relating to GPRA and its implementation; comparisons to similar provisions in the 104th and 105th Congresses were also noted.[9] The research identified 42 public laws from the 106th Congress containing statutory language relating to GPRA and performance measurement. Two of these laws were omnibus measures containing GPRA-associated provisions from 10 separate bills, arguably better counted as 10 items rather than two, for a total of 50 enacted measures from the 106th Congress with GPRA-related provisions. Previous CRS studies identified 14 public laws with performance-related provisions enacted during the 104th Congress, and 28 in the 105th. In addition to statutes with GPRA-associated provisions, a search of committee reports identified 24 additional public laws from the 106th Congress that contained GPRA-associated passages in accompanying reports, compared with 17 laws so identified in the 105th. Thus a total of 74 laws enacted in the 106th Congress were determined to have GPRA-relevant provisions in statutory language or in committee report language, compared with a total of 45 public laws from the 105th Congress with GPRA-relevant provisions in statute or accompanying reports.[10]

## Bush Administration Activity and the 107th Congress

On April 9, 2001, President Bush transmitted his budget for FY2002, in which various steps to strengthen the linking of budget and management decisions to performance were endorsed.[11] On July 11, 2001, a presidential memorandum established the President's Management Council (PMC), consisting of Chief Operating Officers as designated by the heads of cabinet departments and major agencies.[12] This was followed in August by the "President's Management Agenda" for improving performance; one of five government-wide initiatives identified was budget and performance integration.[13] On November 1, 2001, two proposals for management reform, previously developed by OMB, were introduced in the 107th Congress as S. 1612, Managerial Flexibility Act, and S. 1613, Freedom to Manage Act.[14] Title II of S. 1612, "Budgeting and Managing for Results," reflected the performance-oriented perspective of GPRA by seeking to link total cost of resources used with results. Specifically, it sought to charge to the budgets of

[8] See CRS Report RL31678, *Government Performance and Results Act: Overview of Associated Provisions in the 106th Congress,* by Virginia A. McMurtry.

[9] Online databases were used to identify language of potential interest in committee reports and in the public laws from the 106th Congress. The resulting electronic files were examined and then pruned, with the remaining relevant excerpts captured for further analysis. It should be noted that this approach covered specific citations to GPRA, as well as provisions that are or might be deemed associated with GPRA, such as performance measures and strategic plans. The study sought to review ways in which Congress and its committees engage in oversight of GPRA, and, more generally, monitor its implementation in respective agencies.

[10] CRS Report RL31678, *Government Performance and Results Act: Overview of Associated Provisions in the 106th Congress,* by Virginia A. McMurtry.

[11] For example: "Formally integrate performance with budget decisions"; "Develop legislation to enable program managers to be charged for support services, capital assets, and employer benefits"; and "Publish detailed performance data." See *Budget of the United States Government, Fiscal Year 2002* (Washington: GPO, 2001), pp. 12-13.

[12] U.S. President (G.W. Bush), Memorandum on Implementing Government Reform, July 11, 2001, *Weekly Compilation of Presidential Documents,* vol. 37, July 16, 2001, pp. 1028-1029.

[13] See OMB, "The President's Management Agenda," Aug. 2001, available electronically at http://www.whitehouse.gov/omb/budintegration/pma_index.html, site visited Dec. 2, 2003.

[14] See OMB News Release 2001-47, available electronically at http://www.whitehouse.gov/omb/pubpress/2001-47.html, site visited Dec. 2, 2003; and Senator Fred Thompson, remarks in the Senate, *Congressional Record*, daily edition, vol. 147, Nov. 1, 2001, pp. S11368-S11369.

each federal agency the full accruing costs for retirement systems and retiree health benefits, without, however, making any changes in benefits provided or employee contributions. On March 19, 2002, a hearing was held on S. 1612.

