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Linking Performance and Budgeting: Opportunities in the Federal Budget Process

Managing for Performance and Results Series

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IBM Center for
**The Business
of Government**

MANAGING FOR PERFORMANCE AND RESULTS SERIES

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FOREWORD

October 2003

On behalf of the IBM Center for The Business of Government, we are pleased to present this report, "Linking Performance and Budgeting: Opportunities in the Federal Budget Process," by Philip G. Joyce.

This report presents an overview and history of performance budgeting in the federal government. Professor Joyce presents a comprehensive view of how performance information can be used at the various stages of the budget process: preparation, approval, execution, and audit and evaluation.

Professor Joyce finds that previous studies of the use of performance information in the federal budget process have tended to focus almost exclusively on uses by the U.S. Office of Management and Budget and the Congress. This is an incomplete view, argues Joyce, because it fails to recognize the opportunities to use performance information at other important stages of the budget process. He also describes how performance-based information is used at the department and agency level.

The challenge of linking budget to performance information is a key component of the President's Management Agenda. The linking of funding decisions to program performance information is the next step in the implementation of the Government Performance and Results Act. While increasing the amount of performance information available in the budget process will not answer the vexing resource trade-offs involving political choices, it does have the promise of modifying and informing policy decisions and resource allocation by shifting the focus of debate from inputs to outcomes and results. Pursuing the systematic and integrated use of performance, budget, and financial information is essential to achieving a more results-oriented and accountable government.

We trust this report will be informative and useful to federal policy officials and government executives seeking to increase the capacity of the federal government to link resources to results. Professor Joyce provides a conceptual framework to approach this challenge.

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EXECUTIVE SUMMARY

Federal efforts to integrate performance information into the budget process have a long history. Current attempts by the George W. Bush administration are consistent with this historical trend but place greater emphasis on the use of performance information by decision makers. This report discusses "performance-informed" budgeting in the federal budget process, presenting a comprehensive view of how performance information can be used at various stages and describing a preliminary research agenda for the future study of this reform.

Since the early part of the 20th century, federal budget reform has focused on measurement, first of inputs, then of outputs, and finally of outcomes. Budget systems such as the Planning-Programming-Budgeting System (PPBS) and zero-based budgeting (ZBB) laid the groundwork for 1990s reforms, embodied most particularly in the Government Performance and Results Act (GPRA). The Bush administration, with its Program Assessment Rating Tool (PART) and the budget and performance integration (BPI) component of the President's Management Agenda (PMA), has advocated more systematic use of performance information in the budget process.

Traditional studies of the use of performance information in the federal budget process tend to focus almost exclusively on uses by the Office of Management and Budget (OMB) and the Congress. This traditional focus takes an incomplete view of the budget process, however, because it fails to recognize the opportunities for performance-informed budgeting at other stages, such as agency budget development, budget execution, and audit and evaluation. At each of these stages, it is important to focus both on whether appropriate information is available and on whether that information is used for budgeting decisions.

The manner in which information can be used differs according to the stage of the budget process. In budget development, the agency and its component units can build a budget within the context of the overall goals of the agency, attempting in the process to create a budget request that has a firmer justification. OMB can use performance information to make tradeoffs among competing priorities and to evaluate spending and tax policies in light of the President's objectives. The Congress can use performance information to support its legislative budget agenda, including development of the budget resolution, authorizing legislation, and appropriations. After the budget becomes law, agencies can use the discretion that they have in allocating resources to attempt to maximize performance. The audit and evaluation process can focus on raising and answering performance questions, with an eye toward informing future budget development. Understanding the many ways in which performance information can be used at these different stages permits a more complete and robust understanding of this reform and its potential implications.

This report reaches the following conclusions and makes a number of specific recommendations designed to sustain progress to date and to further the use of performance information in the federal budget process:

- **The attention of the federal government to strategic planning and the supply of performance and cost information has increased substantially in the 10 years since the passage of the Government Performance and Results Act.** The report recommends that current initiatives be built on that success rather than being viewed as replacements for GPRA, that planning and budgeting be further integrated, and that agencies continue to work on developing better performance and cost information.
- **The federal government has never been in a better position to make its budget decisions more informed by considerations of performance.** The report advocates that continued attention be paid to determining areas of the budget process where budget decisions can be informed by performance considerations. In particular, the report argues that performance-informed budgeting occurs at multiple places in multiple ways and that federal agencies should seek to evaluate how they can use performance information at every stage of budget development, execution, and audit and evaluation.
- **The Congress can contribute to the ability of the federal government to engage in performance-informed budgeting, but progress is not wholly dependent on congressional action.** Specifically, the Congress should focus on ways in which reforming the authorization process could provide clearer signals to agencies regarding congressional performance expectations, and the Congress should investigate the ways in which the constraints that it places on agencies impede the performance of those agencies.

Introduction

Government reformers have been trying to increase the use of performance information in budget processes for more than 50 years. In the federal government, these types of reforms have been exemplified by such past efforts as performance budgeting (in the 1950s), the Planning-Programming-Budgeting System (PPBS) in the 1960s, and zero-based budgeting (ZBB) in the 1970s. Further, one of the major goals of the Government Performance and Results Act (GPRA) of 1993 was the introduction of more performance information into the federal budget process. Consistent with this trend, the George W. Bush administration has made the use of performance information in the budget process one of its key management priorities. First, the administration is using a Program Assessment Rating Tool (PART) in the executive budget process. Second, the centerpiece of the President's Management Agenda (PMA) is the "budget and performance integration" (BPI) initiative, which attempts to further the use of performance information for budgeting.

Why does this recurring reform have such currency? In short, because budget processes allocate scarce resources among competing purposes. This is *always* true—it does not depend on whether the given budget is projected to be in surplus or deficit. If resources were not scarce, we would neither need a budget process nor require performance information. Since resources are limited, however, understanding the effects of resources on the objectives of government action is important. In fact, the more scarce the resources, the more important it is that they be allocated wisely. In such an environment, it becomes even more vital that resource allocation decisions be focused on the effectiveness of spending and tax policies.

The use of performance information in the budget process (what this report calls "performance-informed budgeting"), while it can pay dividends in terms of the efficient use of resources, is difficult to carry out in practice. It can contribute to efficient resource use because it involves focusing government allocation processes at all levels on relationships between dollars and results. It is hard to do well because it involves a number of different and related subcomponents (including strategic planning, performance measurement, and cost measurement) and because logical connections between funding and results are often difficult to make.

The reporting of performance information in government budgets is nothing new. Governments have consistently reported performance information as a part of budget documents for many years. Unquestionably, the supply of performance information, at all levels of government, has increased over the past 20 years. For example, research on U.S. state government reporting of performance information in their budget documents demonstrates a steady increase in the number that report that they present information on performance.[1] Recent research on state governments also reports that 47 out of 50 have either legislative or administrative requirements for performance measurement.[2] There is less evidence of the *use* of performance information by these governments—that is, of performance information having widespread influence on government funding decisions.

In part, this report argues, this lack of evidence occurs because observers have not looked in the right places. That is, the assumption that is implicitly used most frequently is that resource allocation is something that occurs only (or at least mostly) in the central budget office or in the legislature. This report embraces a more comprehensive definition of performance-informed budgeting and attempts to demonstrate that there is ample opportunity to use performance information at each stage of the budget process—that is, not only in the Office of Management and Budget (OMB) and the Congress but in the agencies and by the audit community as well. Further, high-quality performance measurement can be the key to effective management of resources, even if that performance information did not affect the initial allocation of those resources.

For example, a May 2003 report supported by the IBM Center for The Business of Government in conjunction with the National Academy of Public Administration provided several examples in which agencies used performance information to allocate and manage resources after budgets had been approved by the Congress and the President. For example, the U.S. Department of Housing and Urban Development's Public and Indian Housing program uses information on results to prioritize the allocation of resources among field offices in four states based on data collected through the Public Housing Assessment Systems (PHAS).[3] The Veterans Health Administration, which in the early 1990s reorganized so that much decision-making authority resided in 22 Veterans Integrated Service Networks (VISNs), uses performance data to allocate and reallocate resources among VISNs and to different facilities within VISNs during budget execution.[4]

At this point, the renewal of the effort to introduce more performance information into the federal budget process, which began in the George H. W. Bush administration, has now been sustained through the Clinton and George W. Bush administrations, and it is fair to say that (in some form) it now seems inevitable that connections between performance information and the budget will be sustained. The important next step involves moving from making the necessary information available to having it used. And as much as federal agencies have struggled with the production of performance information under GPRA, the challenges of producing performance data pale in comparison to the difficulties involved in using those data in the budget process.

The remainder of this report is organized into five main parts:

- A brief history of legislative and administrative efforts to bring more performance information into the federal budget process, including both early governmentwide initiatives, such as PPBS and ZBB, as well as more recent efforts, such as GPRA.
- The Bush administration's current attempt to integrate the budget with performance, including the role of such integration in both the President's Management Agenda and the Program Assessment Rating Tool.
- A comprehensive framework for considering the budget and performance simultaneously, in an effort to clarify that performance-informed budgeting can (and does) occur at each stage of the traditional budget process: budget preparation, budget approval, budget execution, and audit and evaluation.
- For each of these stages of the budget process, a discussion of the specific manner in which performance information could be used by decision makers at that stage.
- Finally, a series of findings and recommendations intended to provide helpful guidance to policy makers and federal managers in an effort to sustain the progress that has been made to date and to assist in taking performance-informed budgeting to the next level.

The Federal Budget and Performance—Historical Antecedents

Current efforts to better integrate performance information into the budget process occur in the context of many reforms that have been attempted in the past. While the past decade has seen a renewal of efforts to make the budget process more informed by performance, the trend toward making budget processes more focused on performance has been ongoing for at least the last century, and reforms that were implemented in the past laid the groundwork for these more recent 1990s reforms. (See "Performance and the Budget: 1921–1980" for a brief summary of these historical antecedents.)

Beginning in 1990, the federal government saw a more explicit focus on bringing performance information into the budget process. This new emphasis is differentiated from past reforms primarily by a focus on legislation rather than solely on executive action. Perhaps the first indicator of this revival came with the passage of the Chief Financial Officers Act of 1990 (CFO Act).[5] This law, which grew primarily out of the financial management scandals that had plagued the federal government in the 1980s, created chief financial officers (CFOs) in 24 cabinet departments and other governmental entities. The CFO Act had as its main focus the improvement of federal financial management. But the bill also included a provision that requires agency CFOs to develop "systematic measures of performance" for programs in their agencies. It also instructs CFOs "to prepare and submit to the agency head timely reports" and requires that financial statements "shall reflect results of operations."[6]

The CFO Act is less significant for what it was able to accomplish in terms of improved government performance and more important for laying the legislative groundwork for the Government Performance and Results Act (GPRA). GPRA was introduced in the Congress initially during the George H. W. Bush administration; was redrafted in the early 1990s by staff from the Office of Management and Budget (OMB), the General Accounting Office (GAO), and the Senate Committee on Governmental Affairs; and ultimately was signed into law by President Clinton in August of 1993.[7] GPRA directs all federal agencies to engage in strategic planning, objective setting, and performance measurement. Beginning with fiscal year (FY) 1999, the budget for the U.S. government was required to include a performance plan. Agency strategic plans show performance goals and indicators (quantitative, where possible) enabling the Congress and the public to gauge whether agencies have complied with the goals. Each agency submits a specific performance plan covering the major activities for which it is responsible. Program performance reports are also required to be submitted on an annual basis to the Congress. These reports include information comparing actual with planned performance, a discussion of the success in meeting goals, and remedial action if goals are not met.[8]

The CFO Act and GPRA were followed by a number of other laws that focused on management reform in the federal government, each of which had a significant results orientation. (For a discussion of statutory management reform, see the General Accounting Office's report, "Managing for Results:

Performance and the Budget: 1921–1980

The 20th century saw many efforts designed to promote a more effective allocation and management of federal budgetary resources, and many of these focused in whole or in part on the budget process. Here is a brief listing:

Date	Reform	Brief Description
1921	Budget and Accounting Act of 1921	Created the executive budget and the Bureau of the Budget (BOB); consistent with a control orientation for budgeting
1937	President's Committee on Administrative Management (Brownlow Committee)	Created the Executive Office of the President (EOP) with expanded White House staff, including moving BOB from the Department of the Treasury to EOP
1940s–1950s	Hoover Commissions	Focused on "performance budgeting" consisting of establishing closer relationships between resources (inputs) and activities (outputs)
1960s	Planning-Programming-Budgeting System (PPBS)	An effort to more consciously connect resources with results, first in the Department of Defense (successfully) and then with less success in civilian agencies
1970s	Management by Objectives (MBO)	Nixon-era strategic planning effort
1970s	Zero-Based Budgeting (ZBB)	Carter administration's attempt to more systematically review existing programs in the budget process

These efforts were characterized by Allen Schick in the classic article "The Road to PPB: The Stages of Budget Reform" as demonstrating the evolution of budget systems from control (the executive budget movement in the early part of the 20th century) to management (the late 1930s through the 1950s, as typified by the recommendations of the Brownlow Committee and the Hoover Commissions) to planning (the program budgeting movement of the 1960s, embodied in the federal government by the PPBS system and later by ZBB).[9] It has become fashionable to view these reforms as "failures." This is in part because past postmortems were not conducted at enough distance (in terms of time or perspective) from the "reform" to permit a real evaluation of effects (which would include effects on capacity of the federal government to engage in the necessary activities, such as strategic planning, performance measurement, and cost accounting). Viewed through the lens of history, these reforms can be seen as part of a general upward trend in attention to performance concerns throughout the entire 20th century—each reform developed capacity and made it more likely that future reforms would progress beyond the accomplishment of the previous initiative.

