

# **CIRCULAR NO. A-11**

## **PART 6**

# **PREPARATION AND SUBMISSION OF STRATEGIC PLANS, ANNUAL PERFORMANCE PLANS, AND ANNUAL PROGRAM PERFORMANCE REPORTS**



**EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET**

**JUNE 2002**

**SECTION 200—OVERVIEW OF STRATEGIC PLANS, ANNUAL PERFORMANCE PLANS,  
AND ANNUAL PROGRAM PERFORMANCE REPORTS**

**Summary Schedule**

Initial FY 2004 performance plan to OMB.....	September 2002
Revised final FY 2003 performance plan completed.....	October-December 2002 (after final appropriations action)
Final FY 2004 performance plan sent to Congress.....	February-March 2003
Interim adjustments to strategic plans sent to Congress in 2003.....	February-March 2003 (with annual performance plans for FY 2004)
FY 2002 performance and accountability reports* to President and Congress.....	by February 1, 2003
FY 2002 program performance report to President and Congress.....	by February 27, 2003
Draft updated strategic plan to OMB.....	by March 1, 2003
Initial FY 2005 performance plan to OMB.....	September 2003
Revised final FY 2004 performance plan completed.....	October-December 2003 (after final appropriations action)
FY 2003 program performance report to President and Congress.....	by February 27, 2004
FY 2003 performance and accountability reports* to President and Congress.....	by February 1, 2004
Updated and revised strategic plan sent to Congress and OMB.....	by September 2003 (within three years of the date of transmittal of the previous updated and revised strategic plan to Congress)
FY 2004 program performance report to President and Congress.....	by February 27, 2005
FY 2004 performance and accountability reports* to President and Congress.....	by November 15, 2004 (this date is preliminary, and not officially established).

\* Performance and accountability reports are prepared by the Cabinet departments and ten major agencies covered by the Chief Financial Officers Act.

**200.1 Overview.**

Strategic plans, annual performance plans, and annual program performance reports comprise the main elements of the Government Performance and Results Act (GPRA, or the Results Act). Together, these elements create a recurring cycle of planning, program execution, and reporting.

**SECTION 200—OVERVIEW OF STRATEGIC PLANS, ANNUAL PERFORMANCE PLANS,  
AND ANNUAL PROGRAM PERFORMANCE REPORTS**

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These plans and reports are developed for use by:

- agency officials and staff in leading, managing, and carrying out Federal programs and activities;
- the President and Congress when forming programmatic and policy decisions, and for oversight;
- the public for information on the purpose and effectiveness of programs and activities, and the resources spent in conducting them.

By forging a strong link between resources and performance, these plans and reports should show what is being accomplished with the money that is being spent. Accountability for the levels of performance actually achieved is another key feature of GPRA. A major initiative is currently underway to help build this linkage and increase the value and use of program performance information in resource and management decisions. A main feature of this initiative is an ongoing assessment of program effectiveness. Over the next several years, this assessment will span all Executive branch programs.

The strategic plans provide the framework for implementing all other parts of this Act and set out a course of action and accomplishment over the long term.

Complementing the strategic plans are annual performance plans that set annual goals with measurable target levels of performance, and annual program performance reports that compare actual performance to the annual goals. Together, these should define a course to improve the performance of government programs and operations, and the basis for the Federal Government to manage for results.

The Reports Consolidation Act of 2000 made several amendments to the Results Act, including allowing agencies that prepare accountability reports (which contain financial information) to combine this report with their program performance report. OMB is directing the 24 departments and agencies subject to the Chief Financial Officers Act to prepare a combined performance and accountability report, and to submit the FY 2002 report by February 1, 2003.

GPRA requires that a government-wide performance plan be prepared annually by OMB as a part of the President's budget. The government-wide plan is based on the agency performance plans.

Agencies may receive waivers of certain, non-statutory administrative-type requirements established by other agencies. These waivers are intended to provide greater managerial flexibility in exchange for greater accountability for achieving performance goals. Requests for waivers are received and reviewed in conjunction with the annual performance plan. As waivers of administrative requirements, these are distinct from the elimination of statutory barriers that impede efficient and effective management. The proposed Freedom to Manage Act would establish a procedure for removing these statutory provisions.

**200.2 Definitions.**

General goal:

Included in a strategic plan, this goal defines how an agency will carry out its mission over a period of time. The goal is expressed in a manner which allows a future assessment to be made of whether the goal was or is being achieved. The goal may be of a programmatic, policy, or managerial nature. General goals are predominately outcome-type goals.

General objective:	Included in a strategic plan, a general objective is synonymous with a general goal.
Outcome goal:	A description of the intended result, effect, or consequence that will occur from carrying out a program or activity.
Output goal:	A description of the level of activity or effort that will be produced or provided over a period of time or by a specified date, including a description of the characteristics and attributes (e.g., timeliness) established as standards in the course of conducting the activity or effort.
Performance goal:	Included in the annual performance plan. A target level of performance expressed as a tangible, measurable objective, against which actual achievement can be compared, including a goal expressed as a quantitative standard, value, or rate. Performance goals can be either outcome or output goals.
Performance indicator:	Included in the annual performance plan, and is directly associated with a performance goal. A particular value or characteristic used to measure output or outcome.
Performance measure:	A performance goal or performance indicator.
Program activity:	A specific activity or project as listed in the program and financing schedules of the annual budget of the United States Government. (See also <a href="#">section 220.3</a> on program activity and <a href="#">subsection 221.1(a)</a> on the program and financing schedule.)
Program evaluation:	An assessment, through objective measurement and systematic analysis, of the manner and extent to which Federal programs achieve intended objectives.
Strategic objective:	A statement of aim or purpose that agencies may include in a strategic plan. Strategic objectives are not directly measurable; they can be used to group general goals.

### **200.3 Applicability.**

For the purposes of Part 2 of this Circular, "agency" means cabinet departments and other establishments of the Federal government, including independent agencies and Government corporations. A government corporation is a corporation owned or controlled by the Federal government. The Legislative Branch and the Judiciary are not subject to GPRA requirements.

Except as noted below, agencies are required to submit strategic plans, annual performance plans, and annual program performance reports to the President, Congress, and OMB in accordance with these instructions. The Central Intelligence Agency and the Postal Rate Commission are not subject under this statute to the requirements for strategic plans, annual performance plans, or program performance reports. These instructions also do not apply to the Postal Service; preparation and submission of the Postal Service's strategic plan and performance plan are covered by Section 7 of GPRA.

**SECTION 200—OVERVIEW OF STRATEGIC PLANS, ANNUAL PERFORMANCE PLANS,  
AND ANNUAL PROGRAM PERFORMANCE REPORTS**

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OMB may exempt independent agencies with \$20 million or less in annual outlays from the requirements for a strategic plan, annual performance plan, and annual program performance report. GPRA does not authorize any exemption of a component of a department or independent agency, such as a bureau or office, that annually spends \$20 million or less.

## SECTION 210—PREPARING A STRATEGIC PLAN: THE MAIN ELEMENTS

**Highlights for 2002–2003 and Section Index****Highlights**

- The general goals (outcomes) will be used to develop a program-based budget presentation for the FY 2005 and future year budgets. In the near term, changes to the current budget account structure will be limited.
- As agreement on the general goals will be critical to developing this budget presentation, a completed draft of the updated and revised strategic plan should be sent to OMB by March 1, 2003. Most agencies should submit an updated and revised strategic plan to Congress and OMB by September 30, 2003.
- The program-based budget presentation will allow the cost of achieving a general goal to be calculated.
- As defined, the general goals should help support assessments of program effectiveness. As needed, agencies should simplify the set of general goals, and orient these toward program outcomes.
- General goals for administrative functions or management initiatives should be included only on an extraordinary basis.
- An increased emphasis is placed on program evaluations.

**Main Section Index**

Section 210.	Preparing a Strategic Plan: The Main Elements
Exhibit 210.	Section 3 of the Government Performance and Results Act
Section 211.	Preparing a Strategic Plan: Format and Other Features
Section 212.	Submission of Strategic Plans
Section 213.	Making interim Adjustment to Strategic Plans.

Sections 210 and 211 provide instructions for preparing your agency's strategic plan, and outline the relationship between strategic plans and annual performance plans. Section 212 covers the submission and timing of your updated and revised strategic plan (the updated plan) and consulting with Congress during its preparation. Interim adjustments to a strategic plan are addressed in Section 213.

**Index for Section 210**

- 210.1 Introduction
- 210.2 Comprehensive mission statement
- 210.3 General goals and objectives
  - (a) Nomenclature of general goals and objectives, and the relationship between various types of goals.
  - (b) Significance of the general goals
  - (c) Defining the general goals
  - (d) Using the general goals to create a framework for the budget.
- 210.4 Describing how the general goals will be achieved.
- 210.5 Relationship between goals in an annual performance plan and goals in a strategic plan.
- 210.6 Key factors affecting achievement of general goals.
  - (a) In general.
  - (b) Identifying key factors in the strategic plan.
- 210.7 Program evaluations and strategic plans.
  - (a) Types of program evaluations.
  - (b) Future program evaluations.
  - (c) Completed program evaluations.

**210.1 Introduction.**

The basic requirements for strategic plans are set forth in Section 3 of GPRA (see [Exhibit 210](#)). A strategic plan contains the following elements:

- A comprehensive mission statement; (see [section 210.2](#))
- A description of general goals and objectives; (see [section 210.3](#))
- A description of the means and strategies that will be used to achieve the goals and objectives; (see [section 210.4](#))
- A description of the relationship between performance goals in the annual performance plan and general goals and objectives in the strategic plan; (see [section 210.5](#))
- Identification of key factors that could affect achievement of the general goals and objectives; (see [section 210.6](#)) and
- A description of program evaluations used, and a schedule for future evaluations. (see [section 210.7](#))

Your agency's strategic plan keys on those programs and activities which carry out your agency's mission. You may supplement this programmatic focus by selectively including a goal(s) for an administrative function or management initiative of exceptionally critical importance to achieving your program goals.

Your agency should use the strategic plan to help align its current budget structure with its missions and goals. Major changes to the budget presentation to bring about much greater integration of budget and performance are proposed for FY 2005. The framework for this integration will be based on the general goals in your strategic plan. (See [section 221.2](#) on budget-performance integration in future budgets.) To support a major ongoing initiative assessing the effectiveness of Federal programs, the strategic plan should include, where known, the outcome goals being used in this assessment, and selectively identify related output goals as well.

In matching programs and activities to your mission and goals, the strategic plan can also help in re-aligning and re-engineering functions and operations. Preparation of a plan also provides an opportunity to consider programs and activities that can be terminated, reduced in scope, or transferred elsewhere.

Strategic plans should guide the formulation and execution of the budget. Your strategic plan is a tool to be used in setting priorities and allocating resources consistent with these priorities. A strategic plan is not a budget request, and the projected levels of goal achievement must be commensurate with anticipated resource levels.

### **210.2 Comprehensive mission statement.**

***Summary of requirement:*** An agency strategic plan must include a mission statement.

A mission statement is brief, defining the basic purpose of your agency, and corresponds directly with your core programs and activities. Your agency's program goals should flow from the mission statement.

### **210.3 General goals and objectives.**

***Summary of requirements:*** An agency strategic plan must include one or more general goals. The goal(s) must be defined in a manner that allows a future assessment to be made on whether the goal was or is being achieved.

*(a) The nomenclature of general goals and objectives, and the relationship between various types of goals.*

GPRA specifies that a strategic plan "contain general goals and objectives". The terms 'general goal' and 'general objective' are, from a practical standpoint, synonymous. Agencies may use either term, the decision largely being a stylistic choice. In this Circular, the term 'general goal' means 'general goal and objective.'

General goals are defined in an agency strategic plan. Performance goals are defined in an agency performance plan. Performance goals are annual, and must be quantitative or directly measurable. General goals are multi-year and long-term. Some general goals are quantitative or directly measurable; those that are not must be defined in a manner that allows a future assessment to be made of whether the goal was achieved. A program evaluation is often used to make such an assessment. A general goal due to be achieved in a particular fiscal year is also a performance goal in that year.



### Illustrative Examples of General Goal Definitions

<i>Quantitative:</i>	Seventy percent of American households will own their own home in 2010.
<i>Directly measurable:</i>	Complete the sequencing of the horse genome by June 2005.
<i>Assessment-based:</i>	Educational attainment at grade nine of children who participated in the Sure Learn program will be at least equal to the attainment level of all similarly aged children.

Some agencies include 'strategic objectives' or 'strategic goals' in their strategic plan. Typically, such objectives represent overarching statements of aim or purpose whose achievement cannot be determined. An example of a strategic objective is to 'promote the intellectual and social development of young children.' Strategic objectives may be used to group outcome or output goals. (See also [subsection 211.1\(c\)](#)).

Section 200.2 defines outcome and output goals. These two types of goals are found in agency strategic and performance plans. (Performance goals in an annual plan may be either outcomes or outputs.) Some agencies include a third type, an intermediate outcome goal. Intermediate outcomes represent progress in achieving an 'end' outcome; e.g., an 'end' outcome goal of complete sequencing of the horse genome by 2005, and an intermediate outcome of complete sequencing of 55 percent of the horse genome by 2003.

Additionally, some entities measure inputs and impacts; however, these measures are not commonly included in strategic or annual plans.

- An impact goal describes the effects and consequences generated, in part, through the achievement of an outcome. These effects are often indirect and difficult to calculate or attribute. An impact goal is a higher-order goal than an outcome goal.
- An input measure defines the resources and capabilities an agency or manager has available or will receive to achieve an outcome or output. These can include funding, personnel, equipment, facilities, supplies-on-hand, goods or services received, work processes, or rules. Many of the means and strategies described in strategic and annual plans can be characterized as inputs. One agency's output can be another agency's input.

### Illustrative Examples of Outcome, Output, Input, and Impact Measures

#### A Job Training Program

Input:	\$900 million in appropriated funds.
Output:	Annually provide job training and job search assistance to one million welfare recipients within two months of their initial receipt of welfare assistance.
Outcome:	40 percent of welfare recipients receiving job training are employed three months after completing job training.
Impact:	Job training increases the employment rate of welfare recipients from 30 percent (the employment level of comparable welfare recipients who did not receive job training) to 40 percent (the employment rate of those welfare recipients who did receive job training).

#### A Disease Eradication Program

Inputs:	<ol style="list-style-type: none"> <li>1.) 17 million doses of vaccine</li> <li>2.) 150 health professionals</li> <li>3.) \$30 million in FY 2003 appropriations</li> </ol>
Outputs:	<ol style="list-style-type: none"> <li>1.) Confine disease incidence in 2003 to only three countries in South America, and no more than 5,000 reported cases. (Some would characterize this step toward eradication as an intermediate outcome.)</li> <li>2.) Complete vaccination against this retrovirus disease in 84 percent of the Western Hemispheric population by December 2005.</li> </ol>
Outcome:	Completely eradicate this retrovirus disease by 2015
Impact:	Reduce health treatment and care costs in Latin and Central America by two percent annually by eliminating a disease that affects 1 in every 200 people living in infested areas, which is progressively and completely disabling, and with annual treatment costs of \$3,500 per case.

*(b) Significance of the general goals.*

Strategic plans set out the long-term goals of your agency, outlining planned accomplishments and the schedule for their implementation. These goals are drawn from the agency's mission, and can be grouped in support of a particular strategic objective.

The general goals should be sufficiently precise to direct and guide agency staff in actions that carry out the agency's mission. Having a well-defined set of general goals will aid an agency in developing the annual performance goals, which should be based on the general goals. (See [section 210.5](#) on the relationship between general goals and annual performance goals.) An agency may rely on the actions of others in achieving a general goal (see [section 210.6](#)).

To the extent practicable, the goals should assist in helping assess program effectiveness. (See [subsection 220.3\(c\)](#) for information on including program effectiveness measures in an annual performance plan.)

*(c) Defining the general goals.*

General goals may be expressed in quantitative or directly measurable terms. Achievement of goals defined in this way is relatively straightforward. General goals may also be defined as a text statement of future accomplishment. Such statements are not quantitative or directly measurable, but rely on a future evaluation or assessment being done of whether the goal was achieved. Care must be taken that the goal definition facilitates the conduct of the future evaluation. In some instances, the performance goals in the annual plan may serve as a proxies for an assessment.

In defining general goals, agencies should avoid platitudes or rhetoric that is inherently unmeasurable, either directly or through the use of evaluations or performance goal proxies.