On February 4, 2002, President Bush transmitted his Budget for FY2003, which sought to incorporate the five management reforms (including budget and performance integration) into agencies' budgets and introduced a Management Scorecard to measure progress.[15] Initial efforts at performance analysis of over 100 programs were used to inform funding decisions, constituting the first time a President's budget submission attempted formally to link budget requests with program performance. A memorandum from OMB Director Mitchell Daniels, Jr., concerning planning for the FY2004 budget requests followed on April 24, 2002, announcing that the Administration's efforts to base budget decisions on program performance would be expanded, with effectiveness ratings for about one fifth of all programs to be published in the next budget.[16] The final version of the new program assessment rating tool, known as PART, was issued in July, 2002.[17] The four sections of the questionnaire focus on program purpose and design, strategic planning, program management, and program results and accountability. PART was used by agency program managers and OMB budget examiners to evaluate over 200 programs during the budget review process for the President's FY2004 budget in the fall of 2002.[18]

Congressional efforts to oversee GPRA implementation in executive branch agencies continued in the 107th Congress. In January 2001, the House approved changes in its standing rules to require that committee reports authorizing new funding include a statement of general performance goals and objectives, including outcome-related goals and objectives.[19] On June 19, 2001, the House Government Reform Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations held a hearing focusing on "The Results Act: Has It Met Congressional Expectations?"[20] On September 19, 2002, the same subcommittee of the House Government Reform Committee, along with the Subcommittee on Legislative and Budget Process of the House Rules Committee, held a joint oversight hearing on "Linking Program Funding to Performance Results."[21]

In a statement submitted for the record of the September hearing, Senator Fred Thompson conveyed some thoughts on the future of GPRA, observing: "We still have a long way to go in implementing the Results Act and in making the federal government more results-oriented and performance-based. We are at the point after all these years of implementing the Results Act where we need to start using performance information to make decisions or we might as well give

[15] See *Budget of the United States Government, Fiscal Year 2003, Analytical Perspectives* (Washington: GPO, 2002), pp. 3-16, re. "Budget and Performance Integration," and pp. 411-415, re. "Scorecard Standards for Success."

[16] See OMB, "Planning for the President's Fiscal Year 2004 Budget Request," Memorandum for Heads of Executive Departments and Agencies from Mitchell E. Daniels, Jr., M-02-06, April 24, 2002.

[17] See OMB, "Program Performance Assessments for the FY 2004 Budget," Memorandum for Heads of Executive Departments and Agencies from Mitchell E. Daniels, Jr., M-02-10, July 16, 2002.

[18] For Additional background on PART, see CRS Report RL32663, *The Bush Administration's Program Assessment Rating Tool (PART)*, by Clinton T. Brass.

[19] Rule X, clause 4(c)(2). See Rules of the House of Representatives, 107th Congress, prepared by Jeff Trandahl, Clerk of the House, Jan. 3, 2001.

[20] U.S. Congress, House Committee on Government Reform, Subcommittee on Government Efficiency, Financial Management, and Intergovernmental Relations, *The Results Act: Has It Met Congressional Expectations?* hearing, 107th Cong., 1st sess., June 19, 2001 (Washington: GPO, 2002).

[21] Testimony available at http://www.house.gov/rules/rules_test17.htm, site visited Nov. 24, 2003.

up on the Act."[22] Senator Thompson then voiced some optimism regarding the future of GPRA, noting that he was "encouraged by the President's unprecedented interest in, and the Office of Management and Budget's new focus on, integrating performance review with budget decisions." In a similar vein, Representative Stephen Horn, Chairman of the Subcommittee on Government Efficiency, Financial Management, and Intergovernmental Relations, observed in his opening statement that many agencies "have made significant progress" in using their GPRA plans and reports to measure their performance. However, he said, the connection between performance results and funding decisions has been lacking, and until decision makers firmly establish that linkage, "the Results Act will remain largely a paper exercise.... Fortunately, the current Administration is intent on establishing this link." Representative Deborah Pryce, Chairman of the Rules Subcommittee on the Legislative and Budget Process, likewise noted that she was encouraged by recent efforts "to establish a more meaningful link between ...(GPRA) and the budget process," and concluded her opening statement "by saying that as government performance rating tools and measures become more and more reliable, Congress will be finally responsible for using and integrating this information into our budgetary and fiscal decision-making."[23]