The Statutory Framework for Performance-Based Management and Accountability," GAO/GGD/AIMD-98-52, January 1998.) These include the following:

- The 1994 Federal Acquisition Streamlining Act, which requires major capital purchases to be justified on the basis of cost, schedule, and performance. Specific benchmarks are developed for each of these criteria, and projects must meet at least 90 percent of these baseline goals or be terminated.[10]
- The Federal Financial Management Improvement Act (FFMIA) of 1996, which imposed standard general ledger and accounting principles on federal agencies as they produce financial statements and maintain financial management systems. FFMIA also provided for a closer working relationship between federal financial management professionals, including CFOs, the Office of Federal Financial Management within OMB, and agency inspectors general.[11]

- The Information Technology Management Reform Act of 1996 (also known as Clinger-Cohen), which requires agencies to take a more performance-based approach to procuring information technology (IT) investments. This includes a specific requirement to select and manage investments with a specific focus on the extent to which they assist the agency in fulfilling its mission, to establish measures for IT performance, and to report the results of these measures to OMB.[12]

In addition to these legislative initiatives, the Clinton administration undertook a high-profile effort to focus on performance issues during its eight years in office embodied by Vice President Gore's National Performance Review (NPR), later renamed the National Partnership for Reinventing Government. The NPR, using federal agency career staff as a primary resource, focused on promoting government performance, customer service, and managerial flexibility, and claimed success in not only improving the performance of many federal programs and agencies but saving billions of dollars as well.[13] As a part of this overall strategy, the NPR advocated a conversion from a budgeting system that focuses on inputs to a system that focuses on results.[14] The NPR report also embraced the goals of the CFO Act and GPRA, although GPRA and NPR were running on somewhat parallel but separate tracks during most of the Clinton administration.

Early evaluations of these efforts suggest that a culture of performance does seem to be infiltrating federal agencies, albeit somewhat slowly and unevenly. Consider the following as specific evidence:

- At least three different major initiatives were focused on performance during the 1990s: the CFO Act, GPRA, and NPR.
- Significant movement has occurred on the part of some federal agencies toward developing more (and better) measures of results. While by no means alone, the U.S. Coast Guard has been engaged in a particularly sustained and impressive effort here, developing a much clearer sense of mission and measures to evaluate performance, initially as part of the GPRA pilot effort.[15]
- Agency financial management now focuses on demonstrating consistency with GPRA, and cost accounting has been emphasized consistently throughout the federal government as a necessary part of developing more performance-focused management.

Taken together, these 1990s reforms laid the groundwork that was present when George W. Bush took office, and they are demonstrative of the increasing commitment of the federal government to performance measurement. These reforms have, as of yet, been less successful in integrating the use of performance information into government decision processes. They have tended to focus on the supply of information, rather than on its use. Against this backdrop, the Bush administration desired to take the next step—attempting to make judgments about performance and then attaching consequence to those judgments. This effort to move beyond "supply" to "use" is central to the Bush administration's management and budgeting initiatives, which are outlined in the next section.[16]

Bush Administration Efforts Designed to Better Integrate Budget and Performance Information

The Bush administration took office in early 2001 with its own set of management priorities, articulated in the President's Management Agenda (PMA), which was published in September 2001.[17] This agenda included five governmentwide management reforms, which the administration identified as the areas of greatest management concern in the federal government.[18] For each of these areas, agencies are evaluated on a management "scorecard" that gives them scores (in the form of "traffic lights"—green, yellow, and red) on the basis of criteria established to define success in each of the five areas and also to assess progress made by agencies in achieving the goals articulated by the criteria. Of the five, budget and performance integration (BPI) is the one most central to the theme of this report, but the other four have in common a desire to improve the operational performance of federal programs and agencies.

- **Strategic investment in human capital:** Federal agencies face a substantial workforce challenge over the next several decades. By some estimates, more than 70 percent of today's federal workforce will be eligible for retirement by 2010, and 40 percent of those are expected to retire.[19] For this reason, and because of abiding concerns that skill imbalances in some federal agencies impede the achievement of mission success, the Bush administration is pushing federal agencies to focus more intently on human capital issues such as recruitment, compensation, discipline, and succession planning.

- **Competitive sourcing:** The administration believes that federal agencies will perform their work better and more cheaply if a greater number of commercial-type jobs are competed with private sector firms. Therefore, the PMA established a goal (which has since been scaled back) of 50 percent of these roughly 850,000 commercial-type jobs being competed with private sector firms. An effective competitive sourcing effort would demand valid cost and performance comparisons across public and private sector service providers.

- **Improved financial performance:** Federal financial management systems have historically not provided accurate financial information in a timely fashion. Further, federal agencies have not been able to generate unqualified audit opinions, and some programs, such as Medicare and Social Security, have had chronic problems with fraudulent or erroneous payments. Upgrading the financial systems is essential to providing program managers with the information that they need to better manage programs, as well as preventing waste and mismanagement.

- **E-government:** Using technological resources to maximum effect is crucial to the ability of the government to meet public demands for service delivery. This means ensuring that a good "business case" is made for technology investments, that agencies use technology to make goods and services widely and easily available to the citizens, and that agencies do not duplicate efforts by developing similar systems designed to serve common purposes.

As noted previously, the fifth item—budget and performance integration—is the linchpin of the PMA, largely because agencies cannot effectively carry out any of these reforms outside the context of managing for results. The Bush administration believes that GPRA has to date involved little more than the production of data, with virtually no evidence that this information has been used to guide decisions.[20] Accordingly, the PMA set the bar high for agencies that expect to receive a "green" light for budget and performance integration by establishing the following standards:

- Senior agency managers meet at least quarterly to examine reports that integrate financial and performance information that covers all major responsibilities of the department. This information is used to make decisions regarding the management of agency programs.
- Strategic plans contain a limited number of outcome-oriented goals and objectives. Annual budget and performance documents incorporate all measures identified in the PART and focus on the information used in the senior management report described in the first criterion.
- Performance appraisal plans for 60 percent of agency positions link to agency mission, goals, and outcomes; effectively differentiate between various levels of performance; and provide consequences based on performance.
- The full cost of achieving performance goals is accurately (+/- 10 percent) reported in budget and performance documents, and the marginal cost of changing performance goals can be accurately estimated (+/- 10 percent).
- All agency programs have at least one efficiency measure.
- The agency uses PART evaluations to direct program improvements, and PART ratings 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 more than two years in a row. [21]

In order to "get to green," an agency must fully comply with each one of these standards. Even with the stringency of the standards, however, there is some evidence of progress. While in the FY 2003 budget, only three agencies (the Environmental Protection Agency, Department of Transportation, and Small Business Administration) even achieved "yellow" status (suggesting compliance with some but not all standards), that number had increased to nine by the time that the FY 2004 budget was presented. The Departments of Commerce, Defense, Labor, and Veterans Affairs, along with the National Aeronautics and Space Administration (NASA) and the Social Security Administration, had joined these other agencies by upgrading from "red" to "yellow." Agencies fared even better on "progress" scores, with 17 of 26 agencies rated as "green," nine as "yellow," and none as "red." This level of achievement—nine yellows and 17 greens—was maintained in the report accompanying the Midsession Review issued in July 2003.

The Bush administration's other governmentwide performance-based initiative, the Program Assessment Rating Tool (PART), was first unveiled for use in the FY 2004 budget process. The PART takes the "program" as the unit of analysis and attempts to determine whether programs are successful in meeting their stated objectives. Significantly, one of the characteristics of "programs" is that they must have funding associated with them at a level where budget decisions are actually made.[22] OMB has defined approximately 1,000 programs throughout the federal government. For the FY 2004 budget process, OMB reviewed 234 programs in an effort to determine their effectiveness, and it seeks to evaluate an additional 20 percent of agency programs each year, over five years, until ultimately (presumably by FY 2008) 100 percent of programs are reviewed annually.

The PART is a menu-driven device that attempts to evaluate all programs according to a consistent set of criteria. The programs are evaluated according to program purpose and design, strategic planning, program management, and program results and accountability. This fourth area is the most crucial, as it accounts for fully 50 percent of the PART "score." In general, programs with a clear purpose, solid planning, strong management, and demonstrable results will score highly on the PART. The PART reviews are to inform budget decisions not only by the director of OMB but also by agency

Comptroller General David M. Walker on "Linking Performance and Budgeting"

A key objective of GPRA is to help the Congress, OMB, and other executive agencies develop a clearer understanding of what is being achieved in relation to what is being spent. Linking planned performance with budget requests and financial reports is an essential step in building a culture of performance management. Such an alignment infuses performance concerns into budgetary deliberations, prompting agencies to reassess their performance goals and strategies and to more clearly understand the cost of performance. For the fiscal year 2005 budget process, OMB called for agencies to prepare a performance budget that can be used for the annual performance plan required by GPRA.

Source: Statement of David M. Walker, Comptroller General of the United States, before the Committee on Government Reform, House of Representatives, September 18, 2003

officials during budget formulations, and they are intended to feed into actions and proposals designed to improve performance.

Perhaps the most significant finding in the first round of PART evaluations was that more than half of the programs reviewed could not demonstrate results, at least according to the PART criteria. It is important to note that this does not mean that these programs were ineffective; rather, it means that they could not prove their effectiveness. As the PART becomes more integrated into the budget process, OMB hopes that agencies will be encouraged to develop better information on the effects of their programs in order to increase the probability of success in securing resources.

For the vast majority of programs, the relationship between funding and performance is not well understood, even where good performance data exist. Some programs received more funding in the President's FY 2004 budget because of demonstrated effectiveness; others had funding reduced because of poor performance. In many other cases, there was no direct relationship between the PART findings and budget allocations. OMB hopes to integrate PART findings even more clearly into the budget process for FY 2005. Even if PART works well, however, it is important to note that there will not—and cannot—be a direct relationship between PART scores and funding. There are many other legitimate possibilities, including that a program without adequate justification in terms of results is nonetheless a high priority for funding, that (conversely) a program that works well is a lower priority given available resources, or that there is a preference that government not carry out a given activity independent of performance considerations.

Taken together, the PMA and the PART provide tangible evidence of the commitment of the Bush administration to measure performance and to integrate performance information more specifically into the budget process. *Saying* that budgeting and performance should be "integrated," however, is not the same thing as *doing* it. In part, this is because it has not always been clear what is meant by integrating budgeting and performance. Integrating budgeting and performance could involve allocating resources in the first instance, reallocating resources after the fact, managing resources in budget execution, or holding officials accountable for the use of resources to achieve results. In other words, just as budgeting is not a narrow enterprise that happens only in discrete places at discrete times, the opportunities for integrating budgeting and performance information are also not narrow and limited. In the next section, a comprehensive framework for considering budget and performance information is presented in an effort to make the many possible linkages between the budget process and performance information more explicit.

A Comprehensive Framework for Considering Budget and Performance Integration

All past and current reforms described in previous sections have one thing in common: their attempt to more explicitly bring together performance information, on the one hand, and the budget process, on the other. Understanding what that really means, however, has been less than straightforward. Scholars and practitioners have used many different terms to describe this desired linkage, including performance budgeting, performance-based budgeting, results-based budgeting, performance funding, and budgeting for results.[23] Each of these has in common some desired linkage between the budget and performance. They also have in common the desired contrast between performance-informed budgeting and traditional budgeting. (See "Contrasts between Traditional Views of Budgeting and Performance-Informed Budgeting.")

If the budget process is to become more informed by performance, such a transformation from traditional budgeting involves simultaneously considering two factors. The first is the availability of appropriate information—on strategic direction, results, and costs—in order to make budgeting more results focused. The second is the actual use of that information to make decisions at each stage of the budgeting cycle.

