

**NATIONAL ADVISORY COUNCIL
OFFICE OF MANAGEMENT AND BUDGET
PERFORMANCE MEASUREMENT ADVISORY COUNCIL
SUMMARY OF MEETING**

June 27, 2002

The Performance Measurement Advisory Council (PMAC) was convened for its inaugural meeting at 8:30 A.M. on June 27, 2002, at the White House Conference Center, Washington, D.C. Thomas Reilly, the Council's Designated Federal Officer, opened the meeting along with Mortimer Downey, the Council's Chair.

In accordance with the provisions of Public Law governing Federal Advisory Committees, the meeting was open to the public.

Council members present:

Mortimer L. Downey III
William Eggers
Harry P. Hatry
Patricia Ingraham
Donald F. Kettl
Joseph Wright, Jr.

Staff members of the Office of Management and Budget (OMB) attending were:

Thomas Reilly, Designated Federal Officer
Marcus Peacock
Reid Cramer
Diana Espinosa
Mathew Schneider
Dana Ayers
Christina Cianflone

Other OMB representatives present for all or a portion of the meeting were:

Mitchell Daniels, Jr., Director of OMB
Cynthia Christian, Committee Management Officer
Mary Cassell
Michael Hickey
Kimberly Luczynski
Anthony Piccininno
Jack Kelly
Norris Cochran

Welcome and Introductions

Marcus Peacock discussed the Purpose, Scope, and Goals of the PMAC, which are mainly to assist OMB on matters related to improving the measurement of program performance and integrating such information in making management and budget decisions.

Members introduced themselves.

Discussion of Administrative Issues with Regard to the PMAC

Matthew Schneider, of the OMB General Council's Office, presented an overview of ethical rules governing the PMAC as a Federal Advisory Committee.

Discussion of Ratings Exercise

Marcus Peacock made a presentation to the Council on OMB's intention to conduct program rating assessments for 20% of federal programs in the President's 2004 Budget. He placed the ratings exercise within the Context of the President's Management Agenda and the Results Act (GPRA), and described how the assessments would be integrated into the Budget process.

Peacock discussed how OMB has approached the exercise. An internal task force of staff from various divisions of OMB developed a process to make the ratings exercise robust and consistent across government programs. This task force, called the Program Evaluation Team (PET), developed a Program Assessment Rating Tool (PART) as a diagnostic tool focusing on program effectiveness. The PART is a set of questions designed to construct a program assessment that can be used to influence resource allocations and develop management reform proposals.

The PART was tested during a series of Spring Review meetings with the OMB Director, and the PET has recommended a series of refinements. OMB intends to incorporate feedback from agencies, examiners, and the PMAC to complete revision of the tool so that assessments can be completed during the summer and results presented in the fall during the development of the 2004 budget.

Marcus Peacock fielded questions from Council members regarding the PART, its effectiveness, relationship to GPRA, and proposed uses.

Harry Hatry commented that agency performance reports are improving and although many performance indicators currently reported by federal agencies are still not ideal, they are still relevant to citizens. He was unclear as to why these indicators shouldn't be the basis for a review of program effectiveness. Hatry was concerned that the PART is too subjective and that not enough emphasis is placed on results data.

Reilly acknowledged the presence of subjectivity in the process but expected it to be minimized through consistent guidance and the transparent display of evidence. To the extent that relevant data is now being measured, it will be captured by the PART. Joe Wright emphasized that OMB staff have always exercised subjective judgement when providing advice to OMB Directors, the PART makes public and transparent the questions OMB asks in advance of making judgements. This opens up any subjectivity in that process for discussion and debate.

Patricia Ingraham noted that quality control steps will need to be enacted to ensure that the tool is applied consistently. Reilly acknowledged that OMB recognizes the importance of quality control.

Joe Wright argued that it is difficult for management initiatives to become institutionalized. The PART may work well as an internal decisionmaking mechanism but survival will require agency participation and Congressional support from authorizers and appropriators. Mortimer Downey commented on the advantage of linking this effort to the legal requirements of GPRA, a point that was supported by many members who recognized the importance of working with Congress.

In responding to a question on how the score will be used in the development of the budget, Peacock indicated that the rating tool will have a significant influence on resource allocation and proposed management reforms, however, other factors will be considered. There will be no mathematical correlation between scores and funding levels. Outcomes of the use of the PART could include increases or decreases in resources, or could be the basis for initiatives to overcome causes of low program effectiveness.

William Eggers expressed support for the common measures exercise that seeks to develop a comparative basis for evaluating programs with similar goals and objectives. He asked OMB staff to clarify how this approach was captured in the PART. OMB staff responded that the revised PART had a specific question dealing with comparative efficiencies of achieving program results. The Council generally agreed that the common measures exercise is an interesting approach worth pursuing and they would give future consideration as to how to best expand the effort?