## Developments in the 108th and 109th Congresses

On February 3, 2003, President Bush transmitted his budget for FY2004. The budget and performance integration initiative, strengthening the linkage between dollars spent and results achieved, reflected two complementary approaches. First, about half of the agency submissions progressed toward a performance budget format, "showing programs in relation to the strategic goals they are intended to achieve. These early performance budget justifications reveal efforts to link full cost to program activities, and to explain how program activities work together to achieve the agency's goals."[24]

The other approach focuses on using performance information in the making of budget decisions. In this regard, the FY2004 budget submission contained a separate volume presenting the PART reviews, titled *Performance and Management Assessments.*[25] Just over half (50.4%) of the 234 programs subject to PART evaluations in calendar 2003 were rated as "results not demonstrated," due to inadequate performance goals or unavailability of data to provide evidence of results. Six percent of the programs were deemed "effective"; 24% were "moderately effective"; 14.5% were found "adequate"; and 5.1% were "ineffective." The presentation included a one-page discussion for each of the 234 programs subject to a PART review, giving its overall rating, program summary, key performance measures, and figures on program funding level for FY2002 (actual) and estimates for FY2003 and FY2004. With regard to changes in funding levels for the entire group of 234 programs, 60.1% showed an increase in estimated funding from FY2003 to FY2004, 18.5% displayed a decrease; and 21.5% had no change between the two years. While PART summarizes rather than produces information, the assessment process may create demand for better data and performance measures. All programs are to be reviewed with PART over a five-year period, covering the 2004-2008 budgets.

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[22] Sen. Fred Thompson, *Linking Program Funding to Performance Results,* Statement for the Record before a joint hearing, Sept. 19, 2002. Ibid.

[23] See ibid. for text of the opening statements by Rep. Horn and Rep. Pryce.

[24] *Budget of the United States Government, Fiscal Year 2004, Analytical Perspectives* (Washington: GPO, 2003), p. 4.

[25] There was also a relevant section in the main *Fiscal Year 2004 Budget of the U. S. Government* volume; see "Rating the Performance of Federal Programs" (pp. 47-53).

Looking ahead to preparation of the FY2005 budget, an OMB memorandum in April 2003 instructed agency heads to follow the format of performance budgeting, aligning resources requested with performance measures, in preparing their submissions.[26] Newly appointed OMB Director Joshua Bolten reiterated this expectation in his memo accompanying the revision of Circular A-11 in the summer of 2003, noting that agencies were expected to prepare performance budgets for FY2005, which could also be used for the annual performance plan required by GPRA. He further instructed agency heads:

> The performance budget will be integrated with other elements of the agency budget request to OMB in September and the agency Congressional justification in February. The performance budget will include information from the PART assessments, where available, and all performance goals used in the assessment of program performance done under the PART process.[27]

OMB staff, working with personnel in the agencies, reviewed additional programs representing another 20% of the federal budget during preparation of the FY2005 budget, along with reassessments of those programs reviewed the prior year.[28] The FY2005 budget, transmitted to Congress on February 2, 2004, reported about 37% of programs unable to demonstrate results, down from 50% with that rating the first year, and a modest increase in programs rated "effective." For FY2005, almost 40% of programs subject to PART fell in the "effective"(11%) or "moderately effective" (26%) categories, while about a quarter were rated "adequate"(21%) or "ineffective" (5%).[29]

On February 7, 2005, President Bush submitted his budget for FY2006, with 217 additional programs having undergone PART reviews during budget preparation in the executive branch, for a total of 607 programs reviewed to date. According to figures in the FY2006 budget, 15% of the programs were rated effective, 26% moderately effective, 26% adequate, 4% ineffective, and 29% with results not demonstrated. In terms of funding changes for programs from FY2005 to the FY2006 requests, 14% of those rated effective or moderately effective received increased funding, while 42% in the group rated ineffective had budget cuts.