In the federal budget process, assessments of the use of performance information in the budget process traditionally focus on two (and only two) sets of decisions. The first is on decisions by OMB about what is in the President's budget. The second is on decisions by the Congress about what is in the budget. Without denying the importance of OMB and congressional decisions, the focus on only these two stages encourages an overly narrow view of the budget process. This impedes our ability to successfully study and articulate the many possible situations in which budget and performance information can and should be integrated.

Given this situation, how do we create a clearer articulation of "performance" and "the budget"? First, we should recognize that the budget process does have clear (if not always smoothly functioning) stages (see Table 1).

- **Budget preparation,** where agencies develop internal budget allocations and requests that are eventually (after some give and mostly take) integrated into the President's budget
- **Budget approval,** where the Congress and the President ultimately enact the laws that will permit taxing and spending to occur
- **Budget execution,** where agencies implement the budget within the constraints established by the Congress and the administration
- **Audit and evaluation,** where agencies and auditors/evaluators decide (after the fact) what the effects (financial and performance) of budgetary activities have been

If we recognize that traditional discussions of performance-based budgeting involve discussions of a portion of the first stage (decisions by OMB and the President) and the second stage (decisions by the Congress), a further articulation of the

Contrasts between Traditional Views of Budgeting and Performance-Informed Budgeting

Performance-informed budgeting exists in a context of more traditional input-focused efforts to allocate resources. This input focus has historically been less on results and more on incremental levels of funding. The table below presents a contrast between traditional budgeting and performance-informed budgeting. It is important to keep in mind, however, that while performance-informed budgeting is probably unattainable, by the same token "traditional" budgeting, as described, is overly stylized. They are best viewed as ends on a continuum rather than discrete options.

Traditional Budgeting	Performance-Informed Budgeting
Inputs as ends in themselves	Relationship between inputs and results
Changes in inputs at the margin (for example, how many more dollars than last year)	Changes in inputs and results for the entire program (for example, how much more results for how much more money)
Divorced from planning and management in agencies	Budgeting integrated with planning and management
Budgeted resources	Costs

Table 1: Stages of the Federal Budget Process

Stage of Budget Process	Key Actors Involved	Description of Activities	End Product
Budget Preparation—Agency	Agency budget offices, agency subunits	Agency preparation of a budget for submission to OMB	Budget request
Budget Preparation—OMB	Agency head, agency budget office, OMB, President	Analysis of agency budget request on behalf of the President; negotiation with agencies on budget allocation levels	President's budget
Budget Approval—Congress	Agencies, congressional committees	The Congress makes overall fiscal policy, authorizes programs, and appropriates funds	Budget resolution, authorization bills, appropriation bills
Budget Approval—President	President, agencies, OMB	Action on congressional legislation affecting budget	Signature or veto
Budget Execution	Agencies, OMB	Implementation of programs by federal agencies; allocation of dollars by agency subunit	Administration of programs
Audit and Evaluation	Agencies, auditors (internal and external)	Review of tax and budget actions after the fact; recommendations made for changes	Audits and evaluations

process permits us, at a minimum, to recognize that there is ample opportunity for integrating the budget and performance at any of these stages.[24] There are two relevant questions:

1. To what extent was performance and cost information available at this stage of the process? This question implies three separate activities. First, public entities need to know what they are supposed to accomplish. Malcolm Holmes, who was an architect of the Australian budget reforms, noted that a key condition for performance management in government is "clarity of task and purpose."[25] Strategic planning (preferably governmentwide), to the extent that it enables decisions to be made that establish clear direction for government programs, is crucial. This is often quite difficult to carry out in practice, particularly in countries like the United States that have a horizontal and vertical diffusion of authority, responsibility, and political decision making. It is relatively easier in parliamentary systems, where the majority party or coalition actually runs cabinet ministries.

Despite this difficulty, however, strategic planning is an important focus of budget reformers, explicitly because it establishes the context in which performance and cost information is considered. In order for any organization to evaluate either its performance or its use of resources in pursuit of that performance, it must first know what it intends to do. For this reason, GPRA quite reasonably focused initially on strategic planning rather than performance measurement. Performance information established outside a planning context is not useful. On the other hand, planning that occurs without attention to resource constraints is also not meaningful. For this reason, the integration of planning and budgeting is most likely to pay dividends in terms of improved performance.

Second, valid measures of performance need to exist. It is hard to measure outcomes in the great majority of public programs, and far easier to measure outputs. Beyond conceptual challenges of defining relevant indicators, most public sector organizations reasonably resist being held accountable for outcomes, since they are influenced by so many factors that are outside of agency—or even government—control.

Third, accurate measures of cost need to be developed. Connecting resources with results implies knowing how much it costs to deliver a given level of outcome. Most public organizations cannot even track how much it costs to deliver an output, largely because of problems with allocating indirect costs. In such situations, extrapolating from output to outcome cost is simply not feasible. There are clear tradeoffs between the accuracy of cost information and the resources necessary to obtain that information, but some effort to approximate the cost of delivering services is necessary if resources consumed are to be related to results obtained.

2. To what extent was performance and cost information actually used to make decisions about the allocation, management, or monitoring of resources at this stage of the process? In short, cost and performance information need to be brought together for budgeting decisions. There is no simple decision rule for relating cost and performance in the public sector, at least at a macro level. A simple, but incorrect, approach (allegedly embraced by some members of the Congress) would be to take money from those who fail to meet performance targets and give more money to those who meet targets.[26] While this may sound good in theory, it relies on heroic assumptions, one of them about the causal link between money and results. In fact, for any program, sorting out the contribution of funding versus other factors would require a full understanding of the logical relationships among inputs, outputs, and outcomes, also taking into account other internal and external factors that influence performance. Further, budget decisions are appropriately influenced by other (nonperformance) concerns, such as relative priorities, unmet needs, and equity concerns, to name three.

Beyond the conceptual underpinnings of the relationship, however, participants in the budget process must have incentives to use performance information. If successful performance-informed budgeting occurs only when those involved in the budget process move beyond the production of information to the use of information to make decisions about resource allocation and management, then this can only occur if all budgetary actors have effective incentives (and resources) to collect and use information. In fact, the incentive question is probably the most important one to focus on in determining the possibility that performance information will actually be used as an input in the various stages of budget decision making.

The disaggregated approach that is advocated here supports a more robust understanding of the role of performance information in the budget process. Looking at the full budget process enables one to recognize that there are important questions to be asked regarding the availability and use of performance information at each stage of the traditional budget process.

The preoccupation with OMB and the Congress is consistent with a view that policy making in the formal sense involves almost exclusively the Congress and the President. It fails, however, to acknowledge the formal and informal use of discretion—which also is policy making—that occurs in federal agencies. Since performance information may be used in important ways at other stages of the process—agency budget preparation, budget execution, and audit and evaluation—such a limited scope of inquiry risks missing important opportunities for applying and capturing the benefits from performance-informed budgeting.

There are, then, many possible decision points at which performance information can be incorporated into the budget process. At each of these decision points, the twin questions of availability and use are equally relevant. A given department or agency might have or make use of performance information at one stage of the process, independent of what might happen at other stages of the process. For example, agencies might make substantial use of performance information in building the budget (an effort that can pay dividends for resource management in budget execution), even if other actors (OMB and the Congress) make little or no use of that information at subsequent stages. Conversely, the absence of performance concerns in preparation and approval would not prevent a given agency from using its discretion to execute its budget by considering the effects of different execution strategies on its goals and objectives (that is, applying outcome measures). In short, *all agency managers could use performance and cost information to manage their programs,* even if they did not receive those resources through a performance-informed process. If agency managers have timely and accurate data on cost and performance, they can use that information to direct and redirect resources and to hold the responsible staff accountable to achieving results.

The next section further articulates this argument by discussing performance-informed budgeting at each stage of the budget process. For each stage, these twin issues of availability (what kind of performance information is necessary and who needs to have that information) and use (what kind of decisions need to be made or supported) are presented.

The Wye River Conference

On March 30 and 31, 2003, The George Washington University, with support from the IBM Center for The Business of Government, brought together a small group of leaders in linking performance information and budgeting for a two-day "thought leadership" conference at the Wye River Conference Center in Queenstown, Maryland. (A full listing of these leaders appears below.) The purpose of this conference was threefold:

- To obtain feedback on a preliminary version of the framework for performance-informed budgeting included in this paper
- To permit these "key players" to share ideas in an effort to further progress in performance-informed budgeting in the federal government
- To assist in the development of a research agenda in performance-informed budgeting

The conference was successful on each of these fronts. First, the participants uniformly agreed that the term "performance-informed budgeting" best captured the goals of the integration of performance information and budgeting because it did not imply some mechanistic connection, but rather the insertion of performance information into what will always be a political process. Further, these participants agreed that a comprehensive framework, which focuses on the availability and use of performance information at all stages of the budget process, was helpful in communicating to various actors what specific information they might need and how they might use it.

Second, the conference provided a rare forum for key officials from OMB, GAO, the Congressional Budget Office, the Congress, federal agency staff, academics, and the private sector to share experiences. The free exchange of ideas that followed focused on several issues, including the Bush administration's implementation of the PART, constraints placed on federal agencies in their efforts to implement a performance-focused management agenda, and changes necessary to better support performance-informed budgeting.

Third, the conference participants had a number of ideas concerning the current state of performance-informed budgeting in the federal government that could further both research and practice on the topic. The participants generally agreed on the following:[27]

- One of the key potential venues for "performance budgeting" is the agency budget justification to the Congress. Where agencies are able to make connections between funding, programs, and results in budget justifications, the conversation in the congressional budget process is more likely to be—but by no means ensured to be—focused on performance.
- Nonetheless, the Congress is unlikely to transform its budget decision making anytime soon, particularly in the appropriations process. Perhaps the area of greatest potential payoff is the authorization process, where performance expectations could be made clearer.
- Current administration initiatives, such as the PART, need to be aligned with GPRA and other ongoing initiatives. Agency staff and program managers need to understand that they are all part of a single performance-focused agenda. Neither the PART nor GPRA can be permitted to degenerate into a paper exercise.
- It is important to understand what types of information—on performance and cost—are needed by different people inside the agency

(agency heads, program managers, and so on) and outside the agency (OMB, the Congress, external stakeholders).

- It is important to continue to try to make connections between national goals, agency-specific objectives, and program-specific targets. This may be particularly true in cases where a number of agencies contribute to a single result or where third parties actually deliver the service.
- Agencies need to understand how all their management functions (IT, human resources, financial management) contribute to performance and take an integrated approach to management with a focus on results.
- Attention must be paid to the incentives that exist, or can be made to exist, for decision makers to demand and use performance information.

Conference Participants

Affiliations current at the time of the conference.

Executive Branch

Lisa Araiza
Department of Justice

Mark Catlett
Department of Veterans Affairs

Phil Dame
Office of Management and Budget

Tony McCann
Smithsonian Institution

Michael McNiff
U.S. Marshals Service, Department of Justice

Marcus Peacock
Office of Management and Budget

Justine Rodriguez
Office of Management and Budget

Mary Scala
Department of Defense

Woody Stanley
Federal Highway Administration, Department of Transportation

Judy Tillman
Financial Management Service, Department of the Treasury

Legislative Branch

Barry Anderson
Congressional Budget Office

Denise Fantone
General Accounting Office

Paul Posner
General Accounting Office

John Salamone
Senate Committee on Governmental Affairs

Experts

Mark Abramson
IBM Center for The Business of Government

Jonathan Breul
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Philip Joyce
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Lily Kim
IBM Center for The Business of Government

Kathryn Newcomer
The George Washington University

Srikant Sastry
IBM Business Consulting Services

Howard Smith
The George Washington University

Barry White
Council for Excellence in Government

Joseph Wholey
University of Southern California

Potential Uses of Performance-Informed Budgeting in the Federal Budget Process

The comprehensive framework outlined in the previous section permits a more robust look at performance-informed budgeting by permitting an analysis of the reform at each stage of the budget process. This section looks at each of these stages in more detail, attempting to flesh out the specific issues involved with both availability and use, and drawing some preliminary conclusions concerning the current state of budget and performance integration at each of these stages. Looking at the budget process comprehensively, it is clear that performance information has great potential to be used at all stages. While the federal government does not yet have a fully mature performance-informed budgeting system, there are parts of the system (particularly in budget preparation and budget execution) where there are important success stories. Other stages—most notably budget approval—lag behind in the use of performance information for budgeting.

Budget Preparation

The budget preparation stage of the budget process is divided into two phases: the development of the request from the agency to OMB and the analysis of the request by OMB. Performance information can be used during both of these portions of the process, either to maximize the effects of funding on performance or to better justify the budget request as it goes forward to OMB or from the President to the Congress.

