

P R E S E N T A T I O N

Best Practices: Budget Performance Integration

P R E S E N T E D

December 15, 2004

The Agenda

Tips on getting to Green

- Senior Agency Meetings
- Strategic Plans
- Marginal Costs of Performance
- Efficiency Measures
- Using the PART

Senior Agency Meetings

Best Practice: Department of Labor

- Monthly Management Review Board
 - Chaired by Asst. Secretary
 - All Agency Heads
 - Held Monthly
- Benefits / Results
 - All are kept informed
 - decisions are taken
 - best practices shared
 - outside experts speak to salient management issues
- Lessons Learned
 - Senior political and career staff interaction is a key good

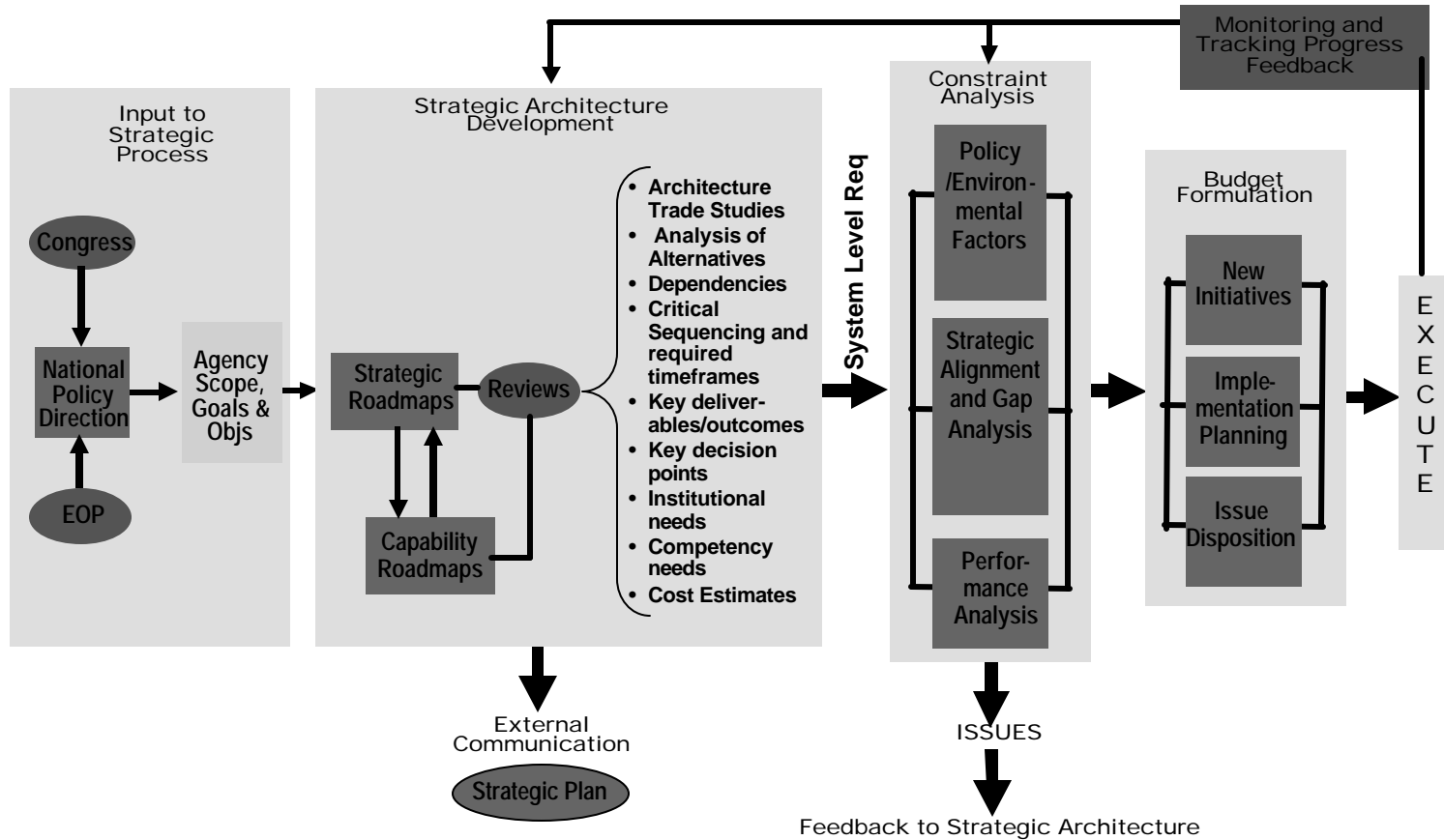
Strategic Plans

Best Practice: NASA

- Hierarchical approach to strategy
 - Strategic Objectives:Roadmaps:Performance Plans:Budget
 - Performance commitments and budget allocated to portfolios of major projects
- Challenges
 - The Research and Development planning process is time consuming.
 - Changes in strategic direction require time to re-develop entire hierarchy.
- Benefits / Results
 - Provides tools to trade critical sequences between objectives, or schedule and budget, to frame budget decisions
- Lessons Learned
 - Requirements system engineering is complex, lengthy and costs money, but is worth the investment.