In the 108th Congress, interest continued in monitoring the PART process, as well as the Administration's budget and performance integration initiative and ongoing implementation of GPRA. On April 1, 2003, the House Subcommittee on Government Efficiency and Financial Management held an oversight hearing focusing on how Congress might facilitate improvements in the quality and use of performance information.[30] This was followed on September 18, 2003, by a hearing before the full Government Reform Committee, assessing the effectiveness in shifting the focus from process to results after a decade under GPRA.[31] A House Government

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[26] See OMB, "Planning for the President's Fiscal Year 2005 Budget Request," Memorandum for heads of executive departments and agencies from Mitchell E. Daniels, Jr., M-03-10, April 25, 2003.

[27] See OMB, "Preparing, Submitting, and Executing the Budget," Memorandum to heads of executive departments and establishments, from Joshua B. Bolten, transmittal memorandum No. 77 accompanying Circular No. A-11, July 25, 2003.

[28] See OMB, "Completing the Program Assessment Rating Tool (PART) for the FY2005 Review Process," Budget Procedures Memorandum No. 861, from Richard P. Emery, Jr., Assistant Director for Budget, May 5, 2003.

[29] See *Fiscal Year 2005 Budget of the United States Government Analytical Perspectives* (Washington: GPO, 2004), pp. 9-22. The CD, titled "Analytical Perspectives Fiscal Year 2005: Supplemental Materials," comes attached to the *Analytical Perspectives* volume.

[30] U.S. Congress, House Committee on Government Reform, Subcommittee on Government Efficiency and Financial Management, *Performance, Results, and Budget Decisions*, hearing, 108th Cong., 1st sess., April 1, 2003 (Washington: GPO, 2003).

[31] U.S. Congress. House Committee on Government Reform, *What Happened to GPRA? A Retrospective Look at*

Reform subcommittee held a hearing reviewing progress during a decade under GPRA on March 31, 2004.[32]

Additional hearings were held in the second session. On February 4 and 11, 2004, the House Subcommittee on Government Efficiency and Financial Management held oversight hearings on GPRA[33] and on the President's Management Agenda.[34] During these hearings Subcommittee Chairman Todd Platts queried various witnesses for their views on how best to craft a statutory requirement for a coordinated program-by-program evaluation framework such as PART. OMB Deputy Director for Management, Clay Johnson III, testified that the PART review process offers a vehicle for improving program performance, while building on the foundation provided by the GPRA. Pledging continued attention to GPRA implementation, Mr. Johnson noted, "Codification of the requirement to conduct assessments of program performance would be a welcome complement to the statutory management framework laid by GPRA."[35]

Shortly thereafter, on February 25, 2004, Representative Platts, with Representative Tom Davis, chairman of the full Government Reform Committee as cosponsor, introduced H.R. 3826, the Program Assessment and Results Act (referred to as PARA), to require OMB to review all government programs at least once every five years for purposes of evaluating their performance. The bill would amend GPRA to codify the requirement for program reviews, but did not mandate the use of PART specifically.[36]

On May 19, 2004, a House subcommittee held markup on H.R. 3826, and approved the bill, as amended, by voice vote. Full committee markup followed on June 3, 2004, with the bill, as further amended, voted to be reported favorably. A Senate companion bill, S. 2898, was introduced on October 5, 2004. On October 8, 2004, a written report to accompany H.R. 3826 was filed.[37] No further action occurred, but a similar measure has been introduced in the 109th Congress as H.R. 185. On March 10, 2005, the House Government Reform Committee agreed to report H.R. 185 by vote of 19-14.