Development of the Agency Budget Request

As noted, the budget preparation stage begins with the initial planning by the agency, which can start a year or more prior to the submission of the budget request to OMB. For large agencies, this process can entail a time-consuming internal process within the agency. Many cabinet departments, for example, contain a great many subunits or bureaus. The process of arriving at an OMB budget request for such an agency involves a number of different steps, each of which can be time consuming and contentious. As one illustration, the secretary of Health and Human Services, a highly decentralized agency,[28] must ultimately decide on a requested budget figure for many disparate bureaus, such as the Food and Drug Administration, the Centers for Medicare and Medicaid Services, the Centers for Disease Control, the Health Resources and Services Administration, and the Public Health Service. This situation is similar to that of other large and decentralized departments, such as the Department of Defense, the Department of Homeland Security, the Department of the Interior, the Department of the Treasury, and the Department of Transportation. The process of arriving at a budget request to OMB for the executive branch invariably involves a protracted process within the department and agencies. This process can itself be enhanced by the availability of performance and cost information, which can be used in various ways by different people throughout the process.

For federal agencies, the budget preparation stage is constrained by many factors, including political constraints imposed by interest groups and the Congress. Within those limitations, the budget request itself, and the information required to be included in the request, is dictated by OMB Circular A-11, and particularly Part 2 of that circular, entitled "Preparation and Submission of Budget Estimates." OMB Circular A-11 prescribes the specific information that must be provided with agency budget submissions. The FY 2004 circular, for example, requested the following information related to the performance of the agency:

- Information related to progress in implementing the President's Management Agenda, including the section focusing on budget and performance integration
- Evaluation of selected programs using the Program Assessment Rating Tool
- The integration of the budget request with the annual GPRA performance plan, including the performance targets outlined in that plan (Part 6 of OMB Circular A-11 deals in its entirety with preparation of GPRA strategic plans, performance plans, and performance reports)
- A requirement that programs with similar goals report common performance measures that have been articulated by OMB
- Information indicating the unit cost of delivering various agency programs, reflecting "the full cost of producing a result including overhead and other indirect costs"[29]
- Consistency with guidelines for performance-based investments, including those in the Clinger-Cohen Act and the OMB Capital Programming Guide (which is included as Part 7 of OMB Circular A-11)
- A program evaluation schedule, including the issues to be addressed and the methodology to be employed

Further, the budget request should be informed by the "judgment of the agency head regarding the scope, content, performance and quality of programs and activities proposed to meet the agency's missions, goals and objectives."[30] While this is by no means a comprehensive list of all the information related to cost and performance that agencies are required to submit, it indicates the extent to which budget requests to OMB, and therefore budget formulation within federal agencies, are expected to be informed by performance considerations (see Table 2).

Most agencies (particularly decentralized ones) have begun their internal budget process far in advance of the receipt of the circular. Upon receipt of the circular, agencies review the requirements to ensure that the information desired by OMB will be included in the request and continue (or begin in earnest) the process of developing the budget request, which (as noted previously) may involve a number of separate stages within a given cabinet department. The "traditional" budget request to OMB in many agencies has not been focused on the effects of funding on performance. Rather, it has been dominated by anecdotal information justifying additional expenditures by the agency, coupled with "current services" and "new initiative" requests from the agency. The process has been heavily focused on funding changes at the margin,

Table 2: Performance-Informed Budgeting in Agency Budget Preparation

Possible Measures Available	Potential Use of Measures	Who Uses the Measures
• Agency strategic planning and performance planning • Cost information • Outcome measures • Output measures • Productivity measures	• To build budget justification for submission to central budget office • To make tradeoffs between agency subunits to allocate funds strategically • To determine productivity of components of an agency • To determine overlapping services within an agency • To determine in-house versus contractual production of services	*Agency head:* • Effectiveness of program • Appropriate distribution of staff • Cost/outcome comparisons (program to program, public to private) *Bureau head:* • Cost/output/outcome relationships *Line managers:* • Cost/output

asking questions such as, "How much more will it cost us to maintain current staff?"

During this first stage of the budget process, agencies can use a variety of tools and measures to make their budget request more focused on performance. This information is used by a number of different individuals in the agency to respond to a variety of questions necessary to build a budget request that is focused on the performance implications of funding. Making budget development more focused on performance normally requires that the agency budget office develop some framework for budget requests that clarifies the relationship between costs and performance. Such a budget request made to the agency budget office would include the following characteristics:

- **A strategic and performance context:** At least since GPRA became fully effective, departments and bureaus are expected to have articulated some strategic vision. That means that budget requests should be presented in the context of their effects on the strategic priorities of the agency, normally established in the agency strategic plan. But further, this means that "programs" (or, in the language of federal budgeting, "programs, projects, and activities") should be related to the larger strategic goals and performance targets of the agency. In other words, there should be a logical connection that is presented between what the agency "does" on a day-to-day basis and its larger strategic and performance objectives.
- **Performance information:** Agencies should have output and outcome measures related to programs that are related to the larger strategic vision of the agency. The agency should have indicators of its success in meeting its objectives. These measures may be at several levels (output, intermediate outcome, final outcome), but ideally the agency, at all levels, could show a logical relationship between its various types of measures and its strategic objectives.
- **Cost information:** The budget request should identify the true cost of providing services, with costs charged to the appropriate bureau or program. This will not be possible without some relatively sophisticated means of allocating overhead or indirect costs. Administrative costs are now often accounted for separately and not allocated to individual services.

How can this information be used? First and foremost, it can be used to justify budget requests. Presumably most bureaus or subunits desire to be as successful as possible in the budget process (with "success" defined as achieving the largest budget possible to carry out programs within the subunit).[31] Bureaus can, therefore, present the information to make a specific linkage between costs (inputs), activities (outputs), and results (outcomes) in the context of the strategic vision of the agency. In this manner, the components can make transparent the effect of additional (or decreased) funding on performance in hopes that the agency head will find the case for funds more compelling if the performance implications are made clear. At the level of the line manager, and for the individual program, this may mean only that the relationship between inputs and outputs is clear. At the level of the bureau head, however, some linkage of these inputs and outputs to results is essential. A number of specific questions can be addressed at this level:

- How well are my programs working to achieve their goals and objectives?
- How productive is my staff, compared to past productivity or perhaps benchmarked against staff in some other agency or organization? (Productivity is normally defined as the relationship of inputs to outputs.)
- What opportunities exist to contract out particular services in order to save money while maintaining or improving performance?
- Does my organization have the right mix of skills (from staff or contractors) at the right place and at the right time in order to maximize the achievement of performance goals?
- What are the effects of different levels of funding on the performance of the bureau, given key performance measures?

The U.S. Department of Justice (DOJ) has recently revised its entire budget development system, dividing the department's budget into "decision units." These decision units include all costs related to program activities, and administrative (overhead) costs are allocated across decision units. Further, the budget request for each decision unit must identify the baseline level of performance and funding and then specify changes in performance that would result from changes in funding. This makes the relationship between dollars and results transparent and permits decision makers to better understand that relationship in the context of making budget decisions. For example, the U.S. Marshals Service (USMS) has three decision units: Protection of the Judicial Process, Fugitive Apprehension, and Seized Assets. All funds in the budget request for the USMS are allocated to one of these three decision units. This required the existing budget, which was divided into nine decision units, to be significantly realigned to match with Department of Justice strategic objectives. Further, the budget requests for the decision units are expressed in terms of historical performance, baseline performance for the budget year, and performance changes expected from changes in funding.

It is hard to overstate the importance of agency budget preparation to the overall effort to make the budget process more informed by performance. If the agency budget request, at all levels of the agency, has not laid the groundwork for relating funding to performance, it is highly unlikely that, as changes are made at higher levels (in OMB and the Congress, for example), the agency will be able to understand the performance implications of those changes. Further, when the agency implements its budget, it will be much more difficult for individual line managers to understand how they can use the money provided to them to help the agency maximize achievement of its strategic objectives. If these relationships are not well understood, agency managers and line employees may later find themselves managing “pots of money” without any clear understanding of how their actions can contribute to—or detract from—the overall performance of the agency.

Ultimately, the central budget office within the agency, on behalf of the agency head (the cabinet secretary or similar official), must collect and analyze each of these budget requests in order to determine what should be included in the budget request to OMB. It would be possible, of course, for the agency central budget office to simply collect the information, aggregate it, and send it to OMB without change. More frequently, however, the agency head needs to trim budget requests to fit them within some perceived envelope that represents what the agency head believes to be an “acceptable” budget request (this notion of acceptability varies from agency to agency and from agency head to agency head). Given that OMB desires information on the performance effects of funding, at a minimum the agency budget office must ensure that the request going forward is fully justified in terms of presenting the best case for why the agency budget request should be fully funded to achieve the President’s (or at least the agency’s) strategic objectives.

A performance-informed budget at the agency level would be focused much more on outcomes than that at the bureau level. There may be a number of different bureaus that affect the same outcome, or a number of different federal agencies that affect that outcome. The department head needs to have information on how different funding levels will affect key results, especially those that are presidential priorities. For example, many federal agencies are currently involved in activities designed to enhance “homeland security,” so agency heads need to understand the effect of proposed budget allocations on that goal. As another example, “reducing fraud and abuse in student loan programs” is one of the President’s specific management agenda items. In that context, it would be important for the secretary of education to understand the effect that his proposed budget will have on the achievement of that objective. In the end, having appropriate performance and cost information can enable the agency head (and the agency budget office on behalf of the agency head) to analyze budget requests in the context of their performance implications, make tradeoffs in a way that maximizes performance, and build a better justified budget request to OMB.

OMB Analysis of the Agency Budget Request

Once the agency submits the budget request to OMB, the President’s budget office begins the difficult job of attempting to fit too many expenditure requests into too few revenues. That is, invariably the sum of agency requests far exceeds the total amount that can (or at least will) be included in the President’s budget. This means that the process of arriving at a recommendation for each agency will involve, in most cases, attempts by the budget office to reduce the agency's budget request to a number that will fit within the overall budget constraint (see Table 3).

The same performance, cost, and strategic planning information that is necessary at the agency level is also necessary for OMB's evaluation of the budget request, with one addition. The extent to which some overarching or governmentwide strategic or performance plan exists can assist OMB in determining the relative priority attached to different requests. Although a specific governmentwide performance plan, published in a separate volume from the overall budget, has not existed since FY 2001, a clear articulation of administration priorities may give general guidance concerning the direction of the administration. For example, the Bush administration has clearly identified homeland security, national security, and economic growth as three of its key policy priorities. Policies that might affect one or more of these priorities can clearly be evaluated from that perspective, particularly to the extent that there are performance measures that exist to evaluate progress, that there are common performance measures that may exist that cut across different programs that affect those outcomes, and that there is a clear understanding of the relationship between cost and performance. Such a statement of priorities, however, is not as comprehensive as the governmentwide plan had been; it does not provide as much direction to federal agencies and the Congress concerning the President's performance expectations.

Furthermore, frequently only a limited number of resources are actually "in play" in a given budget. That is, those expenditures that are relatively "uncontrollable" (interest on the debt and most entitlement expenses) account for approximately 65 percent of the current federal budget, although presidential budgets routinely propose changes that affect entitlement programs and tax laws. Even for the remaining 35 percent of discretionary (appropriated) accounts, the process is not "zero-based"; that is, decisions are almost always being made "at the margin" (how much more and how much less will the agency receive compared to last year). It is the decisions concerning how these marginal dollars are to be allocated that are most likely to be informed by performance considerations.

For example, the Bush administration's PART was designed largely to bring information on the performance of federal programs into budget decisions. In order for this process to become fully effective, it will be necessary for OMB—not only on the performance of the programs that are under review but on the relationship between federal funding and performance levels. Since these programs are affected by many factors that are outside of the control of program managers, these program managers (and OMB examiners) must understand the relationship between dollars and results in order to determine the effect of more (or less) funding on performance. For example, a program that is deemed "effective" may be effective because of factors other than funding; it might not be made more effective by giving it more money.

Table 3: Performance-Informed Budgeting in OMB Analysis of Agency Budget Request

Possible Measures Available	Potential Use of Measures	Who Uses the Measures
• Governmentwide strategic plan and performance plan • Agency strategic and performance plans • Cost accounting • Performance (outcome) measures • Evaluation of programs	• To make tradeoffs between agencies to allocate funds strategically • To build budget justification for submission to legislative body • To determine overlapping services between agencies • To evaluate in-house versus contract services	*President:* • Cost of achieving national goals *OMB director:* • Marginal costs and marginal results • Cost/results comparisons across programs, or between government and the private sector *OMB examiner:* • Costs, outputs, and results • Cost of different alternatives

Conversely, a program that is not effective may be an appropriate candidate for elimination; it may also be a candidate for more funds if its lack of effectiveness results from underfunding.