General goals should predominately be outcomes. This does not preclude having an impact goal as a general goal, but potential difficulties in determining the basis for any actual impact need to be considered. For example, the achievement of an outcome goal of eradicating a certain disease may also affect longevity, with increased longevity being an impact. A determination of whether the disease was eradicated is easily done; however, an extrapolation that eradication led to an achievement of an impact goal of increasing the average national lifespan by two months could be complicated by numerous other factors affecting longevity. An output may also be a general goal, but these should be few in number.

*(d) Using the general goals to create a framework for the budget.*

Beginning with the FY 2005 Budget, the general goals in your strategic plan will be used to help present the linkage between resources and performance in the budget. In selected instances, budget accounts may receive new titles, corresponding to general goals (outcomes), and the current list of program activities within an account being converted to a list of outputs, or possibly outcomes. More commonly, informational tables will be created in the budget documents. These tables will array resources with outputs, and sum such resources for outcomes. Informational tables will not require a restructuring of budget accounts.

For most agencies, these displays will represent a major transformation in budget presentation, and this underscores the importance of having a well-defined set of general goals in your updated strategic plan. With outcomes constituting the main framework for the linkage of resources and performance, agencies must be particularly attentive to developing a set of goals that will facilitate the performance resources alignment that will appear in future budget documents.

Exhibit 221 contains several illustrative examples of what Program and Financing Schedules and informational tables might look like in the FY 2005 Budget. You should use these examples to gauge the extent of the changes your agency will need to make to the current budget account structure. Further instructions on changes to the account structure will be provided early in 2003.

**210.4 Describing how the general goals will be achieved.**

***Summary of requirements:*** The agency strategic plan must describe the processes, skills, technologies, and various resources that will be used to achieve the general goals. (These are often called 'means and strategies'.)

This element describes how your agency is going to achieve its general goals. Achievement may rely on your agency retaining, developing, or extending certain capabilities or capacities. Descriptions of the ‘means and strategies’ can encompass:

- Operational processes, such as changes in work methods or sequencing, workforce adjustments, and shifts in responsibility for particular tasks;
- Staff skills, and the development, introduction, and use of technologies; and
- Human, capital, information, and other resources.

Descriptions should be brief. More detailed data should be provided if a significant change in a particular means or strategy will be essential for goal achievement.

Management initiatives and restructuring or other changes to administrative functions should not be covered in this section. (See [subsection 211.1\(d\)](#) for coverage of management initiatives and reforms.) As noted in section 210.1, you may include a general goal for an exceptionally important initiative or reform. Before doing so, you should consider how awkward it would be to create an account or program activity within a budget account for such a goal in the future budget structure.

Your agency should use reasonable projections of the funding and staff that will be available over the time period covered by the plan. You include schedules for initiating or completing significant actions, and any underlying assumptions or projections.

The strategic plan should summarize your agency's efforts to provide high quality and efficient training and skill improvement opportunities for employees.

As appropriate, achievement of goals may rely on tax expenditures, user charges, other types of collections, regulation, or activities and products of other Federal agencies, States, local governments, or non-governmental entities. Reliance on other governments or parties should be addressed in key external factors (see [section 210.6](#)).

#### **210.5 Relationship between goals in the annual performance plan and goals in a strategic plan.**

*Summary of requirement:* A strategic plan must describe the relationship between the general goals in the strategic plan and the performance goals (and indicators) in the annual performance plan.

The performance goals in your agency's annual performance plan should be based on the general goals in your strategic plan.

An updated and revised strategic plan should briefly outline:

- The type, nature, and scope of the performance goals being included in annual plans, and
- How these annual performance goals relate to the long-term, general goals, and their use in helping determine the achievement of the general goals.

To a great extent, the performance goals indicate the progress in a fiscal year toward achieving the strategic plan's general goals. As such, performance goals that represent milestones in achieving the general goals of a strategic plan may be appropriate. General goals in strategic plans and performance goals in annual plans may be identical in some cases, especially when outcome goals are to be achieved in a particular year.

**210.6 Key factors affecting achievement of general goals.**

**Summary of requirement:** A strategic plan should identify those key factors, external to the agency, that could significantly affect the achievement of general goals. If key factors cannot be identified, a statement of such should be included in the plan.

*(a) In general.*

Achievement of general goals can be affected by certain previously prospective conditions or circumstances actually occurring during the time period covered by the plan. These conditions or circumstances are identified in the plan as key factors, and provide insight on the presumptions an agency used when defining its goals. Key factors may enhance or nullify these assumptions and the likelihood of goal achievement.

These factors are often called external factors, as they are introduced by external forces or parties, and are not of the agency's own making. The factors may be economic, demographic, social, or environmental, and they may remain stable, change within predicted rates, or vary to an unexpected degree. Goal achievement may also be predicated on certain conditions (events) not happening. Achievement of goals can also depend on the action of Congress, other Federal agencies, States, local governments, or other non-Federal entities.

*(b) Identifying key factors in the strategic plan.*

Each key external factor should be described in a strategic plan, indicating its link with a particular goal(s) and describing how achievement of the goal could be directly and significantly affected by the factor.

Factors that are unlikely to occur, or have only tangential influence on the general goals, should be omitted from a strategic plan. Factors that simply restate basic presumptions, e.g., 'goal achievement depends on future agency budgets being at requested levels,' usually have little informational value and should also be omitted. If key factors cannot be identified, the agency should include a statement to this effect in the strategic plan.

**210.7 Program evaluations and strategic plans.**

**Summary of requirements:** A strategic plan should contain a schedule for future program evaluations, including the methodology to be used. The plan should also describe the use of completed evaluations in preparing the plan. If program evaluations are not scheduled during the timeperiod covered by the plan, a statement of such should be included.

*(a) Types of program evaluations.*

Program evaluations cover assessments, through objective measurement and systematic analysis, of the manner and extent to which Federal programs achieve intended objectives.

Under GPRA, program evaluations also encompass assessments of program implementation processes and operating policies and practices when the primary concern is about implementation rather than program outcomes. This form of program evaluation is often called a 'process' evaluation.

*(b) Future program evaluations.*

A schedule for future program evaluations is included in the strategic plan. The schedule should outline the general methodology to be used (e.g., a longitudinal study), the timetable, and the general scope of the evaluation, as well as particular issues to be addressed. At a minimum, schedules for future evaluations should cover the fiscal years prior to the next update of the strategic plan.

Generally, the need for, and appropriateness of, doing a program evaluation may depend on the nature of an agency's programs and how the general goals in the strategic plan are defined.

The emphasis on assessing program effectiveness as a key part of annual reviews of agency budget requests highlights the importance of having a robust schedule of program evaluations. These evaluations may be essential for future effectiveness assessments. Your agency should coordinate with the appropriate OMB office to identify the need for evaluations and develop a schedule for doing them.

If an agency will not be conducting program evaluations during the time period covered by the plan, a statement to this effect should be included in the plan. (See also [subsection 222.2\(d\)](#) on including information on analyses and studies, other than program evaluations, in the annual performance plan.)

*(c) Completed program evaluations.*

The program evaluations that were used in preparing the updated strategic plan should be briefly described. The effect of program evaluations on the definition of goals in the plan should be highlighted. (See also [subsection 231.9\(a\)](#) on including the findings and recommendations of completed program evaluations in your annual performance report.)

**Section 3 of the Government Performance and Results Act****SEC.3. STRATEGIC PLANNING**

Chapter 3 of title 5, United States Code, is amended by adding after section 305 of the following new section;

**"§ 306. Strategic Plans**

"(a) No later than September 30, 1997, the head of each agency shall submit to the Director of the Office of Management and Budget and to the Congress a strategic plan for program activities. Such plan shall contain—

"(1) a comprehensive mission statement covering the major functions and operations of the agency;

"(2) general goals and objectives, including outcomes-related goals and objectives, for the major functions and operations of the agency;

"(3) a description of how the goals and objectives are to be achieved, including a description of the operational processes, skills and technology, and the human, capital, information, and other resources required to meet those goals and objectives;

"(4) a description of how the performance goals included in the plan required by section 1115(a) of title 31 shall be related to the general goals and objectives in the strategic plan;

"(5) an identification of those key factors external to the agency and beyond its control that could significantly affect the achievement of the general goals and objectives; and

"(6) a description of the program evaluation used in establishing or revising general goals and objectives, with a schedule for future program evaluations.

"(b) The strategic plan shall cover a period of not less than five years forward from the fiscal year in which it is submitted, and shall be updated and revised at least every three years.

"(c) The performance plan required by section 115 of title 31 shall be consistent with the agency's strategic plan. A performance plan may not be submitted for a fiscal year not covered by a current strategic plan under this section.

"(d) When developing a strategic plan, the agency shall consult with the Congress, and shall solicit and consider the views and suggestions of those entities potentially affected by or interested in such a plan.

"(e) The functions and activities of this section shall be considered to be inherently Governmental functions. The drafting of strategic plans under this section shall be performed only by Federal employees.

"(f) For purposes of this section, the term "agency" means an Executive agency defined under section 105, but does not include the Central Intelligence Agency, the General Accounting Office, the Panama Canal Commission, the United States Postal Service, and the Postal Rate Commission."

## SECTION 211—PREPARING A STRATEGIC PLAN: FORMAT AND OTHER FEATURES

## Index for Section 211

- 211.1 Format and other content.
  - (a) Format of strategic plans.
  - (b) Vision statement.
  - (c) Strategic objectives.
  - (d) Integration with management and other reforms.
  - (e) Risk management.
  - (g) Cross-cutting programs.
  - (h) Perspective and outlook.
  - (i) Mitigating actions.
  - (j) Classified appendix.
- 211.2 Program coverage in a strategic plan.
  - (a) Major agency functions and operations.
  - (b) The single strategic plan.
- 211.3 Time period covered by strategic plans.
- 211.4 Relationship to submission of annual performance plans.

**211.1 Format and other content.***(a) Format of strategic plans.*

No specific format is prescribed for your strategic plan. An updated strategic plan is a complete plan, containing all required plan elements.

A plan that brings related elements together often aids plan review. For example, such a plan would tie the relevant means and strategies, external factors, etc., to the appropriate general goal(s) or objective(s). This contrasts to a format where each plan element has its own separate section, thus compelling readers to jump back and forth between the sections.

You should consider the prospective readership of your strategic plan when determining length, style, and understandability. Brevity and conciseness will likely characterize plans that are useful and widely read. The plan's design should provide for easy and quick access through the WorldWideWeb. (See [section 212.3\(d\)](#) on public availability of strategic plans.)

Your plan should outline the process for communicating goals and strategies throughout the agency, and for assigning accountability to managers and staff for goal achievement.

*(b) Vision statement.*

Vision statements, which often enunciate agency values or principles, may be included in a strategic plan. A vision statement should be placed with the agency mission statement.



*(c) Strategic objective.*

An agency may define a set of strategic objectives in its strategic plan. Strategic objectives typically represent an organizing layer between the mission statement and the general goals, with related goals being grouped under a strategic objective. As written, strategic objectives are declarations of purpose, with text similar to or developed from the agency mission statement. OMB may use strategic objectives to help organize the informational displays that align performance and resources in future year budgets.

*(d) Integration with management and other reforms.*

The nature and dimension of your management-related initiatives and reforms may merit your including a management section in your strategic plan. This section should highlight your agency's efforts to improve the management of its programs. This section may be separate from the required means and strategy element of a strategic plan.

In a management section, you should include a brief description of any steps being taken to resolve mission-critical management problems. A mission-critical problem poses a realistic and prospective impediment to carrying out the agency's mission or achieving the general goals during the strategic plan timeframe (see also [subsection 220.3\(f\)](#)).

These initiatives should include those that are part of the President's Management Agenda. Other endeavors including customer service standards, activities introducing a more precise cumulation and allocation of cost, performance-based contracting, analyses of tax expenditures, regulatory reform, agency restructuring and re-engineering, and personnel appraisals tied to program or organizational performance should, as appropriate, be described in a strategic plan.

Because of their scope and importance, strategic plans can be used in developing a comprehensive and integrated approach to performance management. When preparing an updated strategic plan, you should incorporate and apply the products and processes resulting from other ongoing performance-related efforts.

*(e) Risk management.*

An agency may describe significant risks that threaten achievement of the general goals. These risks are associated with internal agency operations and functions, and are separate and distinct from external factors. When describing a risk, the plan should also describe actions that the agency is taking or proposes to take to reduce the risk.

*(f) Cross-cutting programs.*

Cross-cutting programs and activities are undertaken by several agencies to achieve a common purpose or objective. This is often a mutual effort by the agencies. In preparing an updated strategic plan, agencies should review the strategic plans of other agencies that participate with the agency in a cross-cutting program. This will complement the inter-agency coordination that should occur during plan preparation (see also [section 212.2](#)).

An agency formally assigned lead responsibility for a cross-cutting program should include any agreed-on goals for the program in its plan. Other agencies having principal responsibility for particular goals should be identified.

Agencies participating in a cross-cutting program should each describe in their strategic plan, the interface between their related programs, and outline how individual agency efforts synergistically support common endeavors.

*(g) Perspective and outlook.*

Updated plans should include a perspective, or scan, of current economic, social, demographic, environmental, international, or other conditions that are relevant to the major functions and operations of the agency. The plan should also include a forward-looking description of prospective changes in the conditions over the timeperiod covered by the plan. Agencies are encouraged to cover a longer timeperiod if data are available.

The description may reflect observed trends, anticipated shifts, and the effect of agency actions. This perspective and outlook should provide programmatic context to the reader. Agencies wishing to develop scenarios when preparing future updated strategic plans should coordinate this in advance with the appropriate OMB representative.

While the perspective and outlook and external factors section may cover similar conditions, the scope and nature of the descriptions often differ. The following hypothetical example illustrates these differences: In government health care services for an aging veteran population, the Department of Veterans Affairs could provide data on its current patient population (the current perspective), and how that population is expected to change over the next 5–10 years, as many of the World War II veterans die (the outlook). None of this information should nominally appear as such in the external factors section. What the Department might identify and include as an external factor would be (unanticipated) breakthroughs in treatment modalities that significantly prolonged life, and increased both the number of living veterans and the cost of medical care.

*(h) Mitigating actions.*

Mitigating actions are contingent steps or alternative courses of action (including adjusting a goal) that an agency would take in the event that an external factor began affecting achievement of a general goal. As mitigating actions are a response to external factors, they differ from steps taken to reduce risks associated with internal operations.

In its strategic plan, an agency should not detail these mitigating actions. To do so will likely complicate the plan with speculative scenarios, arrays of what-to-do-ifs, or demonstrations of how little real effect any agency attempt at intervention might have. For example, the appearance of global climate phenomena, such as El Nino, can affect environmental quality, agricultural production, the location, severity, and cost of natural disasters, and economic growth. As agencies are incapable of ameliorating such phenomena, a strategic plan that included mitigating actions might consequentially be replete with goals for strong El Nino years, 'normal' years, and strong La Nina years.

Rather than including lists of potential mitigating actions in a strategic plan, an agency should modify the plan through an interim adjustment (see [section 213](#)) if an external factor begins affecting goal achievement. The agency may need to prepare an updated plan if dictated by the magnitude of the factor's effect.

*(i) Classified appendix.*

A classified appendix covers any material specifically authorized under criteria established by an Executive order, to be kept secret in the interest of national defense or foreign policy. An agency may include a classified appendix in a strategic plan where appropriate.

**211.2 Program coverage in a strategic plan.**

**Summary of requirements:** A strategic plan must cover the major functions and operations of the agency.

*(a) Major agency functions and operations.*

A strategic plan must cover the major functions and operations of your agency. You have discretion to omit support-type activities and operations. Strategic plans prepared primarily for your agency's internal use (such as those prepared at a program or component-unique level) may cover a greater range of functions and operations. You should note that annual plans are required to cover every program activity in the Program and Financing Schedules in the Budget Appendix for your agency. Thus, annual plans often have greater programmatic and organizational scope than strategic plans (see also [subsection 221.1\(b\)](#)).

*(b) The single strategic plan.*

You should submit a single agency-wide plan. By 2003, the strategic planning process should be sufficiently mature in all agencies to support preparation of a single agency-wide plan. However, GPRA does allow an agency with widely disparate functions to prepare several strategic plans for its major components or programs. Please consult with the appropriate OMB office and secure its approval if your agency will be unable to prepare a single agency-wide plan.

If your agency is unable to prepare a single plan, the number of separate plans for major components or programs shall be kept to a minimum. Separate plans should center on the major functions for an agency and group related programs or components within any plan. The several plans should collectively cover all major functions and operations of the agency.