Strategic Plans

Best Practice: NASA



Marginal Cost of Performance

Best Practice: Department of Transportation

- Description of Practice
 - Pilot effort to compare marginal benefits and marginal costs associated with added/reduced funding (Proof of Concept)
 - Agency budget submissions to estimate the effect of additional funds on performance and adjust performance targets accordingly
 - Budget submissions also include a discussion on how agency-level results link to DOT level outcomes
- Challenges
 - Need a fully mature cost accounting system or an effective alternative
 - Determining how multiple agency outcomes affect Departmental strategic objectives
- Benefits / Results
 - Helps agencies better articulate the impact of funding changes resulting in better justification of resource needs
 - Improved budget decision-making and understanding of budget trade-offs in performance terms
- Lessons Learned
 - Start marginal cost efforts with programs whose performance goals are not cross-cutting
 - Performance baselines must be established

Efficiency Measures

Best Practice: Department of Energy Top 10

1. Efficiency measures should be developed as decision making tools agreed to and used by the Department's managers to evaluate the overall use and allocation of Department resources.
2. Efficiency gains should be part of the budget justification and congressional request. (i.e. Efficiency gains can show the American public how well their tax dollars are being spent).
3. Efficiency measures should be written in such a way that they highlight an actual verifiable cost/time savings, increase in productivity or improvement in quality in the Programs and Offices of the Department / Agency.
4. All Efficiency Measures should contain the follow characteristics:
 - Meaningful and relevant to program and office management.
 - Clear and quantifiable
 - Trendable over several assessment cycles
 - Cost less to achieve than the efficiency gained
 - Work from an established baseline

Efficiency Measures

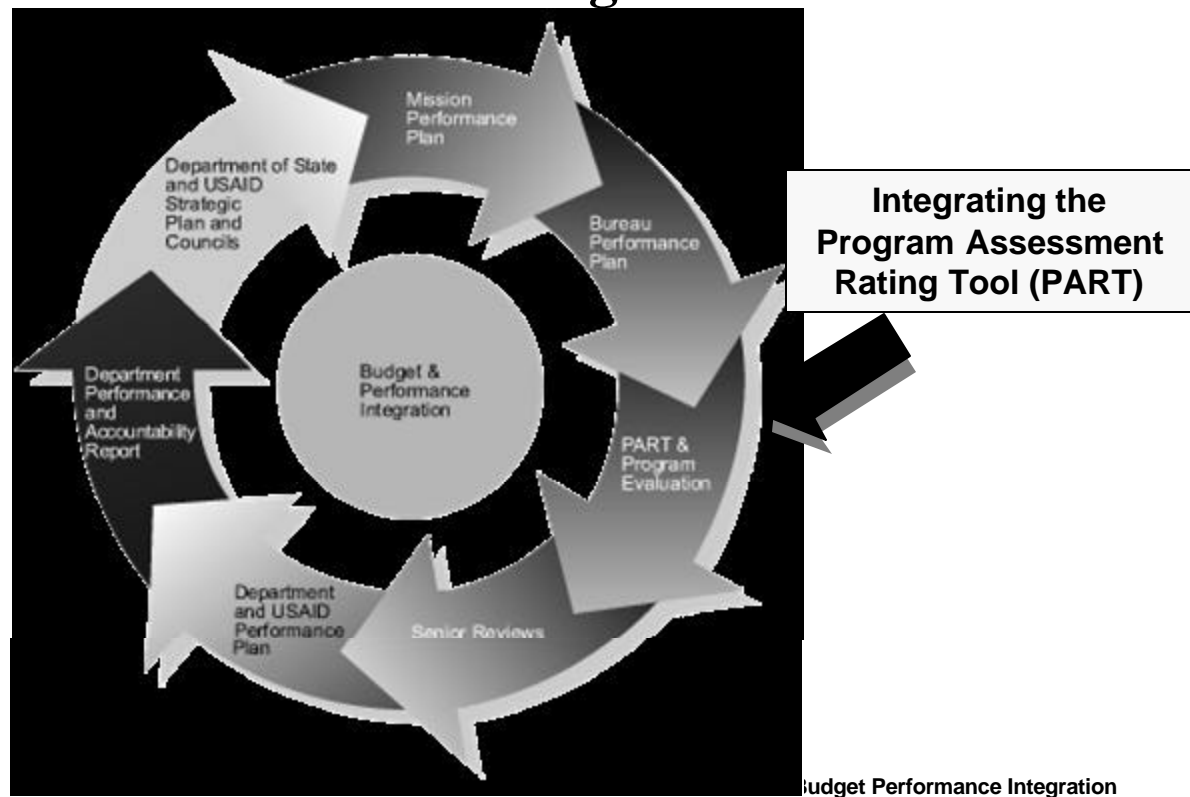
Best Practice: Department of Energy Top 10