Clearly, these issues are difficult to address, but they are better addressed with information on performance and cost than they are without that information. Simply building a "current services" budget without paying attention to the performance effects (past, present, and future) of funding runs the risk of freezing current priorities and policies in place, rather than continually evaluating expenditures to determine which mixture of policies will best achieve the President's aims. In fact, it is crucial to remember that the President's budget is, first and foremost, a political document that reflects the President's funding priorities. Whatever information on performance that is brought into this process must be considered in the context of this political decision making.

Perhaps the greatest payoff to the use of better performance and cost information during this stage will come in the "conversation" between the agency and the OMB budget examiner(s). To the extent that cost and performance information is available and brought together, the debate between the parties can focus truly on whether the level of funding requested is justified by the results that will be achieved, as opposed to being driven solely by anecdotal evidence on one side or the other. This may prove advantageous to agencies that can build a strong case for the performance effects of their programs. It may prove advantageous to OMB in cases in which programs or agencies have continually received funding despite a general lack of evidence for the success of their programs.[32]

At higher levels of OMB and in the White House, the existence of better performance and cost information is likely to have an additional effect. While it is important for these higher level officials to have information on the effects of funding on performance in individual programs or agencies, performance and cost measures can also inform the difficult choices that must be made between agencies. Decisions, particularly toward the end of the budget process, often come down to comparing the relative effects of providing a limited amount of money to two or more agencies. For example, $500 million might be made available to divide among a teen pregnancy prevention program, a program that provides grants for higher education to poor students, and a program designed to make the air cleaner. Given such a choice, it would be useful to know, for a given level of additional resources, how many fewer teens would become pregnant, how many more low-income students would graduate from college, and how much cleaner the air would be. These projections do not tell us which of these uses of resources is most appropriate, but they may make the process of choosing among different uses of resources more informed.

Budget Approval

Once the President's budget is transmitted to the Congress, the budget approval stage begins. Budget approval is largely the province of the Congress as it approves legislation that affects both taxes and spending. It does involve the President in the sense that he must approve the bills that are passed by the Congress prior to their becoming law. In advance of this formal presidential action, the President and his advisers interact continually with the Congress, making various congressional committees and the congressional leadership aware of the President's positions on legislation moving through the Congress. The consensus is that currently the Congress makes very little systematic use of performance information for budgeting, particularly in the appropriations process. There are, nonetheless, a number of opportunities at various stages of the budget process for the Congress to make greater use of performance information if the incentives are present to do so (see Table 4 on page 26).

The congressional budget process consists of three primary (and related) activities:

- **Development of the budget resolution** lays out the "big picture" of fiscal and budget policy, and creates the overall framework for specific decisions on taxes and spending that must be made by congressional committees as the process goes forward.
- **The authorization process** creates and extends programs, creates the terms and conditions under which they operate, and may create performance expectations for programs and agencies. This can include creating or making

Table 4: Performance-Informed Budgeting in Budget Approval

Budget Approval	Potential Information	Potential Uses	Who Uses the Information
Legislative	• Performance measures, accurate cost estimates, and strategic/performance plans included with budget justifications • Structuring accounts by program rather than by source of inputs	• To create a congressional "performance resolution" as part of the budget resolution • To establish specific performance expectations as part of the authorization process • To compare costs to marginal effects on performance during the legislative funding process • To make performance expectations clear as part of budget allocation	*Budget committees:* "Social indicators" for setting broad fiscal policy direction *Authorizing/tax-writing committees:* Results expected for each year of tax/authorization legislation *Appropriations committees:* Cost, outputs, and results from different levels of funding; comparing marginal dollars to marginal outputs and results
Chief Executive	• Requiring agencies to assess implications of legislatively approved budget for achieving government strategic objectives	• To make decisions on signature or veto, and statements of administration policy, informed by performance implications	*President:* • Results expected through authorized programs • Relating costs to outputs and results in proposed and enacted legislation, compared to those in the President's budget

changes in mandatory spending programs, such as Social Security and Medicare (where funding is provided in continuing law), or making changes to laws governing the collection of revenues.

- **The appropriations process** provides funding for the approximately 35 percent of the federal budget that receives its funding through annual appropriations (the remaining 65 percent is either interest on the debt or represents mandatory spending).

Any of these three processes can be affected by performance information, but the specific uses of that information differ among these three processes. The presidential approval processes can be affected by performance information as well.

Budget Resolution

The budget resolution does not deal with the details of the budget, but rather it creates a framework within which decisions on those details can be made by congressional committees. It is organized by type of spending (mandatory versus discretionary) and by major budget function (national security, international affairs, natural resources, health, and so on). The budget resolution currently specifies levels of spending associated with these different functions and discusses in broad terms the assumptions behind these functional totals, but it does not specify any performance expectations. GAO has suggested that the Congress adopt a "performance resolution" as a companion to the budget resolution.[33] This performance resolution would provide information on the performance expectations that would accompany the budgeted dollars in the budget resolution. It would cover not only spending programs but taxes as well. That is, if the budget resolution anticipates a tax cut or a tax increase, for example, the performance resolution would outline the expected effect on aggregate economic variables, such as economic growth. If the budget resolution anticipates an increase in funding for health care, the performance resolution would outline the expected effect on the number of uninsured persons, on the level of health care provided, and on the overall economy.

This performance resolution might be adopted annually, but it would take on particular significance in years where *reconciliation* legislation was being considered. The reconciliation process is used by the Congress during years in which changes are anticipated above or below the baseline level for mandatory spending or revenues. If reconciliation is not used, the assumption is that *the current services level* is being funded; that is, that revenue or tax programs are provided for as under current law. Because reconciliation involves changes (sometimes substantial) in current programs, the Congress should welcome information on the effects of those changes before they are acted upon.[34] This would presumably be true whether or not there was a performance resolution, but a performance resolution would make congressional performance expectations more explicit, especially as it relates to programs or activities with common objectives.

Authorizations

Federal programs operate under laws, which create them and establish the conditions under which they operate. Some programs are authorized indefinitely, while others are authorized for a specific period of time. For example, defense programs are subject to annual authorization, while agriculture or transportation programs have authorization bills considered every few years. Authorizing legislation is under the jurisdiction of committees that have specific expertise in a particular substantive area. Thus, a "farm bill" is an authorization bill covering agriculture programs, or a "transportation bill" is one covering transportation programs. Two authorizing committees—the House Ways and Means Committee and the Senate Finance Committee—consider laws governing tax legislation, which is frequently used to further social and economic objectives. Authorization bills often include direction concerning performance expectations, but frequently are not clear or quantifiable. Further, many agencies find themselves saddled with multiple and conflicting missions, and these conflicts are normally not resolved in legislation. Thus, agencies know what they need to accomplish in general but are often not given enough direction to allow them to set meaningful performance targets (or at least ones where there is consensus between the Congress and the agency, or even within the Congress, on the performance expectations for the agency or program). This lack of specificity leads to a situation in which agencies are more likely to need to resolve conflicts between congressional committees, or between the Congress or the President, or between competing interests, when implementing federal programs.

In this context it might be very useful to federal agencies and programs if performance expectations were made clearer in authorizing legislation. This would assist agencies in developing priorities, since authorizing legislation involves reaching consensus between the Congress and the President. It would necessitate more frequent authorizations for some programs than has historically been the case, since meaningful performance expectations must be consistent with the views of the current Congress and the current President. More significantly, many programs currently do not have formal authorizations at all, often because of disagreements in the Congress or between the Congress and the executive branch concerning some details of organization or program design. Lack of authorization is a widespread problem. The Congressional Budget Office estimated that, in FY 2002, $91 billion, or almost 30 percent of all domestic appropriations, went for programs with no current authorization.[35]

The important point is that the authorization process is crucial to developing expectations about the performance of programs, and it is therefore the most logical place for performance information to gain a foothold into the congressional budget process. While certainly many see it as desirable to have performance information integrated into the appropriations process as well, the most likely payoff would come by focusing first on the authorization process, for two reasons. First, the authorization process is already set up to deal with comprehensive questions of program design, redesign, and performance. Second, while only 35 percent of federal spending goes through the appropriations process, all federal spending and all tax laws are subject to authorization (although, as noted, efforts would need to be made to subject programs to more routine and systematic authorization than currently is the case).

Appropriations

In the appropriations process, decisions are made on funding levels for the 13 regular appropriation bills that together make up the 35 percent of federal spending referenced earlier. Those agencies funded from discretionary appropriations have no legal authority to spend money without the appropriation of those funds. Thus, the appropriations process is an important (in many years, the most important) annual budgeting ritual. Among the criticisms of this process, three seem particularly connected to the potential use of performance information:

- The process is usually focused only on marginal decisions rather than on the comprehensive effects of spending.
- There is little evidence that appropriations committees consider performance information in any systematic way when making decisions on allocations, relying instead on anecdotal information on program and agency performance.
- Members of Congress use the appropriations process, in part, as a vehicle to dole out money for "member priorities" (frequently referred to as "pork barrel projects"), sometimes at the expense of program or agency performance.

In addition, many appropriation accounts are not connected to programs or specific activities of the agency. Frequently the accounts are aggregate "salary and expense" items, which commingle several programs or activities into one relatively large account. This can make it difficult or impossible to tie the costs to specific programs, let alone to performance of particular programs.[36]

How could performance and cost information be used in the appropriations process? First, accounts could be reorganized so that they tie more specifically to agency missions or programs. GAO has done extensive work on federal account structures and has found that these accounts are generally not well aligned with performance goals. A reform of account structures might allow for a more transparent illumination of costs that are associated with programs, and that reform could lay the groundwork for relating program costs to program performance. Changes in account structures are already being advocated by executive branch agencies, which have had some success in convincing the Congress to allow them to restructure accounts. For example, the U.S. Marshals Service completely restructured its accounts in the context of its FY 2004 budget request.[37]

Second, the appropriations committees could demand, and make better use of, performance information as a part of the appropriation process. To the extent that many members of the Congress attempt to focus on "member priorities" or on anecdotal information when making budget decisions, they may be less likely to demand information on the effects of overall spending. If such information became a normal part of the congressional debate, however, it is more likely that the effects of appropriation decisions on performance would become more transparent.

Third, the appropriations committees could consider agency budgets more comprehensively, instead of focusing on changes at the margin. That is, they could relate program performance to cost at different funding levels, including the baseline (current services) level, as well as at levels that deviate from the baseline level (either positively or negatively). This would allow members of the Congress to have a better idea of the performance tradeoffs inherent in providing different levels of funding to different agencies and programs.

These last two uses of performance information are much more likely to occur if the authorization process is more explicitly focused on performance, as suggested previously. But including more performance information in authorizations will not by itself translate into its use for appropriations. The major problem here is one of incentives. Simply put, it may not be in the interest of the appropriations committees or other members of the Congress to focus more explicitly on the performance implications of funding until and unless members see it as in their electoral interest to do so. Currently, there is an explicit connection—real or perceived—between money spent in the home state or district and electoral outcomes. Members of the Congress are unlikely to trade that relatively certain connection for an uncertain payoff in terms of overall program results (only some of which may affect the home state or district), unless information on paths not taken (roads not built?) becomes more transparent. The Bush administration's PART initiative could assist in making the performance implications of funding more transparent, particularly since OMB has taken the rather extraordinary step of making these PART results widely available.

The President

Bills cannot become law without the President's signature. So for each of the latter two types of legislation (authorizing bills and appropriation bills) the President also requires information prior to the completion of the budget approval process. Since the budget resolution does not require the President's signature, it is less directly important that the President have information on the performance implications of this resolution. But if the process is to work as designed, it is important that the President understand the performance implications of the budget resolution and how that expected performance compares to the performance that was expected in his budget proposal.[38] This will require a more explicit articulation of performance expectations in the budget resolution, since currently these performance expectations are not at all clear.

For authorization and appropriation bills, there is an even more practical reason for the President to understand the performance expected from proposed legislation, since he has the power to sign or veto the legislation. For authorizing legislation, the President could compare the performance expected under the bill as passed with that expected in the President's own proposed authorization for the agency or program (if applicable). For appropriation bills, the President could compare the congressional level of expected performance, by agency and program, with that included in his budget. Of course, in both of these cases, the President will have been following the legislation as it moves through the House and Senate and would be making his views known through statements of administration policy (SAPs). These SAPs, at present, normally focus on the level of funding (for appropriations) or on specific procedural or organizational requirements (for authorizations). They rarely focus explicitly on performance concerns. The process of presidential consideration of this legislation will become much better informed if, prior to taking a position on the legislation or deciding whether to approve it, the President understood the full performance implications of the proposed law.