An agency-wide strategic overview is prepared when more than one plan is submitted by an agency. The overview links separate strategic plans by giving an overall statement of the agency's mission and goals. The overview should accompany the submission of the separate strategic plans. When submission dates for an agency's separate strategic plans vary significantly, the overview is modified to reflect the content of the plan being submitted at a particular time. An overview is subject to consultation requirements, if appropriate consultation did not occur during development of the several strategic plans.

If an agency prepares numerous site- or organization-specific strategic plans for component units or sub-programs, these should not be merely packaged together and submitted as a single strategic plan. The ensuing size and detail of such a compilation will reduce the plan's usefulness. Instead, the information from individual strategic plans should be distilled into a single agency-wide strategic plan, or into the several, separate strategic plans that the agency chooses to submit for its major programs or components.

**211.3 Time period covered by strategic plans.**

**Summary of Requirement:** A strategic plan must cover a minimum of six years.

A strategic plan spans a minimum six-year period: the fiscal year it is submitted and at least five years forward of that fiscal year. (For example, a plan submitted in FY 2002 would cover FY 2002 through FY 2007.) A plan may be for a period longer than six years; for example, containing a project completion goal ten years in the future. A strategic plan, while covering a minimum six year period, is only current for three years (see [section 211.4](#)).

The extent of strategic plan coverage for the current fiscal year depends on the transmittal date. A strategic plan submitted at the end of a fiscal year need only briefly cover that fiscal year; a paragraph or two should suffice.

#### **211.4 Relationship to submission of annual performance plans.**

*Summary of requirements:* An annual performance plan, when submitted, must be covered by a current strategic plan.

You should note the specific linkage between strategic plans and annual plans. Your strategic plan's goals set the framework for developing your annual plans. Consequently, GPRA states that an annual plan may not be submitted for a fiscal year not covered by a current strategic plan. (See also [section 210.5](#) on the relationship between general goals in a strategic plan and performance goals in an annual plan.)

Although an annual plan must be covered by a current strategic plan, the strategic plan need not be current during the actual fiscal year for which the annual plan was prepared. A subsequent strategic plan (updated and revised) could be current during the actual fiscal year. The submission of an updated plan supersedes the fiscal year coverage of the previous strategic plan.

Strategic plans submitted in September 2000 are current for the fiscal year 2001 through 2004 performance plans, prospectively including the transmittal of the 2004 performance plan to Congress. However, an updated strategic plan submitted in September 2003 would supersede coverage for the fiscal year 2004 performance plan. This updated 2003 strategic plan would also be current for annual performance plans for fiscal years 2005 through 2007. Interim adjustments to a strategic plan do not extend the period when a strategic plan is considered to be current (see [section 213](#)).

## SECTION 212—SUBMISSION OF STRATEGIC PLANS

## Index for Section 212

- Section 212.1 Timing of strategic plan submissions.
- (a) Submission of an initial strategic plan by a new agency.
  - (b) Requirement for submission of updated and revised plans.
  - (c) Submission date for updated and revised plans.
  - (d) Advanced copies of submissions.
  - (e) Early submission of draft, updated strategic plan to OMB in 2003.
- Section 212.2 Consultation and outreach.
- Section 212.3 Transmittal of plans to Congress and OMB.
- (a) The transmittal letter.
  - (b) Contrary views.
  - (c) Use of non-Federal parties.
  - (d) Public availability of plans.

**212.1 Timing of strategic plan submissions.**

**Summary of Requirements:** Agencies submit an updated and revised strategic plan to Congress within three years of submitting their initial strategic plan. Thereafter, an updated and revised strategic plan is submitted every three years. Transmittal of updated and revised strategic plans will be no later than September 30, 2003 for most agencies. Agencies are to provide OMB with an advance copy of the plan at least 45 days before transmitting the plan to Congress.

*(a) Submission of an initial strategic plan.*

GPRA required agencies to submit their initial strategic plan to OMB and Congress not later than September 30, 1997. In the future, newly established agencies or agencies previously exempted from GPRA requirements should use the provisions of this subpart when preparing and submitting their initial strategic plan. The date for submitting an initial plan is coordinated in advance with OMB.

*(b) Requirement for submission of updated and revised plans.*

As an agency, you must submit an updated and revised strategic plan (an updated plan) at least once every three years. This three-year revision cycle has the effect of updating your existing plan for its remaining years, as well as chronologically extending it by three or more years. (See also [section 211.3](#) on the period that a strategic plan covers annual performance plans.) The revision incorporates policy, programmatic, or other changes to any element of the agency's current plan. An updated plan will often retain, unchanged, the elements of a previous strategic plan, such as the mission statement.

*(c) Submission date for updated and revised plans.*

GPRA does not set a specific calendar date for these submissions. Agencies submitting plans in September 2000 would subsequently submit their second updated plan no later than September 30, 2003. Agencies transmitting an updated plan other than in September 2000 would have three years from their submittal date.

For newly established agencies, the three-year cycle begins with the submittal of the initial strategic plan to Congress. For example, a new agency submitting its initial strategic plan on June 15, 2002 would submit an updated plan no later than June 15, 2005.

*(d) Advance copies of submissions.*

Consistent with current policy and practice regarding interagency clearance of certain material being sent to Congress, you provide OMB with an advance copy of an updated strategic plan at least 45 days prior to the date for transmitting the plan to Congress and making it available to the public (see [section 212.2](#) on recurring consultation with OMB during plan development).

*(e) Early submission of a draft, updated strategic plan to OMB in 2003*

The importance of the strategic plan's general goals in developing a programmatic budget account structure for the FY 2005 budget will require agencies to provide OMB with a completed draft of their updated strategic plan by March 1, 2003. To be useful, this updated plan must, at a minimum, include the following elements: the mission statement; descriptions of the general goals; an identification of those outputs in an annual plan that directly relate to the general goals (particularly, goals being used to assess program effectiveness); and a preliminary program evaluation schedule. Agencies are encouraged to submit a draft updated strategic plan earlier than March 1, 2003, so that efforts to restructure the agency's budget account and define informational displays in the budget documents may commence as soon as practicable. (See [section 221.2](#) on budget account restructuring and informational tables.)

**212.2 Consultation and outreach.**

***Summary of requirements:*** When preparing a strategic plan, agencies must consult with Congress and solicit and consider the views of interested and potentially affected parties. This consultation and outreach may result in contrary views being expressed .

In developing a strategic plan, your agency must consult with Congress, and also solicit and consider the views and suggestions of entities—such as customers and other stakeholders—potentially affected by or interested in the plan.

You have discretion in how this consultation and outreach is conducted. An agency's existing consultation processes may be used. The development of strategic plans is not subject to the Administrative Procedures Act.

Some general goals may relate to cross-agency functions, programs, or activities. In such instances, agencies may have a shared responsibility for defining and achieving general goals for these cross-cutting areas. Agencies should ensure that appropriate and timely consultation occurs with other agencies during development of strategic plans with cross-cutting goals.

To help ensure that an updated strategic plan conforms with statutory requirements and is consistent with national policy, continuing interaction should occur between OMB and agency staff over the full course of plan preparation.

### **212.3 Transmittal of plans to Congress and OMB.**

**Summary of requirements:** The plan is transmitted to Congress by the agency head. Transmittal letters are addressed to the Speaker of the House of Representatives, the President and the President pro tempore of the Senate, and the Director of OMB. Distribution is also made to relevant committees of the Congress. The letter transmitting the agency strategic plan to Congress includes a summary of the consultation and outreach processes, and any contrary views. Strategic plans are made available to the public.

#### *(a) The transmittal letter.*

A letter from your agency head formally transmits the strategic plan. A transmittal letter is also prepared for a strategic overview containing only a summary presentation of overall mission and goals (see [subsection 211.2\(b\)](#)). A transmittal letter will include:

- A summary of the general scope and nature of the consultation and outreach, and the types of entities consulted; and
- A summary of contrary views received.

Transmittal letters are addressed to the Speaker of the House of Representatives, the President and the President pro tempore of the Senate, and the Director of OMB. Copies will be provided to the chairmen and ranking minority members of the relevant authorization, oversight, or budget committees and appropriation subcommittees, and the chairman and ranking minority members of the Senate Committee on Governmental Affairs and the House Government Reform Committee. Copies may also be distributed to other members of Congress or committees.

#### *(b) Contrary views.*

A strategic plan will often reflect hard choices, with a plan's usefulness often corresponding to the difficult policy and programmatic decisions that were made during its development. In many instances, there may be disagreement about particular goals, or the means by which the goals will be achieved. The transmittal letter should summarize those views received from entities outside the Executive Branch of the Government that disagree, in a substantive and germane way, with the programmatic, policy, or management courses-of-action presented in the plan. The summary should generalize the degree of disagreement and the source(s). Contrary views should not be individually attributed or listed.

An agency may wish to concentrate principally on summarizing those contrary views offered as the proposals in the plan became more specific, and less on those generated during its initial, more formative stage.

#### *(c) Use of non-Federal entities.*

GPRA states that the preparation of a strategic plan is an inherently governmental function, and the plan is to be drafted only by Federal employees. However, when preparing a plan, agencies may be assisted by non-Federal parties, such as consultants or contractors. Their role may include collecting information,

conducting studies, analyses, or evaluations, facilitating outreach, or aiding in the presentational aspects of the plan. The transmittal should include an acknowledgment of the role and a brief description of any significant contribution made by a non-Federal entity in preparing the plan.

*(d) Public availability of plans.*

Strategic plans are a matter of public record; the public should be afforded the opportunity to access the completed plan. Your agency should place the strategic plan on its WorldWideWeb site, or make it available through other electronic media. On request, a paper copy should be provided. Generally, a strategic plan should become publicly available when the plan is transmitted to Congress.



## SECTION 213—MAKING INTERIM ADJUSTMENTS TO A STRATEGIC PLANS

**213 Preparation and transmittal of interim adjustments***(a) Scope of interim adjustments.*

You may make minor adjustments to a strategic plan in advance of the three-year revision cycle. Adjustments can include changes to the general goals or objectives, the means and strategies used to achieve the goals, the key external factors, or the program evaluation schedule. Modifications may reflect altered circumstances or evaluations of program performance. Interim adjustments are selective and do not produce widespread changes in a plan.

You need not consult with Congress, or conduct outreach to potentially interested or affected parties when preparing interim adjustments.

Significant changes to your strategic plan are made using the more extensive update process, even if this accelerates the three-year revision cycle. Consultation requirements apply in these instances.(see section 212..2). Interim adjustments do not alter the three-year revision cycle for strategic plans.

*(b) Transmittal of interim adjustments.*

In most instances, agencies can and should use interim adjustments to modify the September 2000 updated and revised strategic plan to reflect and incorporate the program and policy changes that need to be reflected immediately, and prior to completing the updated strategic plans by September 2003. These interim adjustments can anticipate selected changes to the general goals that would be expected to appear in the updated plan. These adjustments would allow for an improved alignment between the general goals and the annual performance goals in the FY 2004 performance plan.

Append an interim adjustment to your annual performance plan (the annual plan) as a separate, easily found section. This annual plan section identifies and describes your minor adjustments to both Congress and the public. Only the adjustments are presented, not the entire strategic plan. Either a final annual plan or a revised final annual plan may be used (see [subsection 220.8\(c\)](#)).

Adjustments do not require a formal transmittal (see [section 212.3](#)). You should distribute, or otherwise make publicly available, the interim adjustments so readers can reference or review the most current strategic plan content.

**SECTION 220—PREPARATION OF ANNUAL PERFORMANCE PLANS: THE MAIN  
ELEMENTS**

**Highlights for 2002–2003 and Section Index**

**Highlights**

- The annual plan will include all performance goals being used in assessments of program effectiveness, and, for selected agencies, goals being used in the common measures initiative.
- Guidelines are established for integrating performance and budget in annual performance plans, and OMB's intention to present informational tables aligning resources and performance in the FY 2005 budget is outlined. This integration will align resources with outputs and outcomes, with these performance measures being grouped by strategic objective.
- Agencies are required to develop full cost information for selected outputs and outcomes in the FY 2004 budget. This full cost data will be displayed in the Budget in informational tables for the programs covered by program effectiveness assessments during formulation of the FY 2004 budget. Agencies, if requested, are to provide estimates of the marginal effect on performance levels resulting from marginal changes in cost.
- To the extent practicable, agencies are encouraged to restructure program activity listings in the Program and Financing schedules, and, as needed, budget accounts to align resources with outputs and outcomes.
- The criteria and indicators for "Getting to Green" for the budget-performance integration initiative are published.
- The annual performance plan will now include six years of performance information, with data for the budget year, the current year, and four past years.

**Main Section Index**

Section 220	Preparing an Annual Performance Plan: The Main Elements.
Exhibit 220	Section 4(b) of the Government Performance and Results Act
Section 221	Budget Performance Integration.
Exhibit 221	Examples of Schedules and Informational Tables for the Budget
Section 222.	Preparing an Annual Performance Plan: Format and Other Features
Section 223	Submission of Annual Performance Plans.
Section 224	FY 2004 Performance Plan.
Section 225	"Getting to Green" for Budget Performance Integration
Exhibit 225	"Getting to Green" Paper

**Index for Section 220**

- 220.1 Introduction and plan iterations
- (a) Requirement for a plan.
  - (b) Plan iterations.
  - (c) Combining the annual performance plan with the annual program performance report.
  - (d) Aligning resources and performance.

**Index for Section 220—Continued**

- 220.2 Main elements of an annual performance plan
- 220.3 General guidelines for developing performance goals and indicators.
  - (a) Principles to be applied when defining goals.
  - (b) Outcomes and outputs as program performance goals.
  - (c) Goals for program effectiveness.
  - (d) Goals related to credit programs.
  - (e) Goals for internal agency functions and operations.
  - (f) Goals for management problems and government-wide management reforms.
  - (g) Crosscutting programs.
- 220.4 Description of means and strategies, and identifying required resources, processes, and technologies.
  - (a) In general.
  - (b) Regulations and tax expenditures.
  - (c) Proposed legislation.
  - (d) Capital assets/capital programming.
  - (e) Management problems.
  - (f) Information security program.
- 220.5 Verification and validation.
  - (a) In general.
  - (b) Information on data sources.
  - (c) Actions to improve completeness and reliability of performance data.
  - (d) Unavailability of information.
- 220.6 Agency requests for use of alternative form(s) of measurement.
- 220.7 Agency requests to waive the requirement for performance goals.
- 220.8 Revised final annual plan.
  - (a) In general.
  - (b) Displaying changes from the final performance plan.
  - (c) Retaining a reference copy of a revised final plan.
  - (d) Updated general goals (from a strategic plan) in a revised final plan.

**220.1 Introduction and plan iterations.**

*(a) Requirement for a plan.*

The Government Performance and Results Act (GPRA, or the Results Act) requires that OMB have agencies prepare annual performance plans (the annual plan). The first annual plans covered FY 1999. (See [sections 200.1–200.3](#) for an overview of GPRA requirements, related definitions, and applicability of these requirements to agencies.)

Your agency's annual plan sets out measurable goals that define what will be accomplished during a fiscal year. These goals should represent a level of accomplishment commensurate with the resources requested and subsequently funded. By identifying how much your agency will spend to achieve its performance goals, the annual plan forms an integral link between budget and program results. Performance against these goals is a significant consideration in assessing program effectiveness.

The FY 2004 performance plan includes performance information for fiscal years 1999 through 2004. Beginning with this FY 2004 plan, the span of an annual plan is a standard six year period, containing performance goals covering four prior years, the current year, and the budget year. This multi-year display will present baseline and trend information in a single document. The four years of prior performance data correspond in number to the years that must be covered in an annual performance report.

Preparation and submission of the annual plan is now guided by five sections: [Section 220](#) for the main elements of an annual plan; [Section 221](#) for budget and performance integration; [Section 222](#) for plan format and other content; [Section 223](#) for plan submission; [Section 224](#) on specific requirements for the FY 2004 performance plan; and [Section 225](#), on "Getting to Green" for the President's Management Agenda initiative on budget performance integration.

*(b) Plan iterations.*

For a fiscal year, your agency prepares at least two iterations of an annual plan:

- An initial plan, consistent with your budget request to OMB; and
- A final plan that reflects budget, policy, and programmatic decisions on your budget request, and is consistent with the President's budget.

An agency may also voluntarily prepare a third iteration, which is called a revised final plan. A revised final plan reflects Congressional action on the agency's budget request. (The revised final plan is often referred to as an operating plan.)

Your initial plan is submitted only to OMB, and is used during OMB's review of your budget request, and formulation of the President's budget. Final plans are sent to Congress soon after transmittal of the President's budget, and made available to the public. There is no mandated submission of a revised final plan to Congress or OMB.

Agencies may combine their annual plan with their Congressional justification (see [subsection 221.1\(c\)](#)).