5. Every efficiency measure should be adequately documented which supports quarterly results and stands up to an audit.
6. Efficiency measures should cover as much of the requested resources as possible.
7. Funds should be distributed and re-distributed internally to those organizations that produce actual efficiency gains.
8. Program or Offices where efficiencies gains are not achieved, within a specific period of time, should be highlighted as areas where audits or program reviews should be done.
9. Some Efficiency measures should be developed with a specific focus of comparing similar operations within DOE and other Government Agencies.
10. Programs or Offices with significant efficiency gains should share best practices.

Using the PART

Best Practice: Department of State

Department of State Performance Planning Model



Using the PART

Best Practice: Department of State

Description of Practice

- Better term – Integrating PART
 - PART as integral performance planning component
- PART and GPRA
 - Mutually reinforcing
 - Reconcile the two constructs
- Managing for Results focus

Using the PART

Best Practice: Department of State

Challenges/Opportunities

- Death to Stovepiping!
 - Effective PART reviews require reaching across offices/bureaus/agencies
 - Example – Andean Counterdrug Initiative (ACI) includes:
 - Dept. of State: Bureau of International Narcotics & Law Enforcement Affairs & Bureau of Western Hemisphere Affairs
 - U.S. Agency for International Development (USAID)
 - Office of National Drug Control Policy (ONDCP)
- Buy-in from stakeholders
 - Improves communication/coordination
- Suggests organizational changes

Using the PART

Best Practice: Department of State

Benefits/Results

- Awareness of complementary – not competing – bureau, agency roles
- Crosscutting goals/strategy linkages
- Expands program managers, budgeteers roles
- PART data/information now integral element of performance planning database
 - Data/info available for analysis, reports, crosscuts

Using the P ART Best Practice: Department of State

Benefits/Results

Year	Average Scores	% of Programs Rated “Results Not Demonstrated”	% of Programs Rated “Effective”
2002	65%	33%	0%
2003	75%	18%	29%
2004	85%	0%	76%

- Between 2002 & 2004, the Department raised its overall average P ART score by approximately ten percentage points each year.
- The Department has reduced the “Results Not Demonstrated” ratings and maximized the “Effective” ratings.

Using the PART

Best Practice: Department of State

Lessons Learned

- Senior leadership must embrace and support effort
- Full-year, ongoing endeavor
 - In lexicon of all program managers
 - Ongoing education; breakdown resistance
- Need OMB guidance for cycle planning
 - Full PART reviews/updates
 - 1040 EZ
 - Refine use

Appendix

BPI Criteria

Green Standards for Success

1. **Senior agency managers meet at least quarterly** to examine reports that integrate financial and performance information that covers all major responsibilities of the Department. Agency demonstrates improvement in program performance and efficiency in achieving results;
2. **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;
3. Has **performance appraisal plans** and awards programs for all SES and managers, and more than 60% of agency positions that effectively: link to agency mission, goals and outcomes; hold employee accountable for results appropriate to their level of responsibility; differentiate between various levels of performance; and provide consequences based on performance. The agency is also working to include all agency employees under such systems;
4. **Reports the full cost of achieving performance goals** accurately in budget and performance documents and can accurately estimate the marginal cost (+/- 10%) of changing performance goals;
5. Has at least **one efficiency measure** for all PARTed programs; and
6. **Uses PART evaluations to direct program improvements**, and PART ratings and performance information are used consistently to justify funding requests, management actions, and legislative proposals. Less than 10% of agency programs receive a Results Not Demonstrated rating for more than two years in a row.