Budget Execution

Without question, there are important potential applications of performance information in each of the preceding stages of the budget process. A system in which the budget and performance were fully integrated would start with agency budget preparation informed by performance and would continue with OMB and the Congress focusing on performance when making funding decisions. Even if none of these preceding applications has occurred, however, there are myriad ways in which federal agencies can use performance information for budget execution—that is, for implementing the budget after it has become law.

Put simply, agencies have discretion. Authorizing and appropriation bills do not provide all the direction agencies require in order to operate, and the law does not anticipate all the circumstances that may arise in the course of managing federal programs. In part, this discretion occurs because it is easier to pass nonspecific and vague legislation that allows agency discretion rather than spelling out these details. Further, the Congress and the President do not possess all the technical expertise necessary to resolve all the issues necessary in running federal programs. Agencies and their management, for these reasons, need to "fill in the details" during the implementation (or budget execution) stage of the process. Budget execution is, therefore, about resource allocation (see Table 5 on page 30).

There are many specific ways in which performance information can be brought to bear on allocating resources for the execution of the budget.

Table 5: Performance-Informed Budgeting in Budget Execution

Possible Information Sources	Potential Uses	Who Uses the Information
• Agency and government-wide strategic plans • Levels of funding (through apportionments and allotments) • Performance (outcome) measures • Output (activity) measures • Cost information	• To understand legislative and other constraints and their effects on the achievement of agency performance goals • To allocate funds among agency missions, subunits, or regions/local offices • To allocate funds to third parties • To monitor cost and performance during budget execution • To evaluate other specific means that can be used to leverage performance • For congressional oversight	*Agency head:* • Allocating funds to agency subunits • Communicating performance expectations *Program managers:* • Using flexibility to spend money in line with strategic priorities • Communicating performance expectations *Individual employees:* • Managing funds/spending money consistent with their contributions to strategic objectives *Grant recipients:* • Purchasing goods and services with an eye toward overarching program goals *Congressional committees:* • Using program goals and targets to influence oversight agenda

Understanding the Specific Implications of the Approved Budget for Performance

Regardless of whether the Congress and the President made clear the specific level of performance expected from the approved budget, the agency should review the budget as approved and translate the level of funding received into the expected performance that can be achieved at that level. This means evaluating how all the factors that affect performance—such as funding, legislative factors, environmental or economic conditions, or regulations—would be expected to affect performance. It is important that this analysis involve input from agency program officials concerning how these factors would affect results. After such analysis, the agency should communicate the expected performance from the approved budget to agency staff and other interested parties. If agency staff and external stakeholders are still operating under the assumption that the current expected level of performance is consistent with the level expected when the budget was formulated, that assumption will result in inaccurate signals. Therefore, these expectations should be revised based on the budget as approved. As noted previously, it is most likely that the performance expectations associated with the approved budget will be transparent if the performance implications of the budget were made clear at earlier stages, beginning with the development of the budget request from the lowest levels of the agency.

The ability to show the relationship between resources and results, and how that relationship has changed in the budget as approved, implies the ability to track costs by program. For many agencies, this means (as discussed previously) revisions to the account structure so that appropriation accounts do not contain multiple programs or programs are not contained within more than one budget account. If these revisions have not occurred, agencies will need to "crosswalk" between their appropriation accounts and the resources that are associated with individual programs.

GAO notes that the analysis of changes to the budget as enacted should result in written guidance issued to program officials that outline "known or anticipated changes in the agency's goals, performance issues and resource constraints since formulation."[39] If lower-than-expected resources will result in a performance gap, the agency should "begin to address the issue as part of the performance management and budget process."[40]

In the end, the analysis of differences between the proposed and enacted budget should result in operating plans that inform agency subunits how the enacted budget has affected expectations of performance for those agency subunits as well as for individual programs. For example, GAO notes that in the Nuclear Regulatory Commission "as the budget is executed, operating plans … are used to compare actual office resources to budget estimates and actual performance to targeted performance, and to identify necessary programmatic and fiscal actions."[41]

Using the Agency's Discretion to Allocate Funds within the Agency

The approved budget from the Congress normally leaves a significant amount of discretion in the hands of the agency to allocate resources. For many agencies, this means allocating dollars toward different agency programs, or regional subunits, or both. In these cases, the agency can use information on the relationship between dollars and performance to attempt to maximize the level of performance that may be leveraged from a given budget. Several examples illustrate this point:

- The Food and Drug Administration restructured staff assignments in order to enable it to complete reviews of generic drugs in a more timely fashion.[42]
- The Internal Revenue Service allocated training resources among its toll-free customer service centers based on needs as indicated by the error rates across the different centers.[43]
- The Administration for Children and Families (ACF) often allocates Training and Technical Assistance funds and salary and expense dollars to its different programs "based on program performance and needs." For example, Dallas regional officials told GAO that their record for achieving results in tribal demonstration projects led to receiving additional funds from headquarters for FY 2001. Further, in ACF, "all regions are required to develop and operate according to work plans that link program and agency goals and objectives to expected performance."[44]
- The Department of Agriculture's Animal and Plant Health Inspection Service's Fruit Fly Exclusion and Detection program uses outcome data to "allocate field personnel, vehicles, supplies, and other resources to … problem area(s)."[45]
- The Department of Housing and Urban Development uses outcome information, in part, to prioritize its use of resources for its Public and Indian Housing program in two specific ways. First, it prioritizes site visits based on outcome information, allowing limited staff and travel resources to be targeted to areas of greatest need and focusing the site visit on the most critical performance issues. Second, it uses information on physical conditions of buildings to prioritize capital spending.[46]
- The Veterans Health Administration (VHA) allocates funds to its 22 health-care networks (or VISNs) based on the number of veterans being served. After funds are allocated to the networks, however, performance information plays an important role in the allocation of resources to different hospitals, clinics, and offices within each VISN. VISN directors are held accountable for the achievement of outcome goals within their network, giving them incentives for maximizing performance partially by using their discretion to allocate dollars where they are most needed.[47] GAO reviewed budget execution practices at two VISNs and found that "(i)ntegrating performance information into resource allocation decisions is apparent" in these networks.[48]

This is by no means a comprehensive listing of performance-informed budget execution strategies by federal agencies. It likely only scratches the surface. For example, these GAO and IBM Center for The Business of Government reports and reviews have not examined in detail budget allocation practices at the lowest managerial levels of the organization—in an individual veterans' hospital, a national park, or a local immigration office. Clearly, the payoff for performance-informed budgeting also occurs at these lower levels. A hospital administrator can allocate staff between missions or between shifts based on the implications for veterans' health, or a national park superintendent can use resources in a way that best assists the National Park Service in achieving its customer service, conservation, and maintenance objectives. The more the relationships between activities at lower levels of the organization and the achievement of the objective of the agency are made clear, the more agency employees can manage resources with a focus on the achievement of agency results.

The important point is that, in each of these cases, it is obvious that agencies are using their discretion to allocate resources in part based on performance considerations. While congressional and presidential buy-in are important to performance-informed budgeting, each of these cases demonstrates the substantial effects that can come from an agency's focus on performance during budget execution, with or without the support of the Congress and the President. And while the agencies mentioned clearly have some focus on performance in budget execution, there are just as clearly other cases in which agencies are failing to take advantage of the flexibility they have to allocate and manage resources to maximize performance. Further, there are many cases in which OMB and (in particular) congressional practices (such as earmarking, full-time equivalent (FTE) floors or ceilings, or excessive itemization) may deter an agency from achieving key objectives.

Two other characteristics of effective allocation are important to note. First, it is important to provide agency program officials with ample opportunities for dialogue and appeal about the performance implications of funding allocations. A "top-down" approach, where staff are informed of the expected level of performance but do not agree that this level of performance can be achieved with the dollars provided, is not likely to be successful. A fully mature performance-informed budgeting system will feature an ongoing dialogue between staff at all levels of the agency where the performance implications of different levels of funding are transparent to all parties. This is hard to pull off in practice, but it is far superior to a process in which such adjustments are not made and therefore the link between funding and accountability for results is severed.

Second, it is vital that funds be allocated in a timely manner. Resources that are provided late—which routinely occurs in the federal government when final appropriations are not provided until well into the fiscal year—impede effective financial and performance planning in agencies. Further, many agencies do not have adequate accounting systems, which means that managers lack timely access to information about the availability of resources, making it very difficult for these program managers to maximize the use of those funds.[49]

Allocating Funds to Third Parties

Many federal agencies do not operate programs directly but rely on third parties to operate them. These third parties can include state and local governments, which operate many large programs (Medicaid, welfare, unemployment insurance) and small programs. They also include contractors, who play a vital role in the operations of many agencies, including the Department of Defense, the Department of Energy, and NASA. Clearly performance information may be used by these agencies to attempt to allocate resources to these external parties in a way that can best leverage performance. Two specific uses are allocating and reducing funds to grant recipients, and deciding whether to contract or provide a service in-house, as well as monitoring the performance of contractors.

Allocating funds to grant recipients. An inherent problem with grants is that agencies with the grant funds do not directly control the behavior of the grant recipients. Many grants are allocated by formula. In the case of formula grants, performance considerations do not influence budget allocations during budget execution, but they can influence the design of the program and the formula itself. For discretionary awards (so-called "project grants"), however, it is crucial that granting agencies are attentive to the performance implications of grants before the fact. A recent evaluation of three programs in the Department of Education unearthed examples of this phenomenon:

- The Adult Education and Literacy program used outcome data to determine which states would receive monetary incentive awards. State performance on adult education outcomes partially determines the amount of money each state receives.[50]

- The Migrant Education program uses outcome data to determine increases or decreases in funding for grantees from year to year, and also for eligibility for funds that may be remaining at the end of the year.[51]
- The Rehabilitation Services Administration uses performance information to allocate technical assistance dollars and to take funds away from poor performers. Grantees are required to have "passing scores" on two primary outcome indicators and on two of three secondary indicators in order to be eligible for continued funding.[52]

Further, the Administration for Children and Families (ACF) uses an instrument, the Grant Application and Budget Review Instrument (GABI), along with other information to help it identify applicants that have unusually high administrative costs, teacher/classroom ratios, and the like. This assists ACF in both monitoring existing grants and deciding on future grant funding.[53]

Outsourcing decisions and contract management. Federal agencies have contracted out a great many services for some time, and this outsourcing has increased in recent years.[54] Among the services most frequently contracted out include IT, maintenance services, food services, and specialized technical services (for example, legal services). As discussed previously, federal agencies are currently under pressure to compete with the private sector to provide a larger percentage of their commercial activities. Performance and cost information can be used to inform both contracting and competition decisions. Frequently the stated justification for outsourcing is that outside vendors will be able to provide services at a lower cost. These cost comparisons themselves can be difficult to make, given the state of many federal and private sector accounting systems. Even if this problem can be overcome, however, a reasonable comparison of in-house versus contractual production of a good or service requires a thorough understanding of the performance implications of both options. Spending less money for worse performance is not necessarily a good deal; spending less money for the same or better performance, on the other hand, is a clear improvement.

Performance considerations also come into play in the contract management process. The initial contract should specify performance targets and milestones for the agency. After the contract has been awarded, it is also important that the agency monitor the contractor for compliance with its key provisions, including performance. Since many contracts are monitored by line staff at lower or regional levels of the organization, this is yet another place where it is important that the relationships between micro-level activities and macro-level results are made clear.

Monitoring the Budget and Performance during Budget Execution

It is not only important for initial allocation decisions to be informed by performance. It is also crucial that personnel in the agency engage in constant communication about the relationship between resources and performance during the budget execution phase. Priorities change, as do factors that influence performance, during the budget year. The cost of items important to service delivery may change, as may environmental factors. GAO highlights the importance of performance monitoring during budget execution so that "management has credible, up-to-date information for monitoring and decision making. Such monitoring should form the basis for decisions that address performance gaps by looking for root causes and, if necessary, adjusting funding allocations to rectify performance problems."[55] GAO, in a separate report, identified a practice in the Nuclear Regulatory Commission whereby "operating plans track performance against established targets for each planned work activity to call attention to significant performance issues needing corrective action."[56]

Sometimes performance monitoring may occasion transfers or reprogramming, where agencies spend resources for purposes other than those originally intended. In more extreme cases, they may lead to supplemental appropriations, where agencies seek additional funds to address performance gaps. In either event, it is important that the agency have a full understanding of the implications of the change, as well as the potential performance implications of the status quo.