PARA, as reported to the House in the 108th Congress, would amend GPRA to require the OMB director to review, to the maximum extent practicable, each federal program (as defined by OMB) at least once every five years. In conducting each assessment, OMB would coordinate with the relevant agency head to determine the programs to be reviewed, and to evaluate the purpose, design, strategic plan, management, and results of the program. In developing criteria for identifying programs to be assessed each year, the director would consider the advantages of reviewing programs with similar purposes or functions the same year. At least 90 days prior to completing the annual assessments, a listing of programs under review and the criteria being used

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*Government Performance and Results*, hearing, 108th Cong., 1st sess., Sept. 18, 2003 (Washington: GPO, 2003).

[32] U.S. Congress, House Committee on Government Reform, Subcommittee on Government Efficiency and Financial Management, *10 Years of GPRA—Results, Demonstrated*, hearing, 108th Cong., 2nd sess., March 31, 2004 (Washington: GPO, 2004).

[33] U.S. Congress, House Committee on Government Reform, Subcommittee on Government Efficiency and Financial Management, *Should We Part Ways With GPRA: A Look at Performance Budgeting and Program Review*, hearing, 108th Cong., 2nd sess., Feb. 4, 2004 (Washington: GPO, 2004).

[34] U.S. Congress, House Committee on Government Reform, Subcommittee on Government Efficiency and Financial Management, *The President's Management Agenda: Are Agencies Getting to Green?* hearing, 108th Cong., 2nd sess., Feb. 11, 2004 (Washington: GPO, 2004).

[35] *Should We Part Ways With GPRA: A Look at Performance Budgeting and Program Review*, p. 12.

[36] For further discussion and analysis of this measure, see CRS Report RL32671, *Federal Program Performance Review: Program Assessment and Results Act and Other Developments*, by Virginia A. McMurtry.

[37] U.S. Congress, House Committee on Government Reform, *Program Assessment and Results Act*, report together with minority views to accompany H.R. 3826, 108th Cong., 2nd sess., H.Rept. 108-768 (Washington: GPO, 2004).

would be available on the OMB website, and OMB would also "provide a mechanism" for public comment on the programs and criteria. The assessments would be performed only by federal employees, and the results would be transmitted to Congress along with the next budget submission of the President. PARA would further amend GPRA to require submission of strategic plans covering four years, to be submitted by September 30 following a year when there is a presidential election.

Additional legislation relating to performance budgeting was introduced in the 108th Congress. In particular, H.R. 180, the Budget Fraud Elimination Act of 2003, contained relevant provisions in Title III, "Budgeting and Managing for Results: Full Funding for Federal Retiree Costs," suggesting language reminiscent of Title II of S. 1612 (107th Congress), as discussed above. These provisions sought to charge to the budgets of each federal agency the full accruing costs for future obligations to federal retirees. This ties in with performance budgeting, by seeking to link total cost of resources used with results.

## Continuing Concerns

In a 2004 report assessing GPRA after a decade of implementation, GAO concluded that the statutory requirements under GPRA "have established a solid foundation of results-oriented performance planning, measurement, and reporting in the federal government."[38] In addition, GAO said GPRA had "also begun to facilitate the linking of resources to results," although significant implementation challenges remained. GAO reviewed then-current strategic plans and annual plans and reports for six selected agencies and noted general improvements over their initial efforts. However, GAO indicated that the evaluation component continued to be a major weakness in agency strategic plans. While the subject was generally addressed, GAO said that the strategic plans lacked critical information required by GPRA, "such as a discussion of how evaluations were used to establish strategic goals or a schedule of future evaluations."[39]

As noted already, a bill to provide a statutory mandate for PART-like reviews was reported by a House committee in the 108th Congress, and a similar measure, H.R. 185 in the 109th Congress, has been approved by the Government Reform Committee. Supporters of PARA assert that the bill would build on the GPRA framework and is necessary to ensure the continuation of systematic program assessments in the future. Some criticism has been voiced, however, that PART as currently formulated is not well integrated with GPRA.[40]

Despite the emphasis placed on performance and budget integration as a component of the President's Management Agenda, along with the pre-existing framework of GPRA, tensions may remain between the traditional and reform approaches to federal budgeting. The traditional perspective of incrementalism, whereby budgetary decisions about funding levels and program priorities are typically driven by shifting political concerns and objectives, with marginal adjustments to the prior year's funding level, arguably is contrary to the more "rationalist reform"[41] orientation of performance budgeting, in which budgetary decisions are to be guided by assessment of performance measurement data and evaluation of program results.