*(c) Combining the annual performance plan with the annual program performance report.*

Except as noted below, an agency may choose to combine its annual plan with its annual program performance report (see [subsection 230.2\(c\)](#)). The final plan iteration is used for this purpose. Agencies should note that combining the annual plan and the annual report may affect who in the agency transmits this combined document, its distribution, and the transmittal date (see [section 232](#)).

Cabinet departments and ten major independent agencies are required to combine their FY 2002 performance report and FY 2002 accountability report, and transmit the combined document to the President and Congress by February 1, 2003 (see [section 230](#)). As an annual plan may not be publicly released prior to transmittal of the President's budget, these departments and agencies may not merge the combined performance and accountability report with the annual plan.

The requirement for including FY 2002 actual performance information in your FY 2004 performance plan does not mandate that you also include other statutory elements of the annual report, such as a comparison between actual performance and a performance goal target level. An agency not combining its annual plan with its annual report may choose to include other elements and features of the annual report in its plan, particularly information showing the effect of past performance on current and future goal achievement, and actions taken to address performance shortfalls. (See also [section 230.2](#) on the relationship of the annual plan and the annual report.)

*(d) Aligning resources and performance.*

Integrating budget and performance is a key government-wide initiative in the President's Management Agenda. To help advance this integration, OMB intends to make significant changes in the presentation of performance information in the President's budget. These changes would include displays of budget resources matched to output and outcome goals, and related to a set of strategic objectives. Some agencies may proceed with a restructuring of program activity listings in the Program and Financing (P&F) schedules, and, as needed, their budget accounts to produce this alignment, but, near-term, many agencies cannot do such restructuring. For the latter agencies, the information tables will serve to display this alignment. (See also [section 221.2](#) and [Exhibit 221](#) on the scope of this integration initiative.)

## **220.2 Main elements of the annual performance plan.**

As defined by GPRA, an annual plan features three elements:

- The performance goals and indicators for the fiscal year (see [section 220.3](#));
- A description of the operational processes, skills, and technology, and the human, capital, information, or other resources that will be needed to meet the performance goals (see [section 220.4](#)); and
- A description of the means that will be used to verify and validate measured values (see [section 220.5](#)).

The performance goals and indicators are the primary element of the annual plan. The two other elements provide information related to achievement of the performance goals. Other plan content, some of which may be required for certain agencies, is described in [section 222](#).

## **220.3 General guidelines on developing performance goals and indicators.**

***Summary of requirement:*** An annual performance plan must include performance goals. Performance goals shall be defined either in an objective and quantifiable manner, or as sufficiently precise descriptive statements that allow an accurate, independent determination to be made of actual performance (for the latter, see [section 220.6](#)).

*(a) Principles.*

When choosing the performance goals and indicators to be included in an annual plan, you should be guided by the following principles. The goals and indicators should:

- Be centered on a program's core purpose, and include those measures serving as a basis for OMB's assessments of program effectiveness;
- Inform the President, Congress, other interested parties, and the public of the expected level of achievement for the program or activity;
- Be expressed in an objective and quantifiable manner unless OMB approves otherwise (see [sections 220.6](#));
- Be a blend of outcomes, and outputs supporting outcomes. (Steps being taken to integrate budget and performance will lead to displaying cost information for outputs in the budget, with the outputs being related to outcomes; see [section 221.2](#));
- Represent key program characteristics and attributes, while also supporting any cross-agency, comparative review of common measures;
- Be used by managers as they direct and oversee how a program is carried out. (Measures that inadequately inform managers about program performance will not help managers respond when problems arise); and,
- Cover the 12 month period of the Federal government's fiscal year (October 1–September 30). (In those cases where an agency operates on a different fiscal year, the annual plan should correspond to the agency's fiscal year.)

Performance goals and indicators typically have a numerical target level or other measurable value. This facilitates the future assessment of whether the goals and indicators were actually achieved. When defining goals, you should anticipate your future ability to measure and report actual performance against them. (The comparison between projected and actual performance is the primary feature of the annual program performance report that you are required to prepare under GPRA.)

Annual plans should strike a balance between too few and too many measures. Skimping on performance goals can produce a narrowly-drawn or fragmented picture of performance. Conversely, a plan larded with measures blurs a reader's perspective over which goals are essential for understanding program results.

The set of performance goals included in an annual plan should be periodically modified as necessary to reflect changes in programs, agency capability to collect and report information, the importance and usefulness of any goal, and other circumstances.

*(b) Types of program performance goals.*

An annual plan generally contains both outcome and output goals.

In a strategic plan, general goals are commonly outcome-type goals. However, outcome goals may only be achieved at certain points during the timespan of a strategic plan. An annual plan should include outcome goals when their achievement is scheduled for the fiscal year covered by the plan.

When outcome goals are defined as achieving a broad standard, rate, or level, such as a national incidence rate, the plan should indicate the agency's role in goal achievement. This can be done either in the goal description or by identifying the means the agency will use to accomplish the goal. Without an association being shown between such outcomes and what an agency is doing to achieve them, agency funding can be difficult to justify.

Most plans will complement outcome goals with measures of output. Measures of output can be the predominant goals and indicators in an annual plan for several reasons:

- Outcome goals, other than those being accomplished at a continuing, sustained level, may not be scheduled for achievement in the fiscal year covered by the annual plan;
- An agency is likely to have more output goals than outcome goals;
- As the frequency and nature of performance data for outputs allows for periodic assessment and intervention, managers often manage to outputs; and,
- Agencies spending is typically keyed to production of outputs, a circumstance that will be reflected in the informational tables and budget account restructuring that will help display the alignment between performance and resources in the budget.

GPRA also allows an agency to define a performance goal in a descriptive manner that is not self-measuring, i.e., one cannot determine whether the goal was achieved by simply and objectively comparing actual performance to a quantified target level. If a performance goal is not self-measuring, the agency must include in its plan one or more performance indicators for that goal. The performance indicators shall set out specific, measurable values or characteristics related to the performance goal, and which will aid in determining goal achievement. An example of a goal that is not self-measuring would be "to improve maternal and child health on tribal reservations." Performance indicators for such a goal could include morbidity and mortality rates, median infant birth weights, percentage of children immunized, and frequency of pediatric checkups. (See also [section 220.6](#) on the alternative form of measurement, in which descriptive criteria are used to define a goal.)

For selected, similar programs in several agencies, development of a set of common performance measures is underway. These measures will be used in the program assessment process to help determine the relative efficiency and effectiveness of the selected programs. Using these common measures, cross-program comparisons could indicate a need for further analysis, or identify actions that would improve program efficiency. Agencies with programs covered by common measures will include all applicable measures as performance goals in the annual plan.

While there are no government-wide requirements to include a specific category or type of measures in every plan, agencies are strongly encouraged to include, as appropriate, measures of customer service and program efficiency. Agencies should strive to include goals or indicators for unit cost, even if only approximate costs can be estimated at this time. Agencies should anticipate a future requirement to include at least one performance goal measuring cost per unit of output, cost per unit of service, or cost per unit of result in the annual plan. For agencies with programs included in the initiative to develop common measures for these programs, a goal for unit cost may be required to be included in the FY 2004 performance plan.

For a program or activity, agencies may have a single or several measures of performance. The measures should avoid depicting programs as one-dimensional, or which mask program distinctiveness.



*(c) Goals for assessing program effectiveness.*

OMB is beginning a multi-year assessment of the effectiveness of all agency programs. Approximately 20 percent of the programs will be covered during formulation of the FY 2004 budget, with other programs to be annually added to the assessment in future years.

OMB will be using a Program Assessment Rating Tool (PART) to assess program effectiveness. The PART consists of a set of questions designed to provide a consistent approach to effectiveness ratings. As experience is gained from using the PART, the questions may be modified. The PART supports the assessment of four aspects of a program:

- does the program perform a clear Federal role;
- has an agency set valid long-term and annual goals for the program;
- is the program well-managed; and,
- is the program achieving the results set forth in the agency's GPRA plans?

Agencies whose programs will be covered by program effectiveness assessments during formulation of the FY 2004 budget should coordinate with the appropriate OMB office to ensure that all performance goals being used in the effectiveness ratings will be included in their FY 2004 performance plan. Agencies should also coordinate with the appropriate OMB office on including other performance goals in the FY 2004 performance plan that would be used in assessments being done in future years. In some instances, future assessments may rely on newly defined performance goals, or agencies being able to collect and report actual performance data prior to the assessment being made. (See also [section 221.2](#) on requirements to include full cost data in the FY 2004 performance plan for programs covered by the current set of assessments.)

*(d) Goals related to credit programs.*

Agencies having performance goals specific to their credit programs should include a brief description of how changes in the subsidy cost for these programs may affect the target values for these goals.

*(e) Goals for internal agency functions and operations.*

In addition to performance goals and indicators related to programs or specific organizational units, annual plans may include agency-wide goals (including those for internal functions) and means-type goals.

Agency-wide goals and indicators typically involve the agency workforce or the workplace environment. Examples include workforce diversity, downsizing, streamlining, and family-friendly programs. Administrative or program support components, such as procurement and information management, may also be included as agency-wide goals. Where procurement is significant to the accomplishment of the mission, the annual plan should include measures of procurement performance.

Agencies with major grant programs are encouraged to include performance goals for streamlining and simplifying the administration of these programs. These goals should address the agency's efforts to reduce administrative and regulatory burdens, and provide electronic processing options for grantees.

The annual plan should include a performance goal(s) covering the major human resources strategies, such as recruitment, retention, skill development and training, and appraisals linked to program performance, that help support the agency's programs. Any training goal(s) included in the plan should address the quality and availability of training opportunities. (For further information, see the Office of



Personnel Management publication, "A Guide to Strategically Planning Training and Measuring Results".)

The President's Budget asks agencies to identify several agency-specific management reforms, and undertake these reforms in the near term. The FY 2004 performance plan should include performance goals for any agency-specific reforms that will be completed in FY 2004. The FY 2004 plan should also include a brief summary of any agency-specific reforms being completed in FY 2002 or 2003.

Means-type goals and indicators describe the means or strategies that an agency will use to achieve its performance goals and indicators. Means or strategies typically cover processes, technologies, or certain types of resources that will be applied to help achieve a program or operational goal. Policy, programmatic, managerial, regulatory, or legislative initiatives can also be a means-type goal. Replacement of an agency's major computer systems, and redistribution or devolution of agency workload, are examples of means-type goals.

When included, means-type goals should be few in number, key to program accomplishment, and not a substitute for goals and indicators covering core programs and activities. Agencies should note that a significant investment in systems, equipment, or facilities, may warrant categorizing the goal as a program goal. (See also [subsection 220.4\(d\)](#) on capital investments.) A means-type goal associated with a particular program or activity should be grouped with that program in the annual plan. For example, a recruitment goal to double the number of staff working on a particular project should be grouped with other goals for that project, and not presented with other agency-wide human resources goals. An agency may include means and strategies for a means-type goal. For example, an agency may describe its reliance on having other agencies or entities provide sufficient training opportunities to help meet its staff training goal.

Agencies have discretion regarding placement of agency-wide and means-type goals and indicators within the annual plan. An annual plan should not include any goals for inputs (budget resources, number of FTEs, etc); agencies are required to provide information on inputs in that section of the annual plan describing resource needs (see [section 220.4](#)). (Note that a human resources goal may include a numerical target for the number of FTEs covered by the goal.)

*(f) Goals for management problems and for government-wide management reforms.*

Performance goals for management problems should be included in the annual plan, particularly for problems whose resolution is mission-critical, or which could potentially impede achievement of program goals (see also [subsection 220.4\(e\)](#)). Often, such performance goals will be expressed as milestone events for specific remedial steps.

The [President's FY 2003 Budget](#) and the [President's Management Agenda](#) (issued in August, 2001) identified a set of government-wide initiatives that agencies are expected to carry out over the next several years. These initiatives include:

- Strategic management of human capital, including attracting talented and imaginative people to government, reducing government layers, and redistributing positions to more front-line, citizen-contact activities and operations;
- Competitive sourcing, by opening up government activities to more public-private competition for carrying out these activities;

- Improved financial performance, including reducing erroneous payments to beneficiaries and other recipients, and producing more timely and accurate financial information;
- Expanded electronic government, including improved Federal government use of the Web through e-procurement portals and on-line grant applications, and identifying E-government projects that can deliver significant performance and productivity gains.

(A fifth government-wide initiative covering budget and performance integration is addressed in detail in [section 221](#))

The FY 2004 performance plan should include a performance goal(s) for every President's Management Agenda initiative that will significantly enhance the administration and operation of your agency's programs and activities.

*(g) Cross-cutting programs.*

At a minimum, the annual plan should identify those programs or activities that are being undertaken with other agencies to achieve a common purpose or objective; i.e., interagency and cross-cutting programs. This identification need cover only programs and activities that represent a significant agency effort. An index displaying agencies and the relevant programs or activities may be a useful format.

An agency should also review the fiscal year 2003 performance plans of other agencies participating with it in a cross-cutting program or activity. This review should focus on assuring that related performance goals and indicators for a crosscutting program are consistent and harmonious. As appropriate, agencies should modify performance goals to bring about greater synergy and inter-agency support in achieving mutual goals. These reviews may also identify goals-in-common that agencies may each choose to include in their annual plan.

As the annual plan is based on the program activity listings in the Appendix volume of the Budget, these listings—which typically cover but do not individually identify numerous sub-programs, projects, and sub-activities—may not be sufficiently detailed to identify every cross-cutting program or activity in an agency. The information tables (aligning resources with output and outcome goals) that OMB intends to include in the FY 2005 budget may serve as a useful guideline in deciding which cross-cutting programs to identify. By concentrating on these particular cross-cutting programs, this may avoid substantially expanding the size of the annual plan, and introducing an overly finite and disproportionate level of detail for these programs.

**220.4 Description of means and strategies, and identifying required resources, processes, and technologies.**

***Summary of requirements:*** The annual performance plan must describe how an agency expects to achieve its goals, and identify the various resources, skills, technologies, and processes that will be needed.

*(a) In general.*

Your annual plan includes a description of the resources, processes, and technologies required to achieve the performance goals and indicators. In many instances, these means and strategies are considered to be

inputs. A well-conceived and thoughtful description of the means and strategies to be employed will help bolster confidence that an agency understands what is needed to achieve a certain performance level, and the likelihood the goal will be achieved. Means and strategies that seem to be superficial or hastily compiled can produce the opposite reaction.

The "means" include:

- Operational processes, such as changes in work methods or sequencing, workforce adjustments, and shifts in responsibility for particular tasks;
- Staff skills, and the development, introduction, and use of technologies; and
- Human, capital, information, and other resources.

The descriptions of these means should be brief, focusing on the resources, processes, and technologies reflected in the budget request, with more detailed elaboration provided when a significant change (increase or decrease) from the previous year's levels or operating modes is proposed. This description is separate from, and in addition to, any description of means-type performance goals or indicators that an agency may establish (see [subsection 220.3\(e\)](#)). Specific funding needs are covered in budget-performance alignments described in section 221.

The "strategies" an agency intends to apply in achieving particular performance goals should also be highlighted. These strategies include program, policy, managerial, regulatory, and legislative initiatives and approaches.

Agencies should note the increasing emphasis on the use of workforce planning and other specific strategies that align human resources with the fulfillment of an agency's mission and objectives, and the need to secure a diverse Federal workforce that is skilled, flexible, and performance-oriented with a customer focus.

An agency should consider using its Congressional justification to provide information on sub-programs and activities not included in the annual plan. (An agency's Congressional justification often presents program and project information at a more detailed level than appears in the program activity listings in the Appendix volume of the Budget.) The level of detail in the Congressional justification may also allow an agency to present information on the complementing, supportive, or synergistic nature of related programs or activities, either within the agency or between agencies. (See [subsection 221.1\(c\)](#) on merging the annual plan with the Congressional justification.)

The description need not be confined to initiatives or changes that are newly funded in the fiscal year. Initiatives or investments started in prior years, but which become operational or will be completed during the fiscal year, can be included. Some changes can carryover and affect performance in future years as well.

*(b) Regulation and tax expenditures.*

Descriptions should be provided for specific regulations and for use of tax expenditures when achievement of program or policy goals is dependant upon these governmental actions. For economically significant rules—as defined in Section 3(f)(1) of [Executive Order 12866](#), "Regulatory Planning and Review" (September 30, 1993)—that the agency intends to propose or promulgate during the fiscal year, the annual plan should include a quantified estimate of the regulation's cost to Federal, State, local, and tribal governments, and the private sector, and an estimate of the regulation's anticipated benefits.