Tracking costs during the fiscal year can have important implications for performance. If the costs of a given activity or program run substantially over or under projections, this can clearly affect performance. Further, for many programs productivity or cost measures are a significant component of performance measurement. It is particularly important that the costs captured represent the full cost of doing business, as opposed to only direct costs. As noted previously, this is a significant challenge for most federal programs, which have woefully inadequate accounting systems that cannot track full costs by program. Thus GAO notes that the ability to account for direct and indirect costs necessitates an information system that permits total costs (direct and indirect) to be associated with program goals.[57]

Evaluating Other Specific Means That Can Be Used to Leverage Performance

A number of other approaches can be used to assist agencies in meeting performance goals, particularly where incentives need to be created to leverage performance. This is particularly true where multiple agencies or levels of government need to act in order to meet performance goals. For example, the Administration for Children and Families has joined with other federal agencies to form interagency councils that attempt to bring together public and private agencies with similar missions and agendas. This potentially prevents duplication of effort and assists in the efficient use of resources. ACF also attempts to take advantage of state and local efforts that allow more targeted use of federal dollars.[58] In addition, ACF and other programs that rely on third parties for administration often must create the incentives necessary for these administrative agents to collect reliable data in a timely manner. ACF has attempted to create these incentives by making technical assistance dollars available to state and local governments to assist them in improving their capacity to collect and report information important to ACF's management and reporting needs.[59] Finally, financial incentives can be provided not only to external actors but to individuals and teams within an agency as well. Frequently agencies make use of devices such as financial bonuses, additional management flexibilities, promotions, and awards and recognition as motivators for agency staff to engage in behavior consistent with achieving the goals of the organization.

Congressional Oversight

Performance information could be used by the Congress for oversight of programs. Unlike other budget execution activities, congressional oversight is obviously not the province of the agencies. Instead, the Congress and its committees use oversight to monitor the progress of federal programs and agencies in implementing legislation, including the budget. The criticism of congressional oversight historically is that it has not been focused on the extent to which programs have achieved their objectives. Rather, oversight has been used to draw attention to politically sensitive or high-profile issues. Some political scientists have argued that the Congress engages in "fire alarm" oversight, where high-profile issues get attention, as opposed to "police patrol" oversight, where agencies or programs are looked at in detail in an effort to determine what works and what does not.[60]

If, as discussed, budget resolutions, authorizations, or appropriation bills are more explicit about specifying expected performance, it will be far more likely that oversight will also focus on these performance issues. Currently the attention that congressional committees pay to detailed oversight of programs varies substantially from committee to committee. Certainly some committees make substantial use of hearings and GAO studies, for example, to evaluate the effectiveness of programs. Other committees are less likely to focus on the performance of programs and more likely to focus on "oversight" episodically or in an effort to promote a political agenda. In these cases, while it would be desirable for oversight to focus on performance questions, there are currently limited incentives for members of committees to focus in detail on oversight of programs. More emphasis on oversight will probably not occur until some of these incentives have been changed. It is possible that changing the terms of the debate by greater specification of performance expectations in legislation would help create more incentives for detailed oversight.

Audit and Evaluation

Finally, performance information can be used in important ways in the audit and evaluation stage of the process, during which federal programs are reviewed to determine compliance with laws, management practices, and program performance. Theoretically, the results of the audit and evaluation stage should feed into the formulation of the budget during some subsequent fiscal year. This frequently occurs with a significant time lag, because by the time audit results are known from one fiscal year, the budget preparation phase may be under way for a fiscal year two or more years after the year to which the audit information applied. Still, recent years have seen significant developments in the questions that are being asked in audits and evaluations, in the capacity of the federal government to answer those questions, and in the reporting of information to the public after the fact (see Table 6).

The audit and evaluation stage of the budget process historically looked only at the use of inputs. It fit squarely within what Allen Schick referred to in 1966 as a "control" function of budgeting.[61] Agencies were evaluated according to whether the funds that had been appropriated had been used for the specific purposes intended, and not according to what resulted from those expenditures. Given this history, even moving to asking more "output" oriented questions, which began to occur in the 1950s, was a step forward.

Beginning in the 1960s, however, research and program evaluation offices began to be created in many federal agencies. In fact, agencies like the Department of Defense and the Department of Health, Education, and Welfare were noted for their capacity to engage in long-term planning and evaluation. These evaluations often focused on performance after-the-fact and certainly addressed resource issues as one of many factors that could affect program success. The capacity for many federal agencies to ask outcome-related questions was almost certainly enhanced by the PPBS reform, in spite of the fact that the reform is viewed overall as less than successful.

At the same time, GAO was shifting its focus from asking traditional accounting questions—which focus rather narrowly on inputs—to asking more questions about the operations and performance of federal agencies. Further, other positions—such as agency inspectors general and chief financial officers—were subsequently created and charged with asking performance questions, in addition to supporting the development of the data that would be necessary to connect resources and results.

As noted previously, the last 15 years have seen substantial legislative impetus for performance measurement and therefore for a greater performance focus in audit and evaluation. The CFO Act, GPRA, the Clinger-Cohen Act, and other laws had in common the notion that we should better understand the relationship between resource use and results. The George W. Bush administration's initiatives share this focus, perhaps particularly manifested in the PART, which requires after-the-fact knowledge of performance and inputs in order to succeed.

Table 6: Performance-Informed Budgeting in Audit and Evaluation

Type of Information	Potential Uses	Who Uses the Information
• Agency strategic goals • Cost estimation • Performance reporting • Logic models • Data quality and reliability	To shift the focus of audits and evaluations to include performance questions, rather than only financial compliance	*Internal and external auditors:* • Determining success or failure of a program • Determining compliance with applicable law *Agency leadership:* • Determining areas of emphasis for management improvements *OMB and the Congress:* • Highlighting management and performance problems

In what specific ways, then, can the audit and evaluation process be supportive of performance-informed budgeting?

- **Appropriate estimating of cost:** As noted previously, understanding the connection between resources and results requires the appropriate measurement of each. Financial audits typically focus on expenditures by budget account and on compliance with legal restrictions on spending. These are important considerations. Perhaps more important for performance-informed budgeting, however, is that agencies have the capacity to establish costs by program or mission. Audits can assist by providing information on the status of cost accounting and by making recommendations on further developments.

- **Reporting on performance:** The performance reports that are required under GPRA are clearly exemplary of a performance-informed audit and evaluation process. Prior to GPRA, there was no systematic requirement that agencies report on results. These reports, to the extent that they highlight gaps between expected and actual performance, can be useful tools for future planning.

- **Developing "logic models" concerning the relationship between resources and results:**[62] Understanding costs and understanding performance levels is not enough. A mature performance-informed budgeting system must be able to connect the two. And making connections between dollars and performance requires that we understand how the former affects the latter, meaning that the causal relationships between resources and results must be clearly understood. Since many other factors (besides the level of funding) can affect performance, tracking causal relationships is potentially a complex undertaking. It is vitally important, however, to the eventual linkage of inputs and outcomes. It also can present the relationship between inputs, outputs, intermediate outcomes, and outcomes. This enables agency and program staff to understand the relationship between "what they do" as individuals and the goals of the organization.

- **Highlighting data limitations and problems:** Audits and evaluations can present information that helps users understand the limitations and problems associated with the data necessary to develop a mature performance-informed budgeting system. This can include problems with data reliability, timeliness of collection, timeliness of reporting, or failure to understand causal relationships.

In the end, any sophisticated performance-informed budgeting system requires the ability not only to specify performance before the fact and to use performance information in allocating resources at all stages of the process, but the ability to evaluate performance after the fact and make adjustments for the future accordingly. This necessitates an investment in evaluation capacity that has been lacking recently in federal agencies.[63] It also requires that auditors and evaluators ask the right questions and that the information included in the audits be provided to agency staff and leadership, OMB, and the Congress in a timely fashion.

Findings and Recommendations

The preceding discussion has illustrated many potential uses of performance information in the federal budget process and numerous examples, particularly at the agency level, where such information is already being used. There are also significant gaps in our understanding of performance-informed budgeting, and filling these knowledge gaps can contribute to making the budget process, in all stages, informed more by performance. This concluding section summarizes the key findings of this report and recommends actions that may be taken if the federal government is to make further progress in performance-informed budgeting.

Finding 1

The attention of the federal government to strategic planning and the supply of performance and cost information has increased substantially in the 10 years since the passage of the Government Performance and Results Act.

The George W. Bush administration took office at a time when much of the groundwork had been laid for performance-informed budgeting to gain more widespread acceptance. The Clinton administration could arguably not have done what the Bush administration is attempting to do now (certainly not in its first term) because this infrastructure had not been built. In that sense, GPRA is doing exactly what was expected—it has laid the foundation for the use of performance information. As difficult as it has been for the executive branch to increase the production of performance information, these challenges pale in comparison to the problems that agencies face in getting the data used for decision making. The impediments to the production of meaningful performance and cost information are largely technical ones. The impediments to the use of performance and cost information stem from a lack of incentives. Those incentives are likely to determine the fate of performance-informed budgeting.

Recommendation 1a

Current initiatives should not be replacements for the GPRA-required reports and process but should be consistent with the requirements of GPRA, in an effort to communicate a consistent message to federal managers whose cooperation is key to success.

In particular, OMB should make it clear to agencies that the current Program Assessment Rating Tool initiative and the President's Management Agenda are not "new" initiatives but are fully consistent with preexisting requirements under GPRA. An agency that is managing for results should find complying with GPRA and the PART initiative and "getting to green" on the PMA to involve a fully consistent set of management practices.

Recommendation 1b

Consistent with the requirement of OMB's "budget and performance integration" (BPI) initiative, planning and budgeting should be undertaken in concert with each other, not as disconnected processes.

The initial set of criteria provided to agencies for success in BPI explicitly stated that, in order to achieve success, agencies must coordinate strategic planning and budgeting, as opposed to conducting these two processes separately. Although the more recent criteria are less explicit concerning this coordination, it remains essential for planning to inform budgeting and for budgeting to inform planning. This means that GPRA initiatives need to be developed with an eye toward the resource implications of performance goals, and the budget needs to be developed in a way that clarifies the relationship between dollars and the achievement of desired results.

Recommendation 1c

Agencies should continue to focus on developing better performance and (particularly) cost information, and on linking these measures to the strategic goals of the agency.

Federal agencies have made substantial progress in developing better performance information, particularly on results. There are still many cases, however, where outcome information is a work in progress and where there is inadequate understanding of the relationship between agency activities and agency performance. Further, many agencies currently have even less information about costs than they do about performance, which impedes their ability to understand the relationships of cost to performance.

Finding 2

The federal government has never been in a better position to make its budget decisions more informed by considerations of performance.

The opportunities to use performance information for budgeting exist at each stage of the budget process but are particularly pronounced in budget execution. Contrary to the opinion of skeptics, there is evidence of sustained activity on multiple fronts. Presidents have not been consistently enthusiastic about performance-informed budgeting, and the Congress has given only lip service to the concept. Nonetheless, the sustained activity of many federal agencies over the past 10 years, coupled with the preexisting groundwork already laid in many agencies, have created a nurturing environment for performance-informed budgeting.

Recommendation 2a

For the most fruitful and immediate payoffs of performance-informed budgeting, attention toward further developing performance-informed budgeting should focus less on the Congress and more on how performance information can influence the management of resources within the executive branch.

A primary finding of a 1993 Congressional Budget Office report on the use of performance information for budgeting was that "the largest potential for real payoffs may be in the area of agency management of the resources once they have been provided in the budget process."[64] More than 10 years later, that remains true. There are temptations in some circles to declare that the budget cannot be more focused on performance because the Congress will not change (or at least has not changed) its behavior. Such a criticism is ill-founded, given the substantial potential of agencies to affect performance in budget development and budget execution.

Recommendation 2b

Federal agencies should seek to understand how they can use performance information at every stage of budget development, execution, and audit and evaluation.

Consistent with the previous recommendation, agency staff at each level of every federal agency should endeavor to understand how their management of resources contributes to the achievement of the agency's mission and the improvement of performance. This starts with developing a clear understanding of the relationship between the work that is done by employees at all levels of the agency and the achievement of that agency's strategic goals. It also involves building the agency budget request to OMB and the congressional budget justification with a clear focus on the relationship between resources and results. In budget execution, agency staff at all levels of the organization need to understand the implications that their resource management decisions (such as allocating funds to agency subunits, making discretionary grant awards, and awarding and managing contracts) have on the achievement of the agency's strategic goals.

Finding 3

The Congress can contribute to the ability of the federal government to engage in performance-informed budgeting, but progress is not wholly dependent on congressional action.

Even though federal managers have significant discretion to pursue improvements in performance independent of congressional action, there are clearly ways in which the Congress could enable these agencies to use their resources more efficiently. First, it can make performance expectations clearer, which would reduce the level of ambiguity for federal managers in budget execution. Second, it can reduce or eliminate impediments to agency performance, such as FTE floors or ceilings or earmarks. Finally, it can make more systematic use of performance information to drive the congressional oversight agenda.