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[38] U.S. General Accounting Office, *Results-Oriented Government: GPRA Has Established a Solid Foundation for Achieving Greater Results*, GAO Report GAO-04-38 (Washington: GAO, Mar. 2004), "Highlights."

[39] Ibid., p. 52.

[40] The House report accompanying H.R. 3826 put forth the supporters' position, while the minority views reflected the criticism. See H.Rept. 108-768.

[41] For further discussion of rationalist reform as compared with incrementalism, see Carol W. Lewis, "The Field of Public Budgeting and Financial Management, 1789-1995," in *Handbook of Public Administration: Second Edition*, Jack Rabin, et al. eds. (New York: Marcel Dekker, 1998), pp. 177-178.

The stipulations of OMB Circular A-11 first required agencies to prepare performance budgets for FY2005. Under OMB's guidance, the PART reviews, as well as information from other program performance measures, increasingly are factored into budget decisions in the executive branch. The adoption of performance budgeting, however, will not remove controversy from the budget process, since budgeting entails the allocation of limited resources among competing priorities. Performance information may make a positive contribution to the federal budget debate, but a performance budget will not eliminate the need for difficult political choices.

The extent to which performance information influences budget deliberations in Congress remains to be seen. Anecdotal evidence suggested that as of mid-2003, at least some senior Appropriations Committee staff were unfamiliar with the PART reviews.[42] In November 2003 OMB official Robert Shea, designated "owner" of the budget and performance integration initiative, acknowledged this situation, noting, "Another major challenge facing the ... Initiative is getting Congress to use performance information in its deliberations and as the basis for its decision-making." In an effort to facilitate mutual awareness between the branches, OMB arranged a series of lunches on Capitol Hill to bring together select agency personnel, with their authorizers and their appropriators. A major intent of these sessions, according to Mr. Shea, was for agency officials to "gain a better understanding of the needs of Congressional staff, especially the need for information about the performance of programs Congress funds and authorizes and the form such information should take."[43]

Nearly a year later, in an update on the initiative, Mr. Shea reiterated that "getting Congress to make more of its decisions based on performance generally, and the PART specifically," remains a priority for the Bush Administration. For Congress to pay more attention to performance, he further advises,

> Congress and their staffs must be consulted on agency use of performance information in the budget requests and legislative proposals. Before you [agency officials] send reams of performance information to unsuspecting Congressional officials, make sure that they are aware of what you are doing and the *benefit it can be to them*.[44] (emphasis in original)

Such guidance to the agencies from OMB arguably may lead to increased congressional awareness of the potential utility of performance information in budget deliberations.

[42] Amelia Gruber, "OMB Ratings Have Little Impact on Hill Budget Decisions," GovExec.com daily briefing, June 13, 2003. In the article, a senior staff assistant with the House Appropriations Committee is quoted as saying at a forum that "he has never used OMB's formal program evaluations" and that he has rarely heard fellow staffers discuss PART.

[43] President's Management Agenda, update on the five initiatives, "Budget and Performance Integration," by Robert Shea, Nov. 14, 2003. Available at http://www.results.gov/agenda/budgetperformance11-03.html, visited Nov. 25, 2003.

[44] President's Management Agenda, update on the five initiatives, "What We Need to do to Make Performance Improvements Stick," by Robert Shea, Oct. 25, 2004. Available at http://www.whitehouse.gov/results/agenda/budgetperformance20041022.html, visited Dec. 1, 2004.