Estimates may not be available when the initial version of a performance plan is prepared. If quantified estimates do not yet exist or cannot be developed, the costs and benefits should be described qualitatively.

*(c) Proposed legislation.*

If achievement of a performance goal is contingent on enactment of legislation during the fiscal year covered by the annual plan, a brief description of this legislation, as proposed in the agency's legislative program, should be included. (Section 6 of [OMB Circular No. A-19](#) provides additional information on an agency legislative program.)

*(d) Capital assets/capital programming.*

Part 7 of this Circular requires agencies to prepare a capital asset plan and justification for certain major acquisitions. These include acquisitions of importance to an agency's mission, or having a significant role in the administration of agency programs. The annual plan should reference the capital asset plan, and include a brief description of any major acquisition contained in the capital asset plan that will bear significantly on the achievement of a performance goal.

The capital asset plan should also satisfy requirements in the Information Technology Management Reform Act of 1996 (ITMRA) for performance and results-based management. This may include goals for improving agency operations through the use of information technology; benchmarking of agency processes; descriptions of how information technology will be used to help achieve program goals; and assessments of the staffing, skill, and training needs of agency employees in the information resources management area. ITMRA requirements can be met by including these goals in the annual plan.

The performance goal in the annual plan and the performance goal(s) for any major acquisition should be consistent. (See also explanatory table for [Exhibit 300B](#) in Part 7.) Further guidance on including and referencing capital asset information in the annual performance plan is provided in the [Capital Programming Guide](#).

*(e) Management problems.*

Agencies may choose to describe actions being taken to address and resolve significant management problems. Including this description is particularly important for those problems of a mission-critical nature, or which prospectively and realistically threaten achievement of major program goals. Agencies may establish performance goals covering priority actions on key problems (see [subsection 220.3\(f\)](#)).

The Reports Consolidation Act of 2000 allows agencies to prepare an annual consolidated report covering financial and program performance information. (OMB is requiring the Cabinet departments and ten independent agencies to prepare a combined performance and accountability report for FY 2002.) The Reports Consolidation Act also requires that a combined performance and accountability report include the Inspector General's summary of the agency's most serious management and performance challenges, and an assessment of the agency's progress in meeting those challenges. In an annual plan, these departments agencies should identify particular actions being taken in areas cited as performance-related challenges by the Inspector General in a combined performance and accountability report.

The annual plan is principally a plan covering programs and program accomplishment. Agencies should avoid distorting this focus and not clutter the annual plan with an extensive inventory of virtually every management or administrative problem facing the agency.

*(f) Information security program.*

The Fiscal Year 2001 Defense Authorization Act amended the Paperwork Reduction Act of 1995 by adding a new subchapter on "Information Security". As required by this subchapter, a description of the timeperiods and resources, including budget, staffing, and training, needed to implement an information security program is to be included in the annual plan. Agencies should consult with the Chief Information Officer when developing the description.

Among the key features of an information security program are periodic risk assessments, policies and procedures to reduce risks, security awareness training, periodic testing and evaluation of policies, and reporting and responding to security incidents. For additional information on these information security provisions, see [44 U.S.C. 3534\(b\)](#) and (d)(1), and [OMB Memorandum M-01-08](#), "Guidance on Implementing the Government Information Security Act", January 16, 2001.

**220.5 Verification and validation.**

***Summary of Requirement:*** The annual performance plan must include an identification of the means the agency will use to verify and validate the measured performance values.

*(a) In general.*

Your annual plan should include a description of how you intend to verify and validate the measured values of actual performance. The means used should be sufficiently credible and specific to support the general accuracy and reliability of the performance information that is recorded, collected, and reported. You have discretion in determining the method of verification and validation to be used. Although GPRA does not prescribe use of any particular method, technique, or organizational entity, agencies may continue to rely on established procedures, such as an audit, for certain goals or indicators.

Agencies are not required to develop an independent capacity for verifying or validating performance data received from, or based on, sources outside the agency. Data sources outside the agency should be identified in the plan. Available information from an outside source regarding the accuracy and reliability of its data should be collected, but need not be included in the plan.

*(b) Information on data sources.*

In the description, an agency should, as appropriate, indicate:

- The current existence of relevant baseline data, including the time-span covered by trend data;
- The expected use of existing agency systems in the collection and reporting of data;
- The source of the measured data;
- Any expected reliance on an external source(s) for data, and identification of the source(s); and

*(c) Actions to improve completeness and reliability of performance data.*

The Reports Consolidation Act of 2000 requires agencies to report annually on both the completeness and reliability of performance data, and on actions being taken to resolve inadequacies in this data. If

material inadequacies are identified in the annual report, the verification and validation part of the annual plan should be used to describe any remedial steps being taken. These can include:

- enhancing existing data collection and reporting systems or processes to modify, improve, or expand their capability;
- adding new data sources, or replacing current sources;
- discontinuing a performance goal(s) if current data collection and reporting inadequacies are substantial, persistent, and difficult to remedy.

Material inadequacies are those that significantly impede the use of program performance data by agency managers and government decision-makers. A material inadequacy may not always warrant a remedy. In determining whether a material inadequacy should be remedied, an agency should compare the cost of securing better performance data with the total cost of the program or activity covered by the data. The remedy cost should be proportionate and reasonable. Agencies may also consider whether remedies are needed or appropriate when the data source is outside the agency.

An agency may summarize these remedial steps in the annual report assessment, and refer the reader to the verification and validation part of the annual plan for more information.

*(d) Unavailability of information.*

Agencies may also choose to identify, in advance, any performance goal for which actual performance data will likely be unavailable at the time the program performance report is prepared for the fiscal year covered by the plan. GPRRA specifies that an agency program performance report note the incomplete status of the performance data, and requires agencies to include the actual performance information in a subsequent program performance report.

**220.6 Agency requests for use of alternative form(s) of measurement.**

***Summary of requirements:*** An agency's use of an alternative form of measurement in defining performance goals in the annual performance plan is subject to OMB approval. The performance goal must be defined in a manner that allows an accurate, independent determination to be made of how actual performance compares to the goal as stated.

Agencies not able to define performance goals for a particular program or activity in an objective, quantifiable form may propose an alternative form of measurement. The alternative form may be either:

- Separate, descriptive statements of a minimally effective program and a successful program, expressed with sufficient precision and in such terms that would allow for an accurate, independent determination of whether the actual performance meets the criteria of the description; or,
- Some other alternative that allows an accurate, independent determination to be made of how actual performance compares to the goal as stated.

Agency requests for use of an alternative form should be submitted to the appropriate OMB representative when the initial annual plan is sent to OMB. The request should contain the exact proposed language of the goal(s) as these would be expressed in the alternative form, and a brief statement of why it is not feasible to use an objective, quantifiable form of goal-setting and measurement for the particular program activity. The request may be for more than one fiscal year.

After reviewing the request, OMB will inform the agency whether the alternative form is approved, and if approved, may specify the fiscal year(s) that the alternative form can be used. The appearance of an alternative form in the final annual plan, shall be deemed to be authorized by OMB and the plan need not document the authorization process. OMB's approval may be verbally communicated to the agency.

**220.7 Agency requests to waive the requirement for performance goals.**

***Summary of requirements:*** An agency's omission of any performance goal for a program activity in its annual performance plan is subject to OMB approval. As a performance goal can cover, through consolidation and aggregation, more than one program activity, any approval will usually be for an entire Program and Financing Schedule. An agency receiving a waiver must reference the waiver in its annual plan, and include an explanation of why it is infeasible or impractical to establish any performance goal for the program activity.

An agency may propose that no performance goal(s) be established for a particular program activity. Requests should be for a program or activity that would otherwise be included in a performance plan (i.e., agencies need not request authorization to omit coverage of program activities stemming from a consolidation or aggregation). As with requests for an alternative form of measurement, requests to waive the requirement for performance goals must be approved by OMB.

Requests should be submitted to the appropriate OMB representative in advance of the submittal of its annual performance plan. The agency request must explain why it is infeasible or impractical to have any goal(s) for the program activity, and whether the infeasibility or impracticability is short-term or remediable with time. The request may be for more than one fiscal year.

After reviewing the request, OMB will inform the agency whether having no goals established for the program activity is authorized, and the fiscal year(s) covered by the authorization. Authorizations will usually be given for an entire program and financing schedule, rather than for a particular program activity in a schedule. The scope of an authorization stems from agencies being allowed to have a performance goal cover several or more program activities; a span that can obviate the need for an authorization covering only a single program activity among several in a program and financing schedule. (See also [subsection 221.1\(b\)](#) on aggregation and consolidation.)

The agency's annual performance plan shall include a reference to any authorization received for this purpose, and the explanation of why it is infeasible or impractical to establish a performance goal(s) for the particular program activity.



**220.8 Revised final annual plan.**

***Summary of requirement:*** Changes made to a final plan through a revised final plan are limited to those resulting from Congressional action, the occurrence of unanticipated exigencies, or actual performance from the previous fiscal year.

*(a) In general.*

GPRA allows, but does not require, an agency to prepare a revised final plan. If an agency chooses to prepare a revised final plan, this plan primarily reflects Congressional action on the agency's budget request. In a revised final plan, an agency may:

- Change target levels for performance goals or indicators, where the target levels are materially affected by Congressional action;
- Introduce new goals or indicators, or modify existing goal descriptions, in response to Congress;
- Modify goals or indicators because unanticipated exigencies have occurred since submission of the final annual plan to Congress; or,
- Adjust goals based on actual performance data contained in the program performance report for the previous fiscal year (see [section 231.6](#)).

Only necessary changes should be made in a revised final plan. Performance goals and indicators unaffected by the above circumstances should not be altered. The President's budget and Congressional review of the agency budget requests are based on the projected levels of performance in the final annual plan. These levels reflect the agency's commitment to achieve these goals with the funds requested. A refinement of goals or indicators in the revised final plan resulting from additional data and analysis, further agency consideration or evolving judgments, could undercut the relevance of earlier iterations of the annual plan in supporting the agency's budget request.

As agencies collect and report program performance information for the prior fiscal year, this actual information may show a need to modify performance goals set out in the final annual performance plan. An agency may include such modified goals in its revised final plan for a fiscal year. The revised final plan must be completed by the end of the first quarter of the fiscal year covered by the plan. Agencies should not modify performance goals based on actual performance data that becomes newly available in the second quarter of fiscal year or later. (See [section 231.6](#) requiring that the annual program performance report assess the effect of past year performance on current year performance.)

While performance goals and indicators are the annual plan element most likely to be altered, changes may be made to means and strategies or other elements of the annual plan.

*(b) Displaying changes from the final plan.*

A revised final plan should clearly indicate the changes in performance goals and indicators, means and strategies, or other elements being made to the final plan. The revised final plan should not simply substitute the modified values or descriptions. Showing only the changes would force readers to search separate documents before they could understand the extent of the changes.



**SECTION 220—PREPARATION OF ANNUAL PERFORMANCE  
PLANS: THE MAIN ELEMENTS**

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*(c) Reference copy of a revised final plan.*

A revised final plan is a source document for the annual report. An agency not sending a revised final plan to Congress or OMB must prepare and have available for reference at the agency, a copy of the revised final plan.

As a document, a revised final plan may be limited in size and scope to cover only the changes to the final plan. However, many agencies may prefer to use a complete annual plan for management and operating purposes. This revised final plan would meld the modified performance goals and other elements with the content of the final plan.

*(d) Updated general goals (from a strategic plan) in a revised final plan.*

Often, an agency's strategic plan will be updated and sent to Congress and OMB after the final annual plan for a fiscal year was submitted to Congress. For example, a strategic plan updated in September 2003 would be sent six or more months after transmittal of the final FY 2004 performance plan to Congress. A revised final FY 2004 plan is prepared near the time of strategic plan submittal. (See [section 222.4\(c\)](#) on including general goals and objectives in an annual plan.)

Agencies may modify the general goals in the revised final plan to reflect changes in phrasing or wording that were made to these goals in the updated strategic plan. These modifications should be limited to general goals similar to those included in the strategic plan as submitted. A revised final plan should not include a general goal either newly established in the updated strategic plan, or which does not incorporate the substance of a previous goal.

**Section 4(b) of the Government Performance and Results Act**

(This excerpt from Section 4(b) covers 31 U.S.C. 1115(a)-(e) on annual performance plans.)

SEC. 4.(b) PERFORMANCE PLANS AND REPORTS.—Chapter 11 of title 31, United States Code, is amended by adding after section 114 the following new sections:

**"§1115. Performance plans**

"(a) In carrying out the provisions of section 1105(a) (29), the Director of the Office of Management and Budget shall require each agency to prepare an annual performance plan covering each program activity set forth in the budget of such agency. Such plan shall—

- "(1) establish performance goals to define the level of performance to be achieved by a program activity;
- "(2) express such goals in an objective, quantifiable, and measurable form, unless authorized to be in an alternative form under subsection (b);
- "(3) briefly describe the operational processes, skills and technology, and the human, capital, information, or other resources required to meet the performance goals;
- "(4) establish performance indicators to be used in measuring or assessing the relevant outputs, service levels, and outcomes of each program activity;
- "(5) provide a basis for comparing actual program results with the established performance goals; and
- "(6) describe the means to be used to verify and validate measured values.

"(b) If an agency, in consultation with the Director of the Office of Management and Budget, determines that it is not feasible to express the performance goals for a particular program activity in an objective, quantifiable, and measurable form, the Director of the Office of Management and Budget may authorize an alternative form. Such alternative form shall—

- "(1) include separate descriptive statements of—
  - "(A) (i) a minimally effective program, and
  - "(ii) a successful program, or
  - "(B) such alternative as authorized by the Director of the Office of Management and Budget, with sufficient precision and in such terms that would allow for an accurate, independent determination of whether the program activity's performance meets the criteria of the description; or
- "(2) state why it is infeasible or impractical to express a performance goal in any form for the program activity.

"(c) For the purpose of complying with this section, an agency may aggregate, disaggregate, or consolidate program activities, except that any aggregation or consolidation may not omit or minimize the significance of any program activity constituting a major function or operation for the agency.

"(d) An agency may submit with its annual performance plan an appendix covering any portion of the plan that—

- "(1) is specifically authorized under criteria established by an Executive order to be kept secret in the interest of national defense or foreign policy; and
- "(2) is properly classified pursuant to such Executive order.

"(e) The functions and activities of this section shall be considered to be inherently Governmental functions. The drafting of performance plans under this section shall be performed only by Federal employees.

## SECTION 221—BUDGET PERFORMANCE INTEGRATION

## Index for Section 221

- 221.1 Basic requirements for alignment and coverage.
    - (a) In general.
    - (b) Link between program activities in the Budget and in the annual plan.
    - (c) Merging the final annual plan with the agency Congressional justification.
  - 221.2 Guidelines on future alignment and coverage.
    - (a) In general.
    - (b) Changes in budget account structure.
    - (c) Informational tables in the budget.
  - 221.3 Full cost
    - (a) What is meant by full cost?
    - (b) Including full cost in restructured budget accounts and informational tables in the President's Budget
  - 221.4 Reflecting performance occurring in future years or funded by prior year monies.
    - (a) Coverage.
    - (b) Performance goals that reflect prior year funding.
    - (c) Goals for performance occurring in a future fiscal year.
  - 221.5 Availability of detailed performance information.
- Exhibit 221 Examples of Schedules and Informational Tables for the Budget

**221.1 Basic requirements for alignment and coverage.**

**Summary of requirement:** Each program activity in an agency's Program and Financing Schedules in the Budget Appendix must be covered by a performance goal or indicator in the annual performance plan. (A performance goal or indicator may cover more than one program activity, and program activity may have more than one performance goal.)

*(a) In general.*

The annual plan should directly link to the agency's budget. The performance goals, particularly the performance target levels, are set based on the funding expected to be available to achieve the goals. Funding levels reflected in the initial annual plan must be consistent with the agency's budget request to OMB. In a final plan, these funding totals are modified, as necessary, to conform to the President's Budget. The changes in funding levels may dictate corresponding changes to performance goals and indicators in the final plan. In a revised final plan, the performance goals are modified, as necessary, to reflect Congressional action on the agency's budget request.

The linkage between the annual plan and the budget is based on the program activities in the Program and Financing (P&F) schedules in the President's Budget. Most agencies have more than one P&F schedule, and many of these schedules list specific program activities financed by that budget account. The program activity structure has served as the foundation for aligning performance goals with resources. In many instances, however, the current titles and listings of program activities describe neither true programs nor performance measures. This greatly complicates linking resources with performance measures. A new

approach to bringing about this integration is being developed, and will be phased in over the next several budgets. (See [section 221.2](#) for a description of the scope and phasing for the future alignments of resources and performance.)