Recommendation 3a

The Congress should focus on ways in which reforming the authorization process could provide clearer signals to agencies regarding congressional performance expectations.

This would include a more systematic authorization of federal programs and the clear articulation of performance expectations in authorizing legislation. This could have two positive effects: better articulating performance expectations for agencies and providing a clear basis for a congressional oversight agenda.

Recommendation 3b

The Congress should investigate the ways in which the constraints that it places on agencies impede the performance of those agencies.

For example, the Congress routinely imposes detailed input restrictions on agencies that may impede agencies from relocating staff, closing facilities, or taking some other action that could provide for more cost-effective programs. While the Congress is fully within its rights to impose these restrictions, its performance implications should be better understood. Further, the Congress needs to investigate ways in which reforming the account structure of federal agencies would assist in sending better signals concerning the relationship of cost to performance.

Appendix: An Agenda for Research

The previous section articulated a set of findings and recommendations of this report. One of the key implications of this report, however, is that substantially more needs to be learned about current practice and the ways in which future practice can be improved. This appendix presents five suggestions for a research agenda designed to further our knowledge of the current practice of performance-informed budgeting, provide models for future practice, and ultimately further the development of this important reform. This list is far from comprehensive, but it represents one attempt to articulate such a research agenda.

Research Recommendation 1

More effort should be made to evaluate performance-informed budgeting at the agency level.
Agency budget practices are rarely transparent to individuals outside of that agency. Yet, as this report demonstrates, the agency is at the center of efforts to both produce and use performance information in the budget process. Without the greater use of performance and cost information by agencies in the budget preparation stage, the information necessary for the Congress and OMB to make performance-informed decisions is unavailable. Further, the agency will not be able to use performance and cost information for budget execution if this information is not made available in a timely fashion to support both allocation decisions by agency leadership and resource management decisions by agency managers. Since the agency is involved in each stage of the budget process, studying the agency as the unit of analysis should enable a comprehensive look at the myriad ways that performance and cost information can be used in every phase. The most fruitful research approach would likely be to focus on those agencies that anecdotal information points to as engaged in performance-informed budget practice and evaluate them systematically and comprehensively to detail the many potential manifestations of performance-informed budgeting. The parts of agency budget practice that are least understood are those at the lowest level of the agency. It is important for any research on agencies to focus on opportunities to use performance information to allocate and manage resources at the "street level"—that is, where the agency comes in contact with the public—for example, in national parks or forests, local Social Security offices, or veterans' health facilities. At the conclusion of this research on agency budget practices (or separately), a "user's guide" to agency practices that best support performance-informed budgeting, highlighting budget execution, could be developed.

Research Recommendation 2

Research should be conducted on the use of logic models to make better conceptual connections between resources and results.
The integration of budget and performance information cannot occur simply through the provision of better cost information and better performance information. The two must be brought together. For that to occur, it is necessary to understand how the budget affects performance. The level of resources is one of many factors that can influence performance, particularly for programs administered by multiple agencies or relying on third parties (such as state or local governments) or where other fac-

tors outside of the direct control of the government have a substantial effect on performance. In these cases, successful performance-informed budgeting involves understanding what specific difference the level of funding makes—in other words, drawing logical connections among resources, program outputs, intermediate outcomes, and outcomes. A careful articulation of logical relationships is essential to performance-informed budgeting. The PART mechanism and the Bush administration's performance and budget integration initiative will not reach their potential without a clearer understanding of these connections.

Research Recommendation 3

The Program Assessment Rating Tool process should be evaluated in order to support improvements to the evaluation system and to the definition of "programs" to be reviewed.

The PART process can be perfectly consistent with the general movement of the federal government toward systems that make better use of performance information. In that respect, it should be welcomed by supporters of performance-informed budgeting. It has significant potential to increase the supply and the use of performance information. But it is a work in progress, and independent research on the PART instrument, its application, and the use of the PART information might contribute to improvements in all these areas. Three areas of inquiry might be particularly fruitful. First, the PART instrument itself should be evaluated to ensure that it is valid and consistent, on the one hand, and able to account for legitimate differences among programs, on the other. In particular, it needs to be monitored to ensure that standards are consistently applied across programs and OMB budget examiners. Second, the potential connection between PART results and resource needs to be better understood, perhaps through supporting the kind of logic models discussed previously. Third, the selection of programs for evaluation should be reviewed, both in terms of programs that are reviewed in given years (it might be useful to systematically consider programs with similar objectives or clientele in the same year, for example), and to ensure that the selection accounts for the wide range of policy "tools" available in the federal government, including tax expenditures, insurance programs, loans, and government corporations.[65]

Research Recommendation 4

More effort needs to be made to understand the data necessary to support performance-informed budgeting.

Substantial progress has been made in producing the data that are necessary to support performance-informed budgeting, but gaps still exist between the need for data to support budget decisions at various stages of the budget process and the availability of that information. For this reason, an evaluation of precisely what data are needed by individuals at different stages of the budget process would likely be fruitful. This analysis could cover several specific areas:

- The types of performance information that are necessary for individuals in federal agencies to use in both the budget preparation and the execution stages of the process. This analysis would focus on the different types of information that might be necessary for people at different levels of the organization. It would also focus on issues of timeliness and accuracy of data.
- An evaluation of the cost information necessary to support the connection of resources and results, in the agencies, the Congress, and OMB. This might include case studies of agencies that have made substantial use of cost information, including those heavily funded by user charges.
- Necessary revisions to government-wide information gathering and information systems in order to support performance-informed budgeting. This would include, but not be limited to, a discussion of a redesign of the OMB MAX budget system.[66]

Research Recommendation 5

Efforts should be made to better understand how the Congress can be more supportive of performance-informed budgeting, rather than simply focusing on the use of performance information by the Congress in the budget process.

There are many ways in which the Congress might use performance information in the congressional budget process. These uses, however, are likely to lag behind the use of performance information for other stages of the budget process. There are areas in which the Congress might be supportive of agency use of performance information for allocating and managing resources, and a clear articulation of these areas might help both the Congress and the agencies understand the relationship between legislative constraints and performance-informed budgeting at the agency level. A comprehensive listing may not be possible at present, but possible candidates for inclusion in such a study would be the following:

- A reform of the congressional authorization process to provide for more systematic authorization of federal programs, and the clear articulation of performance expectations in authorizing legislation. This could have two positive effects: better articulating of performance expectations for agencies and providing a clear basis for a congressional oversight agenda.
- An understanding of the constraints that the current account structure places on federal agencies, particularly where the relationship between account structure and "programs" is particularly tenuous.
- An articulation of other ways in which congressional directives place constraints on agency management—ways that prevent agencies from using their resources to maximize performance, including earmarks, FTE floors or ceilings, and other management directives. It is important to understand that the Congress clearly has the prerogative to impose any of these restrictions on agencies. It is equally necessary to understand their cost. A thorough evaluation of these practices would assist both the Congress and the agencies to understand the costs and the positive effects of these provisions.

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16. While GPRA had not succeeded in bringing performance measures into the budget process, it was clear that the integration of budget and performance was a key eventual goal of GPRA. See Breul, "Performance Budgeting in the United States," 12.
17. Office of Management and Budget, *The President's Management Agenda* (September 2001).
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19. Office of Management and Budget, *The President's Management Agenda*, 12.
20. To quote specifically from the President's Management Agenda: "In 1993, Congress enacted the Government Performance and Results Act (GPRA) to get the federal government to focus federal programs on performance. After eight years of experience, progress toward the use of performance information for program management has been discouraging." See Office of Management and Budget, *The President's Management Agenda: Fiscal Year 2002*, 27.
21. Office of Management and Budget, "Scorecard Standards for Success," Chapter 23 of *Fiscal Year 2003 Budget, Analytical Perspectives* (Washington, D.C.: U.S.

Government Printing Office, 2002), 415. It is worth noting that these standards have shifted since early 2003 to tie the standards more explicitly to the administration's PART initiative, but the new standards are still largely consistent with the guidelines presented here. See http://www.results.gov/standards.pdf.

22. Diana Espinosa, Deputy Assistant Director for Management, Office of Management and Budget, presentation before the Capitol.net Workshop on White House and Congressional Relations, May 20, 2003.

23. Philip G. Joyce and Susan Tompkins, "Using Performance Information for Budgeting: Clarifying the Framework and Investigating Recent State Experience," in K. Newcomer, E. Jennings, C. Broom, and A. Lomax, eds., *Meeting the Challenges of Performance-Oriented Government* (Washington, D.C.: American Society for Public Administration, 2002).

24. This following section relies heavily on the discussion contained in Rita M. Hilton and Philip G. Joyce, "Performance Information and Budgeting in Historical and Comparative Perspective," in B. Guy Peters and Jon Pierre, eds., *Handbook of Public Administration* (Sage, 2003).

25. Malcolm Holmes, "Budget Reform: Experiences from the Past 15 Years," Notes for a presentation to the South African Conference on Expenditure Budget Reform, Pretoria, South Africa, April 1–2, 1996.

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27. It is inherently risky to imply consensus among such a disparate group. Therefore, this list does not imply unanimity of opinion, but rather it is meant to capture those items where there was general agreement.

28. Beryl Radin, "Managing Decentralized Departments: The Case of the U.S. Department of Health and Human Services" (Arlington, Va.: IBM Center for The Business of Government, October 1999).

29. Office of Management and Budget, Circular A-11, Part 2, Preparation and Submission of Budget Estimates, Section 30-1.

30. Office of Management and Budget, Circular A-11, Part 2, Preparation and Submission of Budget Estimates, Section 30-1.

31. This definition of success is not intended to imply that federal managers are "empire builders" but rather that most managers are advocates for their programs and believe that more resources will enable them to carry out those programs more effectively, serve more constituents, or both.

32. The preceding discussion, of course, demonstrates an important point, which is that the introduction of more performance information into the budget process is not neutral. Clearly, there are also cases in which agencies and OMB would prefer that the performance effects of funding are not known. In fact, there are probably relatively few places where both OMB and the agency would be equally enthusiastic about having more performance information brought into the budget process. To the extent that performance information is available and used uniformly, however, it is less likely to become simply a political tool.

33. Statement of David M. Walker, Comptroller General of the United States, on *Performance Budgeting: Opportunities and Challenges*, before the Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations, House Committee on Government Reform and Oversight, and Subcommittee on Legislative and Budget Process, House Committee on Rules, September 12, 2002, 18.

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35. Congressional Budget Office, *Unauthorized Appropriations and Expiring Authorizations (Appropriations Version)* (Washington, D.C.: U.S. Government Printing Office, January 2002).

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37. Office of Management and Budget, "Budget and Performance Integration," Chapter 1 of *Budget of the United States Government, Analytical Perspectives*, Fiscal Year 2004 (Washington, D.C.: U.S. Government Printing Office, 2003).

38. Some have suggested making the budget resolution into a joint resolution, which would require the President's signature. While that would make the budget resolution more difficult to enact in a timely fashion, it would make it much more important for the President and the Congress to agree on the performance implications of the budget resolution. See Roy T. Meyers, "The Budget Resolution Should be a Law," *Public Budgeting and Finance* 10 Number 3 (Fall 1990), 103–112.

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41. General Accounting Office, *Managing for Results: Efforts to Strengthen the Link Between Resources and Results at the Nuclear Regulatory Commission*, GAO-03-258 (December 2002), 16.

42. For further details, see Hatry, Morley, Rossman, and Wholey, "How Federal Programs Use Outcome Information: Opportunities for Federal Managers," 35.

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48. General Accounting Office, *Managing for Results: Efforts to Strengthen the Link Between Resources and Results at the Veterans Health Administration*, GAO-03-10 (December 2002), 3.

49. General Accounting Office, *Results-Oriented Budget Practices*, 20.

50. Hatry, Morley, Rossman, and Wholey, "How Federal Programs Use Outcome Information: Opportunities for Federal Managers," 21–22.

51. Hatry, Morley, Rossman, and Wholey, "How Federal Programs Use Outcome Information: Opportunities for Federal Managers," 23–24.

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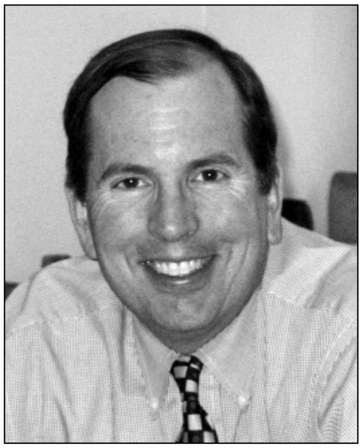

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