Eggers asked about whether the PART could incorporate a question that captures the degree of collaboration among like-minded programs, extending beyond the common measures approach where programs are competing with each other to do the same activity more effectively or efficiently. This question type could ultimately give programs credit for building constructive synergies with each other.

There was additional discussion regarding the difficulty of evaluating performance in programs where the Federal government is the funder but not the implementer.

Review of the Program Assessment Rating Tool (PART)

Reilly described the consultation and outreach processes to date, including targeted meetings with agencies and testing in Spring Review. These efforts have identified a number of issues that OMB must address before moving forward with the effort. Several of these issues require clarification but not changes to the PART. These include clarifying the PART's role in the budget process, resolving differences in rating within OMB and between OMB and agencies, and describing the relationship of the PART to GPRA.

A second set of issues that will require changes to the PART or consideration about how program assessments will be scored and presented. Reid Cramer presented these issues to the PMAC as a series of decision items for OMB for which PMAC advice was being sought.

Decision Issue 1: Should there be a Program Purpose/Federal Role section in the PART? If there is a Federal role section, should that section be more "objective"?

The Council agreed with OMB staff's recommendation in revising this section to remove overtly subjective and political questions, such as "Is the federal role critical?" Several members emphasized that this is a threshold question and should be asked of programs outside of the PART. The Council agreed that the PART would never be free from subjectivity, but steps should be taken to minimize subjectivity. Several Council members had concerns with evaluating programs on features that are outside of the program's control. Ingraham questioned the implication for programs with multiple purposes, recognizing that at times some purposes are conflicting with or elevated over others. Hatry was concerned with the subjectivity in evaluating a program's purpose. Downey was concerned about the overlap between various approaches to specific objectives, such as the choice between grants and regulations to encourage a particular action.

Decision Issue 2: Should the composite score be retained and displayed in the budget?

The Council discussed the importance of presentation issues and did not reach a consensus recommendation regarding how program assessment ratings should be presented. This will be an issue for future consideration, especially with regard to how results should be weighted and presented. Downey noted that results and management often do not come together cleanly. Hatry argued that it is important to maintain a focus on results. In this sense, each program could have a results score and the other three sections of the PART could be combined into a "management process" score.

Eggers noted many states and governments have made advances in performance budgeting, often by trying to specify how resources tie to program outputs and outcomes. However, OMB is trying to make an additional connection to evaluating program effectiveness. Combining both of these endeavors in the same process has not been done and breaks significant new ground.

Decision Issue 3: Should banded scores and assignment of overall effectiveness rating be relative (i.e., on a curve), or absolute?

The Council agreed with the OMB staff recommendation to set a standard rather than rely on a relative distribution of scores.

Decision Issue 4: Should the yes/no format be changed?

The Council agreed with the OMB staff recommendation to alter the PART by recognizing partial achievement of program goals, but retaining the clarity of yes/no answers in the diagnostic sections of the PART.

Decision Issue 5: Should new programs be assessed differently from established programs?

The Council agreed with the OMB staff recommendation to score new programs on Sections 1-3 only, excluding Results, perhaps for the first 2-3 years (the timeframe would need to be agreed upon in advance). The advantage of this option is that the PART can still be applied to new programs and provide useful information on agency planning and management efforts.

Decision Issue 6: Giving Credit for Program Improvements.

The Council agreed with the OMB staff recommendation to modify the strategic planning and management sections of the PART to ask specific questions about improving programs.

There was substantial discussion among council members concerning the challenges inherent in identifying any program's most salient performance measures, given the impact of political judgement, diverse and broad program objectives, and subjective standards.

Discussion of Presentation Issues

OMB Director Mitchell Daniel, Jr. joined the Council's discussions and indicated an interest in exploring options for presenting program assessment information in the Budget. He asked the Council to continue to provide feedback on this issue. The Director envisions the program assessments developed with the PART to drive GPRA efforts.

Joe Wright applauded the effort of OMB to develop a tool to help integrate program performance into the budget process. The key issue for OMB will be how does it publish this information and in what format. This is where the PMAC can provide useful feedback.

Hatry proposed separating a presentation of a results assessment that focus on outcome indicators from a management assessment. He thought this would reduce subjectivity.

Donald Kettl thought that ultimately there should be a focus on results. However, it is important for the assessment tool not to overlook management because it is constructive to focus federal managers on the practices of managing effectively. He proposed an alternative where a score based on the first three sections of the PART could be published separately from a Results score, and an overall assessment would then be calculated based on a weighting of these two scores.

Next Steps

The next meeting of the PMAC will be scheduled in September. Potential agenda items include budget presentation of program assessments and common measures.

ADJOURNMENT

The meeting adjourned at 1:45 p.m.

I hereby certify that, to the best of my knowledge, the foregoing minutes are accurate and complete.

Thomas Reilly, Designated Federal Officer

The Council at its next meeting will formally consider these minutes, and any corrections or notations will be incorporated in the minutes of that meeting.