# Appendix. Some Benchmarks in the Evolution of Performance Management and Budgeting in the Federal Government

**1949—Report of the Commission on Organization of the Executive Branch**
The first Hoover Commission included among its many recommendations a call for performance budgeting in the federal government.

**1961—Planning-Programming-Budgeting System**
PPBS adopted in the Department of Defense.

**1965—BoB (Bureau of Budget's) Bulletin No. 66-3, Re. PPBS**
Administrative directive called for adoption of PPBS throughout the Executive Branch; requirements were formally voided in 1971.

**1977—OMB Bulletin No. 77-9, Regarding Zero Base Budgeting**
In 1977, Zero Base Budgeting (ZBB) commenced via administrative directive; it was officially terminated in 1981.

**1993—Enactment of the Government Performance and Results Act**
GPRA was signed into law on August 3, 1993.

**1993—Start of Pilot Projects for Performance Measurement**
GPRA required the OMB Director to designate at least 10 agencies to provide pilot projects in preparing performance plans and reports (covering FY1994, FY1995, and FY1996). The selection process began in October 1993, and by mid-1995 over 70 pilot projects were ongoing in 27 agencies.

**1994—Managerial Flexibility Pilots to Start**
GPRA provided for another group of pilots to commence by October 1994, entailing waivers of certain procedural requirements and controls by OMB in return for accountability in achieving specific goals. At least five agencies were to be selected from among those already involved in the performance plan and report pilots as participants. However, OMB determined that desired management changes were already occurring, so the pilots were unnecessary.

**1995—Pilot Projects for Performance Measurement Continued**
By mid-1995, following additional changes the preceding January, by the third round over 70 pilot projects were ongoing in 27 agencies involving preparation of performance plans and reports.[45]

**1995—First Revision/Expansion of OMB Circular A-11, Relating to GPRA**
In September 1995, OMB issued Part 2: "Preparation and Submission of Strategic Plans," as a component of Circular A-11, pertaining to preparation of agency budget submissions.

**1997—Revision of OMB Circular A-11, Annual Performance Plans**
A transmittal dated May 23, 1997 supplemented OMB's prior guidance to the agencies

[45] U.S. Executive Office of the President, Office of Management and Budget, *Government Performance and Results Act: Report to the President and the Congress from the Director of the Office of Management and Budget* (Washington: May 1997), Attachment B.

regarding GPRA, by expanding Part 2 to cover GPRA requirements relating to preparation and submission of annual performance plans.

**1997—Mandated Report from Office of Management and Budget**
GPRA required that OMB report to the President and Congress on the results of agency pilot projects for performance measurement, as well as on the second group involving managerial accountability and flexibility. In May 1997, OMB transmitted a report, which provided a review of experiences with the pilots, but made no recommendations for statutory changes in the law.[46]

**1997—Mandated Report from the General Accounting Office**
GPRA required that the General Accounting Office report to Congress on the implementation of the act, including prospects for compliance by federal agencies beyond those participating in the pilot projects. In June 1997, GAO reported to Congress on agency readiness to begin full implementation.[47]

**1997—First Government-wide Round of Performance Plans Sent to OMB**
In September, agencies provided OMB with the first group of annual performance plans, setting performance goals for FY1999.

**1997—First Government-wide Round of Strategic Plans Submitted to OMB**
By September 30, 1997, agencies provided OMB with the final versions for the first round of strategic plans.

**1998—Submission of First Government-wide Performance Plan**
In February 1998, OMB transmitted to Congress a government-wide performance plan for the federal government, as part of the President's FY1999 budget.[48] Agencies may provide Congress and the public with copies of their annual performance plans after the budget's submission.

**1999—Revision of OMB Circular A-11, Annual Performance Reports**
In July 1999 Part 2 of A-11 was expanded and retitled "Preparation and Submission of Strategic Plans, Annual Performance Plans, and Annual Program Performance Reports."