*(b) Link between program activities in the Budget and in the annual plan.*

Note for all agencies: This subsection applies to the FY 2004 and prior year performance plans. The guidance in this subsection may be revised significantly for the FY 2005 and subsequent performance plans to anticipate and reflect major changes in an agency's budget account structure, substitution of outputs and outcomes for current program activity listings in the P&F schedules, and the widespread use of informational tables in the budget that would relate resources to outputs and outcomes.

An agency has discretion on how program activities are arrayed in the annual plan, provided that:

- Each program activity in its P&F schedule(s) in the Budget for that fiscal year is covered; and
- Every major program, function, or operation of the agency is reflected in the plan.

If the program activities in the annual plan are identical to those in the P&F schedules, the array will be based on these P&F program activities. However, an agency may choose to substitute a GPRA program activities structure if this would enhance the plan's informative value through a cohesive and thematic display of the performance goals. A GPRA program activity structure is developed by consolidating, aggregating, or disaggregating the program activities included in the P&F schedules.

Specifically, an agency may:

- Aggregate program activities within a single P&F schedule by applying the same performance goals and indicators to several or all of the program activities;
- Consolidate program activities by applying a single set of performance goals and indicators to program activities in two or more P&F schedules; or
- Disaggregate individual program activities in a P&F schedule into component parts and apply performance goals and indicators to these parts.

It is through aggregation or consolidation that an annual plan can cover every program activity in the P&F schedules, while allowing an agency to omit goals for its non-major program activities.

An agency may neither exclude nor minimize the significance of any major program, function, or operation of the agency when creating a set of GPRA program activities.

Any aggregation, disaggregation, or consolidation does not automatically produce a corresponding change in an agency's budget account structure, or to the projects and activities presented in a P&F schedule. Any such changes must be made separately in accordance with the provisions of [section 25.3](#) of Part 2.

This display is more straightforward if the annual plan's program activities paralleled the program activity structure in the P&F schedules. However, if a GPRA program activity structure has been developed through consolidation, aggregation, or disaggregation of program activities in P&F schedules, identifying and aligning funding amounts with the GPRA structure may be more difficult.

The FY 2004 performance plan should be integral with the agency's budget request. In moving toward such integration, the annual plan should display, generally by GPRA program activity, the amount of funding being applied to achieve the performance goals and indicators for that activity. For those agencies substituting outputs and outcomes for the current program activity listings in the P&F schedules, the amount of funding will be shown for the individual outputs and outcomes.

Usually, the funding displayed will be stated in terms of obligations. (See generally section [82.3 in Part 3](#) for further information on reporting obligations in P&F schedules.) If an agency wishes to use other budget measures (e.g., budget authority or outlays), it should consult in advance with its OMB representative. For the initial plan, OMB may also request additional information separately, such as a crosswalk between performance goals and the specific budget account(s) funding those goals.

Agencies with programs covered by the assessments of program effectiveness being done during 2002 should be prepared to provide, if requested by OMB, estimates of the marginal effect on performance levels resulting from marginal changes in budget levels for these programs.

*(c) Merging the final annual plan with the agency Congressional justification.*

Merging the annual plan with the agency Congressional justification may aid in integrating budget resources and performance. The final plan may be a separate document from the agency budget justification or an integral part of the justification. Agencies should coordinate with the appropriate Congressional committees on the format for such a document; coordination with the appropriation subcommittees could be particularly important.

An agency merging the final plan with its Congressional justification should indicate which parts of the merged document constitute the annual performance plan. Merging the annual plan with the Congressional justification can produce a document of significant length. As an agency's Congressional justification typically includes additional and more detailed information than required for the annual plan, review of the plan as well as its public availability will be aided by such a demarcation.

If an agency is proposing changes to its budget account structure (see [sections 25.3](#) in Part 2, and [71.2](#), and [71.3](#) of Part 3 of this Circular, and subsection (b) above), agencies should anticipate the potential need for a transitional crosswalk showing performance information related to both the existing structure and the new structure.

## **221.2 Guidelines on future alignment and coverage.**

*(a) In general.*

Beginning with the FY 2004 budget, OMB seeks to forge a much greater alignment between resources and performance. This effort should be markedly more extensive in the FY 2005 budget. Two major initiatives comprise the framework for this alignment: a restructuring by some agencies of program activity listings in the P&F schedules and, as useful, the budget accounts themselves, and the development of informational tables matching resources with outputs and outcomes in the President's Budget for all agency programs.

The guidance in this section will be updated in the future as formulation of the FY 2004 budget proceeds. Information on the preparation of informational tables for the FY 2005 Budget is preliminary, and should

be viewed as a "heads-up" by all Federal agencies. See [exhibit 221](#) for illustrative examples of these tables.

For some agencies, the budget and performance integration effort may be a challenging task over the near term. An agency requiring additional time or flexibility in completing this integration should coordinate with the appropriate OMB office regarding possible adjustments to either schedule or scale of the effort. Adjustments may be made, provided these reflect a continuing agency commitment to fully carry out this initiative as quickly and practicably as possible.

*(b) Changes in the budget account structure.*

Current differences between the program activities structure in the Budget and the GPRA program activity array in the performance plan will diminish as agencies modify their present set of budget accounts or the list of P&F schedule program activities within an account. Where possible, agencies are encouraged to change their current budget account structure to produce a more thematic presentation of both budget and performance information, thereby enhancing the understanding of programs and measures of performance. (See [sections 25.3](#) of Part 2, and [71.2](#), and [71.3](#) of Part 3 on alignment of budget accounts and establishment of new accounts.)

The restructured budget accounts should redefine the current set of program activities in the P&F schedules into a set of outputs (and possibly outcomes), allowing resources to be matched with these performance measures within the P&F schedule of the budget account.

Two endeavors comprise the restructuring of budget accounts. The first modifies the program activity listings in the P&F schedules in the President's Budget, substituting outputs and outcomes for the current listings. The second form of restructuring is more fundamental and difficult to make. This form changes how many accounts an agency has, or shifts resources between accounts. (The latter does not encompass situations where resources are shifted between program activities in the same account.) The accounts number may be altered by new accounts being established, or existing accounts being discontinued.

For the FY 2004 budget, agencies are encouraged to modify the program activity listings in the P&F schedules, substituting outputs and outcomes for the current listings, regardless of whether the second form of restructuring is being undertaken.

Full costs (including accruing retirement pensions and retiree health benefits) should be included in the restructured accounts (see [section 221.3](#) on full costs). If legally impeded from including all components of full cost in a budget account, agencies should display these costs in an informational table.

*(c) Informational tables in the budget.*

OMB intends to selectively include informational tables in the FY 2004 Budget. The informational tables will include a set of outputs and outcomes that will be analogous to the program by activity listings that appear in a P&F schedule. The tables will display budget amounts for three years for these program outputs and outcomes. As these are informational tables, the budget amounts shown should include estimates of full costs (see also [subsection 221.3\(b\)](#)).

Informational tables in the FY 2004 budget may be cross-account or, potentially, cross agency. The FY 2004 informational tables will cover those programs included in the assessments of program effectiveness being done in 2002. OMB expects to expand the number of informational tables in the FY 2005 budget to cover all agency programs. The strategic objectives and the general (outcome) goals in the agency strategic plans will be used to organize these tables in the budget. Thus, agencies are to submit a draft of

the updated and revised strategic plan to OMB by March 1, 2003, to assist in the early development of these tables.

Generally, the budget resources in an informational table will be aligned with outputs, with the outputs summing to an outcome. In certain circumstances, such an alignment may be impractical. For example, an agency may be unable to estimate the cost of achieving a certain output, such as a measure of customer satisfaction. Or a program may have a large number of outputs, and to simplify the presentation, some outputs are omitted from the table. In these instances, the budgetary amount shown for the outcome may be greater than the sum of the costs shown for the outputs. Future guidance will address whether more than one year of performance will be displayed in these tables.

An agency performance plan may contain outcome and output measures that are not included in an informational table.

### 221.3 Full Cost

*(a) What is meant by full cost?*

From a budgetary standpoint, "full cost" is the sum of all budget resources used by an agency to achieve program outputs. This includes such traditional elements of cost as salaries and expenses, procurement of goods and services, grants, transfers, subsidies, benefit payments, etc. Additionally, "full cost" includes the full employer share of the annual accruing cost of retiree pension and health benefits, the accruing cost of hazardous waste cleanup, annual capital usage charges and rent, and the cost of all support services and goods used and provided for centrally. Legislation is pending to allow the Budget to include these additional elements of full cost (e.g., all accruing retiree benefits) in the agency budget accounts. Legislation is not required to include full costs in the budgetary resources amounts shown in the informational tables that would be developed and displayed in the President's budget.

If the full cost of an output or outcome cannot be precisely calculated, the agency should prepare its best estimate or approximation of the full cost.

Agencies unable to calculate full costs for all outputs may identify the full costs of an outcome and the full costs of selected outputs for that outcome. For example, a table or account may have an output that could not be costed, or the set of outputs associated with an outcome is so long that for brevity, some may be omitted. In such displays, the sum of full costs for the included outputs may not sum to the full cost shown for the outcome.

*(b) Including full cost in restructured budget accounts and informational tables in the President's Budget*

As in the FY 2003 Budget, the full employer share of the accruing cost of retiree pension and health benefits should be included in all accounts paying salaries. In addition, full cost (to the extent indicated below) should be calculated and cumulated for outputs for the following submissions and documents:

- FY 2004 budget requests and initial performance plans for all programs covered in the assessments of program effectiveness being done during the Fall, 2002. Full cost includes the full employer share of the accruing cost of retiree pension and health benefits, and the costs of all support services and goods used and provided for centrally.

- Informational tables in the FY 2004 Budget for all programs covered in the program effectiveness assessments. Full cost includes retiree pension and health benefits, and all support services and goods used and provided for centrally.
- Restructured budget accounts (the second form) in the FY 2004 Budget. Full cost includes retiree pension and health benefits, and all support services and goods used and now provided for centrally
- Informational tables in the FY 2004 Budget for those budget accounts where outputs and outcomes were substituted for the current program activity listings in the Program and Financing schedules in the Budget (the first form). Full cost includes retiree pension and health benefits, and all support services and goods used and now provided for centrally.
- FY 2005 budget requests and initial performance plans for all programs, including those covered in the assessments of program effectiveness being done during CY 2003. Full cost includes retiree pension and health benefits, and all support services and goods used and provided for centrally. Full cost may include all additional cost elements described in subsection (a) above, including the accruing cost of hazardous waste cleanup, and annual capital usage charges.
- Informational tables in the FY 2005 Budget for all agency programs, including those covered by assessments of programs effectiveness, budget account restructuring, and substitution of outputs and outcomes for current program activity listings in the Program and Financing schedules. Full cost includes retiree pension and health benefits, and all support services and goods used and provided for centrally. Full cost may include all additional cost elements described in subsection (a) above, including the accruing cost of hazardous waste cleanup, and annual capital usage charges.

#### **221.4 Reflecting performance occurring in future years or funded by prior year monies.**

**Summary of requirement:** The annual performance plan should cover all performance related to the resources available or expended during the fiscal year. This includes fiscal year performance funded by prior year monies, and future year performance that would be funded by the agency's budget request for the fiscal year.

##### *(a) Coverage.*

Performance goals and indicators in an annual plan should present a complete picture of the performance related to the resources available for the fiscal year covered by the annual plan. Goals and indicators should cover all resources available for implementing the annual plan, specifically:

- Performance occurring in the fiscal year that is funded by spending prior year monies (i.e., spending from balances of budgetary resources provided in previous years);
- Performance occurring in the fiscal year that is funded by new resources becoming available in that year; and
- Performance occurring in a future fiscal year that is to be funded by new resources requested in the fiscal year covered by the annual plan.



An agency should also include performance goals and indicators in its plan even though actual performance against these goals is not fully and contemporaneously measured during the fiscal year covered by the annual plan.

Agencies should not confuse performance occurring in a future fiscal year with situations in which measured performance data will not be available at the time the program performance report is prepared. There often can be a significant lag in obtaining actual performance data for a particular period. The lag could be several years or more. GPRA makes allowance for this situation by requiring that the annual program performance report include results only when data becomes available (see also [section 231.3](#)).

*(b) Performance goals that reflect prior year funding.*

The annual plan should present the full level of performance for goals and indicators. In some instances, this performance level will reflect the spending of prior year monies during the fiscal year covered by the plan. The plan should specifically denote which goals or indicators are funded by a significant amount of prior year monies. A performance level need not be stratified to show how much performance is funded by any particular year. (Information on total funding by fiscal year associated with performance goals may be requested separately by OMB.)

*(c) Goals for performance occurring in a future fiscal year.*

When program performance in a fiscal year is funded by prior year monies, this circumstance often parallels a fiscal year budget which contains requests for funds that will not be spent until a future fiscal year(s). This is common practice in some grant programs and major procurements, and is a statement of long-range investment priorities.

Goals and indicators covering future-year performance should be included in the annual plan. The plan should include a description of the projected level of performance to be achieved; a brief summary is sufficient. The plan should also identify the fiscal year(s) when performance will occur.

The prospective effect on projected performance goals and indicators for future years, from agency rulemaking or a tax expenditure initiative being undertaken in the fiscal year covered by the annual plan, should also be described.

Agencies may revise these projected levels of performance in a subsequent annual plan (i.e., the plan for the fiscal year in which the performance will actually occur). (See [subsection \(b\)](#) above on establishing goals reflecting prior year funding.) When one or more years intervene before the fiscal year of actual performance, goals and indicators covering the interim period are not required.

**221.5 Availability of detailed performance information.**

For many agencies, the annual plan will describe performance on a large or macro scale. The annual plan will synthesize and summarize from more detailed plans specific to a program or component, or from performance information prepared and used at different levels of the agency.

In these instances, agencies will have available, and be responsive to, any appropriate inquiries for the underlying detail that exists in their lower-level plans. To ensure this capability, the more detailed plans should use consistent and mutually supportive performance measures that provide the ability to access or "drill down" to more refined levels of performance information.

**VARIOUS EXAMPLES OF POSSIBLE  
SCHEDULES AND INFORMATION TABLES FOR FY 2005 BUDGET  
LINKING BUDGET AND PERFORMANCE**

**Schedule A:**

An example of a Program and Financing Schedule in the FY 2003 Budget. (The Resource Management Account in the Fish and Wildlife Service, Dept. of the Interior.)

Account 14-1611-0-1-302	FY 2001	FY 2002	FY 2003
Resource Management FWS	\$954M	\$997M	\$1,049M
Ecological services (program activity)	212	230	225
National Wildlife Refuge System (p. a.)	336	348	392
Migratory Birds (program activity)	26	31	31
Law Enforcement (program activity)	51	53	55
Fisheries (program activity)	93	103	100
General Administration (program activity)	128	128	142

**Schedule B**

An illustrative Program and Financing Schedule for FY 2005 Budget. This account is for an outcome goal for a single departmental bureau with output goals forming the program activity list. This is an example of a restructured account.

Account 123456M	FY 2003	FY 2004	FY 2005
Recover 10 Endangered Species FWS (outcome)	\$55M	\$60M	\$60M
Restore x acres of habitat (output)	30	30	30
Acquire y acres of land (output)	0	5	5
Release z hatchery fledglings (output)	15	10	10
Complete v population studies (output)	5	15	10
Prosecute r cases of illegal trafficking (output)	5	5	5

**Table C (an informational table)**

An illustrative informational table for the FY 2005 Budget. This table features a common outcome goal for two departmental bureaus with selected output goals also included in the program activity listing. Budget accounts are not restructured.

Accounts 123456J and 123456W	FY 2003	FY 2004	FY 2005
Recover endangered species (outcome)	\$85M	\$95M	\$95M
Recover 10 species FWS (outcome)	55	60	60
Restore x acres of habitat (output)	(30)	(30)	(30)
Release z hatchery fledglings (output)	(15)	(10)	(10)
Recover 6 species NPS (outcome)	30	35	35
Acquire y acres of land (output)	(7)	(10)	(11)
Transplant 4 species (output)	(2)	(4)	(4)
Establish Farside Sanctuary (output)	(8)	(5)	(1)

**Table D (information table)**

An illustrative information table for FY 2005 Budget. This table displays outcome and related output goals goal with discretionary and mandatory funding and offsetting collections in the same agency. This table also includes a program effectiveness rating. Budget accounts are not restructured.