**1999—Performance Budgeting Pilots Commence**
In August 1999, OMB designated five participants to serve as performance budgeting pilot projects. GPRA originally stipulated that the performance budgeting pilots were to begin in 1997; however, in May 1997, OMB announced plans to defer the start, for at least a year.

**2000—First Government-wide Round of Performance Reports**
GPRA set a deadline of March 31, 2000 for agencies to submit their first annual performance reports (covering FY1999); these reports compared actual performance with stated goals, explained why performance goals were not met, and gave future plans to meet each goal. For each subsequent year, agencies are to include performance data for the year covered by the report and the three preceding years.

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[46] Ibid., pp. 1-19, 31.

[47] U.S. General Accounting Office, *The Government Performance and Results Act: 1997 Governmentwide Implementation Will Be Uneven*, GAO Report GGD-91-109 (Washington: June 1997).

[48] See *Budget of the United States Government, Fiscal Year 1999* (Washington: GPO, 1998), pp. 21-47, 143-260.

**2000—More Revisions for OMB Circular A-11**

On July 19, 2000, a revised version of OMB Circular A-11 was issued. Part 2, "Preparation and Submission of Strategic Plans, Annual Performance Plans and Annual Performance Reports," reflected increasing concern with performance management and budgeting, including an emphasis on integrating and linking the performance plan with the budget.

**2001—OMB Report on Performance Budgeting Pilots**

On January 18, 2001, OMB submitted a report as mandated by GPRA, conveying the results of the performance budgeting pilot projects; however, the report contained neither a recommendation for extending performance budgeting government-wide, nor for any statutory changes to GPRA.

**2001—Budget for FY2002 Aids Performance Management and Budgeting**

On April 9, 2001, President Bush transmitted the Budget for FY2002, which endorsed a number of steps to strengthen the linking of budget and management decisions to performance.

**2001—President's Management Agenda**

One government-wide initiative in the President's agenda for improving performance, released in August, focuses on budget and performance integration.

**2002—Budget for FY2003 Moves Further into Performance Budgeting**

On February 4, 2002, President Bush transmitted the budget for FY2003, which reflected some initial steps toward integrating performance measures with federal budget decisions and shifting the focus from resources spent to results accomplished.

**2002—Comprehensive Revision of OMB Circular No. A-11**

On June 27, 2002, a revised version of A-11 was issued, describing specific steps that agencies must take to integrate budget and performance, and supporting the major ongoing effort to assess the effectiveness of all programs over the next five years. Part 6 now covers "Preparation and Submission of Strategic Plans, Annual Performance Plans, and Annual Performance Reports."

**2002—Program Performance Assessments for the FY2004 Budget**

On July 16, 2002, OMB issued the final version of the program assessment rating tool (PART), to be used during preparation of the FY2004 budget, with the stated intent of making ratings more consistent, objective, credible, and transparent.

**2003—Budget for FY2004 Reflects Progress with Performance Integration**

On February 3, 2003, President Bush transmitted the budget for FY2004, which moved further toward the goal of budget and performance integration and included a separate volume devoted to PART, and the reviews for 234 programs.

**2003—Revision of OMB Circular A-11 Mandates Performance Budget**

On July 25, 2003, a revised version of A-11 was issued, instructing agencies to prepare performance budgets for FY2005, integrated with other elements of their budget requests, to OMB. Further, GPRA-required performance plans must be incorporated into agency budget requests.

**2004—FY2005 Budget Continues Performance Integration Effort**

On February 2, 2004, President Bush transmitted the budget for FY2005, containing additional PART reviews and evidencing increased use of performance measurement data.

**2005—FY2006 Budget Data Expands on Performance Integration**

On February 7, 2005, the President's budget for FY2006 was released, evidencing more PART reviews (now covering 607 programs) and ongoing attention to linking requested funding levels in agency budgets with expected program results.

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