Accounts 123456 L and 123456V	FY 2003	FY 2004	FY 2005
Create 125,000 small business jobs (outcome)	\$990M	\$920M	\$965M
Award x business development loans (output) <i>Discretionary appropriation</i>	675	630	690
Recapitalize 4 percent of existing loan business loan portfolio (output) <i>Mandatory appropriation</i>	115	80	55
Process y percent of loan applications in 90 days (output) <i>Discretionary appropriation</i>	30	25	25
<i>Offsetting collection</i>	105	115	120
Provide business skills training for 3000 small business owners (output) <i>Discretionary appropriation</i>	65	70	75
Program Effectiveness Rating: Moderately effective.			

**Table and Schedule E**

A combination of an illustrative table paired with a restructured budget account for the FY 2005 Budget. The table is an informational table, displaying resources by agency for several agencies (both intra-agency and inter-agency) for an outcome-in-common goal. Budget accounts are not restructured for this table. The second display is a Program and Financing Schedule, example B above, and with effectiveness rating(s) now included. The budget account was restructured for this schedule.

[No account]	FY 2003	FY 2004	FY 2005
Recover 21 endangered species in 2005	\$140M	\$155M	\$165M
Recover 10 species FWS (outcome)	55	60	60
Recover 6 species NPS (outcome)	30	35	35
Recover 2 species BLM (outcome) [different budget subfunction]	10	10	15
Recover 3 species BuRec (outcome) [different appropriation act]	5	15	15
Recover 5 species NOAA (outcome) [different department]	40	35	40

Account 123456M	FY 2003	FY 2004	FY 2005
Recover 10 Endangered Species FWS (outcome)	\$55M	\$60M	\$60M
Restore x acres of habitat (output)	30	30	30
Acquire y acres of land (output)	0	5	5
Release z hatchery fledglings (output)	15	10	10
Complete v population studies (output)	5	15	10
Prosecute r cases of illegal trafficking (output)	5	5	5

<b>Program effectiveness rating for this account.</b>			
Habitat restoration: not rated			
Land acquisition: effective			
All other output goals: moderately effective			

**SECTION 222—PREPARING AN ANNUAL PERFORMANCE PLAN: FORMAT AND OTHER  
FEATURES**

**Index for Section 222**

- 222.1 Other elements and general guidelines for content.
  - (a) Elements an agency may need to include.
  - (b) General guidelines governing plan content.
- 222.2 Format and additional content.
  - (a) Format.
  - (b) Multi-year performance data.
  - (c) Identifying interim adjustments to a strategic plan.
  - (d) Program evaluations and other analyses.
  - (e) Use of non-Federal parties.
  - (f) Waivers of administrative requirements.
- 222.3 Single annual performance plan.
- 222.4 Relationship to strategic plan.
  - (a) Required coverage.
  - (b) In general.
  - (c) Including certain content from the strategic plan.
  - (c) General goals and relationship to annual performance goals.
  - (d) Means and strategies.
  - (e) External factors.
  - (f) Program evaluations and other analyses.
- 222.5 Classified or other appendices not available to the public.

**222.1 Other elements and general guidelines for content.**

*(a) Elements an agency may need to include.*

Beyond the required elements described in [section 220.2](#), an annual plan may include several other elements, as appropriate. These are:

- A description of any interim adjustments to the agency's strategic plan;
- A description of actions the agency is taking to resolve inadequacies in the completeness and reliability of performance data (see also [section 220.5](#) on verification and validation, and subsection 231.7 on the assessment of performance data);
- A description of the timeperiod and resources needed to carry out an agency-wide information security program (see also [subsection 220.4\(f\)](#));
- Information on performance-related studies and analyses (see [subsection 222.4\(f\)](#)); and

**SECTION 222—PREPARING AN ANNUAL PERFORMANCE PLAN:  
FORMAT AND OTHER FEATURES**

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- Requests for waivers of administrative requirements to provide managerial flexibility.

*(b) General guidelines governing plan content.*

In developing annual plans, you should be guided by the following general rules and principles:

- A single plan covering your entire agency should be prepared, rather than a number of plans covering different agency component or program areas (see [section 222.3](#));
- Budget resources should align with performance goals (see [section 221](#));
- You include performance information covering several fiscal years (see [section 224.2](#));
- A current strategic plan should be in effect for the fiscal year covered by the annual plan (see [section 211.4](#));
- A specific linkage with the strategic plan should be reflected in the annual plan (e.g., performance goals and indicators in an annual plan should be based on the general goals in the agency's strategic plan);
- Your initial plan iteration is considered privileged material and cannot be released outside the Executive branch (see [subsection 223.2\(a\)](#); and,
- While the basic elements of the plan are prescribed by these instructions, you have flexibility in determining the scope, level of detail, and format of the plan within this framework.

**222.2 Format and additional content.**

***Summary of requirements:*** The annual performance plan will include performance goals covering a several-year period. General goals from the strategic plan should be aligned with their performance goal counterparts in the annual plan.

*(a) Format.*

No specific format is prescribed for your annual plan. Some format-related features of the plan may be specified by Congressional committees, particularly if the plan and Congressional justification are merged. You should ensure that information is presented clearly and concisely. Plans should be informative, useful, and avoid minutiae. The format should allow the public to easily and quickly access the annual plan using the WorldWideWeb.

Your annual plan should incorporate certain information from your strategic plan. This information may be summarized. (See subsection [222.4\(b\)](#).)

*(b) Multi-year performance data.*

The FY 2004 performance plan should include performance goals for fiscal years 2003 and 2004, and actual performance information for fiscal years 1999, 2000, 2001, and 2002. The FY 2004 performance

plan should include target values for fiscal year 2003 for any performance goal included in both plans. Agencies should include information on actual performance for any fiscal year 1999, 2000, 2001, and 2002 performance goals that are also included in the FY 2004 plan. The value of including current and prior year performance information is to show trends. Thus, agencies can omit information for performance goals and indicators not being continued in the FY 2004 plan. (See also [section 224.2](#).)

*(c) Identifying interim adjustments to a strategic plan.*

An annual plan may be used to identify and describe interim adjustments being made to a strategic plan. These interim adjustments are an opportunity for agencies to modify the updated and revised strategic plans transmitted in September, 2000 to reflect program and policy changes of this Administration. Most agencies are preparing an updated and revised strategic plan that will be submitted to Congress and OMB by September 30, 2003. Agencies may wish to anticipate selected forthcoming changes in their strategic plan by identifying these in the interim adjustments appended to the FY 2004 performance plan. The initial annual plan sent to OMB should include these adjustments. The final annual plan is used to transmit these adjustments to the Congress. If a revised final plan is prepared and distributed to Congress, it may also be used to transmit these adjustments. (See [section 213](#) on making interim adjustments to a strategic plan, and the nature of these adjustments.)

*(d) Program evaluations and other analyses.*

The process for making interim adjustments to a strategic plan should be used to change the number and schedule for program evaluations during the fiscal year covered by the annual plan. (See [section 213](#) on interim adjustments, and [section 210.7](#) on program evaluations.) Interim adjustments are publicly identified by being appended to an annual plan.

Although agencies may replicate relevant strategic plan information on program evaluations in their annual plan, this is not a specified element of the annual plan. When included, this information typically covers the schedules for, and summarize the types of, program evaluations to be done during the year.

For informational purposes in an annual plan, agencies may reference and summarize other analyses or studies that will be undertaken during the fiscal year, and which directly relate to performance goals and indicators in the plan. Such studies and analyses are not typically covered in the program evaluation section of agency strategic plans. These studies and analyses can include policy, program, or management analyses, compliance reviews, cost-benefit studies, research to provide baseline data, or demonstration research. This reference is not a specified element in the annual plan. This reference provides early information on the analyses and studies that the agency intends to cover in its annual report (see [subsection 231.9\(a\)](#)).

In the annual plan, agencies should include a summary of findings and recommendations of a completed program evaluation or other analysis when these affect a current or future performance goal, or the means and strategies being used to achieve a goal.

*(e) Use of non-Federal parties.*

GPRA states that the preparation of an annual plan is an inherently governmental function, and the plan is to be drafted only by Federal employees. When preparing a plan, agencies may be assisted by non-Federal parties (e.g., consultants, contractors, or States) whose role may include collecting information; conducting studies, analyses, or evaluations; or providing opinions or ideas. Such assistance should supplement, not supplant, the agency's in-house plan preparation effort. The plan should acknowledge and indicate any significant contribution by non-Federal parties in its preparation.

*(f) Waivers of administrative requirements.*

Waivers of administrative requirements are intended to provide managers with more flexibility in managing, in the expectation this added discretion and authority will lead to improvements in program or organizational performance. These administrative requirements are established by a central management agency such as the General Services Administration, OMB, or the Office of Personnel Management, and generally apply to Executive branch agencies. OMB is responsible for reviewing and approving requested waivers. For waivers of requirements established by an agency other than OMB, the requesting agency must secure an endorsement from the establishing agency prior to OMB review.

The managerial flexibility provisions of GPRA were to be first tested in a set of pilot projects. While OMB initiated a pilot selection process, none of prospective candidates were ever designated. A main reason for the lack of designations was that the waivers being sought would have had no demonstrable effect on program performance. When proposing a waiver, an agency must describe the anticipated effects on performance if the waiver is approved. After a waiver is approved, the agency must subsequently describe the effectiveness of the waiver in achieving performance goals in its annual performance report. The continuing lack of interest in waivers has led to OMB deferring specifying a process in Circular No. A-11 for requesting, endorsing, and approving them.

**222.3 Single annual performance plan.**

*Summary of requirement:* The annual performance plan is a single plan covering the entire agency.

The annual plan should present a comprehensive picture of performance across the agency. A single plan, covering the agency as a whole, allows an agency's performance goals to be reviewed in their totality.

Within the single plan, an agency has flexibility in organizing the plan's content. For example, a plan could be organized into parts, which conform to the structure of its budget request (e.g., by major functions, organizations, or program), or match with the different jurisdictional responsibilities of various Congressional committees. A single plan is formed by joining the various parts together.

**222.4 Relationship to strategic plans.**

*Summary of requirement:* An annual performance plan must be covered by a current strategic plan.

*(a) Required coverage.*

GPRA requires that a current strategic plan (meeting GPRA requirements) be in effect for the fiscal year covered by an annual plan. (See [section 211.4](#) on current strategic plans.)



*b) Including in the annual plan additional content from the strategic plan.*

A close correspondence should exist between the strategic plan and the annual plan. This correspondence allows the more general and long-term focus of the strategic plan to be linked with the more detailed and year-specific content of the annual plan. Several elements of the strategic plan parallel those in the annual plan and underscore this linkage. The annual plan should include the following elements of a strategic plan.

- The agency mission statement, and any strategic objectives. The strategic objectives will allow related outcome and output goals to be grouped. The mission statement provides a ready reference of the agency purpose for the reader.
- The general goals. This will help show the linkage between the general goals in the strategic plan and the annual performance goals. The general goals (or a summary) should be displayed and aligned with the associated annual goals. Most agencies are preparing an updated and revised strategic plan by September, 2003, with a draft plan to be sent to OMB by March 1, 2003. The FY 2004 performance plan should incorporate the general goals from the current strategic plan, including any interim adjustments subsequently made to the September 2000 updated strategic plan. These interim adjustments can include those identified and described as part of the FY 2004 performance plan.

*(c) General goals.*

The strategic plan sets forth the general goals of the agency, and describes the relationship between these goals and the performance goals and indicators in the annual plan. Often, the performance goals will define the progress being made during a fiscal year toward achieving the general goals in a strategic plan. This progress is incremental if a general goal is not fully achieved until a future year.

*(d) Means and strategies.*

The strategic plan describes the means and strategies being used in achieving the general goals. A similar element in the annual plan describes in greater detail the specific processes, technologies, and types of resources that are needed to achieve the performance goals. The annual plan description should also cover other means, such as regulation and tax expenditures, when an agency will rely on these to achieve specific performance goals.

*(e) External factors.*

The identification of key external factors (see section 210.10) is not a specified element in an annual plan. Agencies may choose to include information on external factors in their annual plan when these bear directly on goal achievement for the fiscal year covered by the plan. This information should be consistent with the identification of external factors in the strategic plan.

*(f) Program evaluations and other analyses.*

See [subsection 222.2\(d\)](#) for including information on program evaluations, and other studies and analyses.

**222.5 Classified or other appendices not available to the public.**

An agency may attach a classified appendix to its annual plan. The appendix includes any material authorized under criteria established by Executive order to be kept secret in the interest of national defense or foreign policy. The material should be properly classified in accordance with the Executive order. Only the minimum amount of information necessary for the classified appendix should be included.

With OMB approval, agencies may prepare a non-public appendix covering certain law enforcement or revenue collection activities. Agencies should consult with, and receive the approval of, their OMB representative before preparing this type of appendix.

Performance goals or indicators included in a non-public appendix should be sufficiently specific in scope or focus that revealing the goal publicly would likely impede achievement of the goal. While certain performance goals and indicators for these activities may not be in a public portion of the plan, the program performance report will usually publicly record actual performance—in a post-facto manner—against such goals and indicators, and compare this to the target or performance levels in the non-public annex.

To avoid classifying the entire plan, a classified or non-public appendix to a plan should be detachable from the other parts of the plan.

## SECTION 223—SUBMISSION OF ANNUAL PERFORMANCE PLANS

## Index for Section 223

- 223.1 Timing of plan submissions and submitting official.
  - (a) The initial plan.
  - (b) The final plan.
  - (c) The revised final plan.
- 223.2 Clearance and public availability of the annual performance plan.
  - (a) Privileged nature of the initial plan.
  - (b) Clearance of the final plan and revised final plan.
  - (c) Public availability of the final plan.
  - (d) Receiving comments on the final plan.

**223.1 Timing of plan submissions and submitting official.**

**Summary of requirements:** Initial annual performance plans are due to OMB with the agency budget request. Final annual performance plans are sent to Congress following transmittal of the President's budget.

*(a) The initial plan.*

The agency head (or his or her designee) sends the initial annual plan to OMB at the same time as the agency's initial budget submission. (See [section 25.4](#) of Part 2 of this Circular for information on the timing of budget submissions. See [section 224](#) regarding submission of the initial FY 2004 performance plan.)

*(b) The final plan.*

There is no set date for sending the final annual plan to Congress. Submission will follow, not precede, transmittal to Congress of the President's Budget. Sending the plan to Congress simultaneously with the agency Congressional justification (justification of estimates) is appropriate and useful. (Agencies may merge their annual plan with their Congressional justification; see [subsection 221.1\(c\)](#)). Timely submission will aid various Congressional committees in reviewing the plans and in deciding budget, authorization, and appropriation levels for the fiscal year. Agencies should note Congressional timelines in this regard.

A copy of the final annual plan should be provided to the chairmen and ranking minority members of the budget committees, relevant authorization and oversight committees, appropriations subcommittees, and the chairman and ranking minority member of the Senate Committee on Governmental Affairs and the House Government Reform Committee. Copies may also be distributed to other members of Congress or committees.

The transmitting official for the final annual plan is either the agency head or the official who sends the agency Congressional justification to Congress.

*(c) The revised final plan.*

There is no required distribution of a revised final plan. Agencies should coordinate any distribution of this plan iteration with the appropriate Congressional committees, including the timing of any distribution.

If a revised final plan is prepared, it should be finished as soon as practicable following completion of Congressional action on the agency's budget request. Generally, revised final plans should be completed within 30 days of the start of the fiscal year covered by the annual plan, and no later than by the end of the first quarter of the fiscal year. If Congressional action has not concluded by December 1, a revised final plan should be based on the agency's best judgment of its fiscal year funding level. Prolonging completion of a revised final plan until the fiscal year is well underway limits its usefulness as a management document. (See [subsection 220.8\(c\)](#) on having a copy of the revised final plan available for reference if it is not sent to Congress or OMB.)

**223.2 Clearance and public availability of the annual performance plan.**

**Summary of requirements:** The initial annual plan may not be released outside the Executive branch. Final annual plans and revised final annual plans must be cleared through OMB prior to transmittal or release to the public.

*(a) Privileged nature of the initial plan.*

In an annual plan, specific target levels of performance and measures are proposed for the performance goals and indicators. In contrast to a description of what will be measured (for example, an error rate), the target levels define what the proposed performance level will be (for example, an error rate of 1.3 percent). As the proposed target levels for many performance goals in the initial plan reflect specific funding levels in an agency's budget request, the initial plan is considered to be pre-decisional. As privileged material, the initial plan may not be released outside the Executive branch. (See also [section 22.1](#) in Part 1 of OMB Circular No. A-11 on the prohibition on releasing certain budget information prior to its official transmittal to Congress.)

For any new program or activity proposed to be initiated and funded as part of the President's budget, both the descriptions of the performance goals, as well as target levels for these goals are pre-decisional and privileged.

Descriptions of performance goals or indicators appearing in a transmitted strategic plan (see [section 210.4](#)) or in a previous year's annual plan, are already public and are not privileged. In addition, for programs involving a partnership or similar arrangement between an agency and States or local governments, the specific program target levels are not privileged if they have been negotiated and are public knowledge prior to transmittal of the initial plan to OMB.

*(b) Clearance of the final plan and revised final plan.*

The final plan as well as any revised final plan are considered budget-related materials. The provisions of [section 22.3](#) of Part 1 regarding OMB clearance of such materials prior to their transmittal or release applies to these iterations of the annual plan.

*(c) Public availability of the final plan.*

As soon as practicable after it is sent to Congress, the revised annual plan should be made available to the public. Agencies should use electronic means, such as the WorldWideWeb, to make the plan available. The ease of retrieving and reading the plan from an electronic site should be factored in the design and format of the plan.

A final plan should be written in a concise informative manner. Readability should be paramount. As a public document, its content—in style, length, and structure—should be such that it promotes a reader's interest in and understanding of the agency and its programs.

When a revised final annual plan is provided to Congress, it also should be made publicly available.

*(d) Receiving comments on the final plan.*

Unlike for strategic plans, GPRA does not require that an agency consult with Congress on its annual plan prior to transmittal, or provide an opportunity for potentially interested or affected parties to give their views. (See [section 212.2](#) and [subsection 212.3\(c\)](#) on strategic plan consultation and contrary views.) Congressional views on the final plan are obtained in the course of the legislative session, and Congressional action can be based on the performance information contained in the plans. Both a revised final plan and future fiscal year plans can reflect these Congressional views and actions. Agencies are encouraged to ask the public for their views on the final plan, particularly its readability and informativeness.

## SECTION 224—THE FY 2004 PERFORMANCE PLAN

## Index for Section 224

- 224.1 Annual performance plan for fiscal year 2004.
- (a) Introduction.
  - (b) Schedule.
  - (c) Performance content of the initial FY 2004 plan.
  - (d) Performance content of the final FY 2004 plan.
  - (e) Integrating budget and performance.
  - (f) Fiscal years 2002 and 2003 budget information.
  - (g) Incorporating improvements from the 2001, 2002, and 2003 performance plans, and the FY 1999, 2000, and 2001 performance reports.
- 224.2 Fiscal year coverage of the FY 2004 performance plan.
- (a) Fiscal year 2004.
  - (b) Fiscal year 2003.
  - (c) Fiscal years 1999, 2000, 2001, and 2002.
  - (d) Fiscal year 1998 and earlier fiscal years.
  - (e) Future fiscal years.
- 224.3 Display of performance goals in the FY 2004 performance plan.

**224.1 Annual performance plan for fiscal year 2004.***(a) Introduction.*

The FY 2004 performance plan should continue expanding the quality and scope of performance information included in previous annual plans. The FY 2004 performance plan adds a sixth year of performance information. These six years of information span fiscal years 1999 through 2004.

*(b) Schedule.*

The initial FY 2004 performance plan is to be sent to OMB by September 9, 2002. An agency's final FY 2004 performance plan is sent to Congress no earlier than the date for the transmittal of the President's FY 2004 Budget.

*(c) Performance content of the initial FY 2004 plan.*

A major initiative is underway to increase the effectiveness of Federal programs, to integrate budget and performance information, and make the Federal government more results-oriented. The initiative encompasses:

- assessing the effectiveness of all agency programs;
- emphasizing the integration of budget and performance information;
- calculating the full cost of programs and activities; and,
- including more useful performance information in the President's budget.

Several facets of this initiative will affect the content of the FY 2004 performance plans. For agency programs being covered in the FY 2004 program effectiveness assessments, the initial plan should provide resource estimates for these programs on a full cost basis (see [section 221.3](#)). The initial plan for selected agencies should also include FY 2004 target levels for performance goals covered in the common measures initiative.

*(d) Performance content of the final FY 2004 plan.*

An agency's performance goal targets for its final performance plan should reflect the President's budget for FY 2004. The target levels should be consistent with program, policy, and resource decisions made by the President.

For those departments and agencies required to submit a combined FY 2002 performance and accountability report, the final FY 2004 performance plan may include additional performance data related to FY 2002 that is not included in the combined FY 2002 report. This information can consist of material withheld from the report because it was privileged (see [subsection 223.2\(a\)](#)), or data that was not available at the time the report was being prepared.

*(e) Integrating budget and performance.*

At a minimum, an annual plan should display the amount budgeted either for a GPRA program activity, or a set of related GPRA activities. Beginning in FY 2004, the President's Budget will have informational tables aligning resources with performance goals (outputs and outcomes). OMB intends to include such tables for all Federal agencies in the FY 2005 budget. Agencies presently unable to display and align such information should accelerate efforts to develop this capability. The FY 2004 performance plan should describe the action steps an agency will be taking in 2002 and 2003 in this regard. A timetable for the specific steps should be included. The descriptions and schedules are included in the initial FY 2004 plan sent to OMB. Following OMB review, the agency may include the steps and timetables, as modified following the review, in its final FY 2004 performance plan.

*(f) Fiscal year 2002 and 2003 budget information.*

Agencies displaying budget information for FY 2004 performance goals or sets of goals should also include this information for current and past fiscal years. Plans including performance goals for fiscal years 2003 (estimated performance) and 2002 (actual performance) should include the corresponding budget amounts for these goals. Agencies may include the corresponding budget amounts for performance goals for fiscal years 1999, 2000, and 2001. The budget amounts should be at the same aggregate level, such as for the individual measures being used to assess program effectiveness, or at the GPRA program activity level, as displayed for FY 2004 in the annual plan. The agency should note if a budget amount covered goals within GPRA program activities that were discontinued.

*(g) Incorporating improvements arising from reviews of the FY 2001 , 2002, and 2003 performance plans, and the FY 1999, 2000, and 2001 program performance reports.*

The annual plans and reports continue to be reviewed, often extensively, by OMB, the General Accounting Office, the agency Inspectors General, and other parties. These reviews have produced numerous suggested improvements to individual agency plans. Agencies are expected to reflect and incorporate appropriate suggestions and comments for improving their annual plans in the fiscal year 2004 plan.

**224.2 Fiscal year coverage of the FY 2004 performance plan.**

**Summary of requirement:** The FY 2004 annual plan should include performance goals for both FY 2003 and 2004, and actual performance information for FY 1999, 2000, 2001, and 2002.

*(a) Fiscal year 2004.*

Performance goals and indicators for fiscal year 2004 set out projected levels of performance. These performance goals are a statutorily-required element of the plan.

*(b) Fiscal year 2003.*

For performance goals and indicators included in both the FY 2004 and 2003 plans, the target levels of performance for fiscal year 2003 should be displayed. While target values for a performance goal can differ by fiscal year, the goal description should be similar. The target values for FY 2003 represent estimated performance levels.

The FY 2003 target levels are those contained in either the final plan or the revised final plan for this fiscal year, whichever is most current. Although FY 2003 target levels are included in an agency's final FY 2004 plan, the FY 2004 plan is not used to further revise target levels for performance goals in the FY 2003 plan. Any such revision must first be made through a revised final plan for FY 2003.

Fiscal year 2003 performance goals or indicators that are not continued in the FY 2004 plan need not be included in this plan. Information on now-discontinued FY 2003 performance goals and indicators is found in either the final or revised final FY 2003 performance plan.

*(c) Fiscal years 1999, 2000, 2001, and 2002.*

Agencies should include actual performance data for FY 1999, 2000, 2001, and 2002 for those performance goals and indicators included in both these and the 2004 plans.

Actual full-year performance information for FY 2002 often will not be available when the initial FY 2004 plan is sent to OMB in September 2001. Data availability should increase by the time that the final plan is sent to Congress. Agencies including actual performance data in their FY 2004 plan but lacking information for specific goals or indicators should note that the information is not available. Data may also be characterized as preliminary.

To lessen the effect of having little FY 2002 performance data available when the initial FY 2004 performance plan is submitted to OMB, agencies should include part-year performance values for selected performance goals. Typically, these will be output goals for which data is being collected on a quarterly or more frequent basis. When including this information, the agency should note the date collected; e.g., performance as of March 30, 2002.

An agency need not compare actual performance with fiscal year 2002 target levels for performance goals and indicators. (See also subsections 220.1(c), and 222(b) and (c) on other elements of a program performance report which an agency may include in its annual plan.)



*(d) Fiscal year 1998 and earlier fiscal years.*

Agencies having actual performance data for 1998 or earlier years corresponding to performance data for FY 1999 that is being included in the FY 2004 performance plan are encouraged to include this information as well. This data can be useful in showing trends or in establishing a baseline.

*(e) Future fiscal years.*

Agencies should include the projected level of performance in a future fiscal year; i.e., post fiscal year 2004, where such performance will be funded by the FY 2004 budget request. (See [section 221.4](#) on goals for performance occurring in a future fiscal year.) In the initial plan submitted to OMB, agencies may include projections of future performance that would be funded by future year budgets, i.e., post FY 2004 budgets. Performance projections tied to future year budgets are usually not included in a final or revised final performance plan.

<b>224.3 Display of performance goals in the FY 2004 performance plan.</b>
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Performance information for fiscal years 1999, 2000, 2001, 2002, 2003, and 2004 for a program should be grouped as a single array. Agencies should avoid dividing the annual plan into separate sections by fiscal year.

Agencies have flexibility in designing the array, e.g., whether to present the information as a multi-column table or vertically. The design may be influenced by how the performance goals are expressed, e.g., as quantitative values or descriptive statements. Fiscal year 2004 target levels should be defined as projected performance, FY 2003 target levels as estimated performance, and FY 2002, 2001, 2000, and 1999 (or prior year) levels as actual performance.

An agency defining a significant number of performance goals using the alternative form of measurement may truncate the descriptive reporting of actual prior year performance in its annual plan. (Performance goals not defined in a quantifiable manner use the alternative form of measurement. See [section 220.6](#) on the alternative form of measurement.) Performance reporting may be truncated for years two, three, and four of actual performance, but not for the most immediate prior year. For example, a performance plan for 2004 includes actual performance for 1999, 2000, 2001, and 2002, with actual performance being truncated for years 1999–2001. A truncated description of performance briefly summarizes in a phrase or two what was achieved in a particular fiscal year. An agency may not truncate the reporting of prior year performance in its annual report.

Performance goals or indicators newly established for the FY 2004 plan may not have counterpart goals in the FY 2003 plan. The plan should indicate that these are new goals.

**SECTION 225—"GETTING TO GREEN": THE PRESIDENT'S MANAGEMENT AGENDA  
INITIATIVE ON INTEGRATING BUDGET AND PERFORMANCE**

**Index for Section 225**

225.1	The President's Management Agenda and the budget-performance initiative.
225.2	The standards for getting to green on budget performance integration.
Exhibit 225	Integrating Budget and Performance; Getting to Green

**225.1 The President's Management Agenda and the budget performance integration initiative.**

Five major government-wide initiatives comprise the President's Management Agenda: Strategic Management of Human Capital; Competitive Sourcing; Improved Financial Performance; Expanded E-Government; and Budget and Performance integration. For each of these initiatives, OMB prepares a scorecard consisting of "green, yellow, and red lights" reflecting agency status and progress in meeting the standards for success for an individual initiative. In shorthand terms, the standards for success are collectively known as "Getting to Green".

The scorecard is included in the President's budget for all Cabinet departments and over ten independent agencies.

**225.2 The standards for getting to green on budget performance integration.**

Exhibit 225 describes the indicators that OMB will use in assessing agency status and progress in "Getting to Green" for the budget performance integration initiative. As the exhibit notes, these criteria and the approach used in getting to green may change with time.

## INTEGRATING BUDGETING AND PERFORMANCE

### Getting to Green

#### Introduction

The President identified five core strategic management initiatives to be implemented by agencies in the Executive Branch, collectively called the President's Management Agenda. The FY 2003 Budget provided a status report for all agencies using a reporting mechanism of red, yellow and green lights. Annually, in December, the Office of Management and Budget will assess the progress and status of agency efforts to meet the President's expectations for these initiatives. This paper focuses on how to achieve a green light on the budget and performance integration initiative part of the President's Management Agenda.

In 2001, OMB issued five criteria for determining whether the status of an agency regarding budget and performance integration was red, yellow, or green. To achieve a green rating, an agency would have to achieve each of the following.

- A. Collaboration: Integrated planning/evaluation and budget staff work with program managers to create an integrated plan/budget and to monitor and evaluate its implementation.
- B. Goals, objectives, and targets: Streamlined, clear, integrated agency plan/budget sets forth outcome goals, output targets, and resources requested in the context of past results.
- C. Alignment: Budget accounts, staff, and specifically program/activities are aligned to support achieving program targets.
- D. Full cost: Full budgetary cost is charged to mission accounts and activities. Costs of outputs and programs is integrated with performance in budget requests and execution.
- E. Validation: Agency has documented program effectiveness. Analyses show how program outputs and policies affect desired outcomes. Agency systematically applies performance to budget and can demonstrate how program results inform budget decisions.

An absolute given is full compliance with the performance measurement expectations of the Government Performance and Results Act (GPRA). Without measurable, outcome oriented goals supported by data driven indicators, it will be impossible to achieve complete integration of the budgeting and performance processes. Further, these goals must be consistent with the objectives of the authorizing statutes and Administration policy agenda.

This guidance identifies 16 concrete indicators to determine whether departments or agencies (hereafter department) have achieved a green light. This is not the only approach. However, if a department meets the conditions set out below, it will comply with the status expectations of OMB's green criteria. Other approaches should be vetted with the appropriate OMB branch to ensure a favorable result. To receive a status green, a department must clearly be able to prove attainment of the indicators. A yellow would be based on a defined path (plan) and demonstrated progress to complete the indicators described in this document with specific milestones. We recommend that other agreed-to approaches be documented in a Memorandum of Understanding between the department and the appropriate OMB branch.

It should be recognized that attainment of the sixteen concrete indicators is not a definitive end-point in this effort. While this approach may be effective today, the bar for (and the benefits of) integrating budget and performance will continue to rise and there are many inherent benefits of continuous improvement.

### **A. Collaboration**

The first step emphasizes increased collaboration among planning/evaluation staff, budget staff, and program managers. This may involve organizational changes, but it should not be taken as a mandate to put planning/evaluation staff, budget staff, and program managers in the same organizational box. To facilitate coordination, a department should develop joint practices, communications processes, and sharing of common data between planning/evaluation staff, budget staff, and program managers. It is particularly important that program managers have access to the same data as budget and planning/evaluation staff.

Achieving organization integration can be accomplished through training courses, rotating staff, and other means. For departments that have semi-autonomous organizations, such as the Departments of the Interior and Transportation, these collaborative changes can present a challenge, as some components may be more eager to implement change than others. These departments should consult with OMB to develop a strategy to improve collaboration on a department-wide level and should reach an understanding with OMB on what level of achievement constitutes success for this indicator.

#### **Internal Revenue Service Approach to Organizational Collaboration**

An example of an agency working to improve collaboration within its budget process is the Internal Revenue Service (IRS). The IRS' Chief Financial Officer (CFO) proposed a reorganization study designed to enhance communication within the CFO organization (for instance between budget staff, planning/evaluation staff, and accounting staff) and between the CFO organization and program managers throughout the IRS. The reorganization requires planning, evaluation, and budget staff to work collaboratively on teams to meet the needs of program managers. The reorganization also envisions a communications officer in the CFO organization that would be able to discover and address communication difficulties within the CFO organization.

#### **Concrete Indicators for Collaboration:**

1. The department is implementing an organizational plan for communication and integration of processes across key staff components. The plan should address a long-term strategy for organizing staff to support integration, and how the department is achieving integration in terms of processes and

communication. Implementation of this plan is assigned to a senior policy executive, such as the Chief Operating Officer or the Chief Financial Officer, and success of implementation is documented.

2. The department conducts an annual planning meeting before developing the budget request to ensure that past results and future performance goals influence budget formulation decisions. During this planning session: (1) the overall goals of the department are reiterated and outcome and output targets are discussed for each budget year; (2) the department identifies the program actions (including fiscal year milestones) to achieve goals; and, (3) the funding necessary to achieve the short-term goals and make progress toward achieving the longer-term goals is determined. Documentation of the impact of this planning meeting on departmental resource allocations and performance related actions is prepared, e.g., there is a list of resource allocation actions taken based on performance information.

## **B. Objectives, Goals, and Targets**

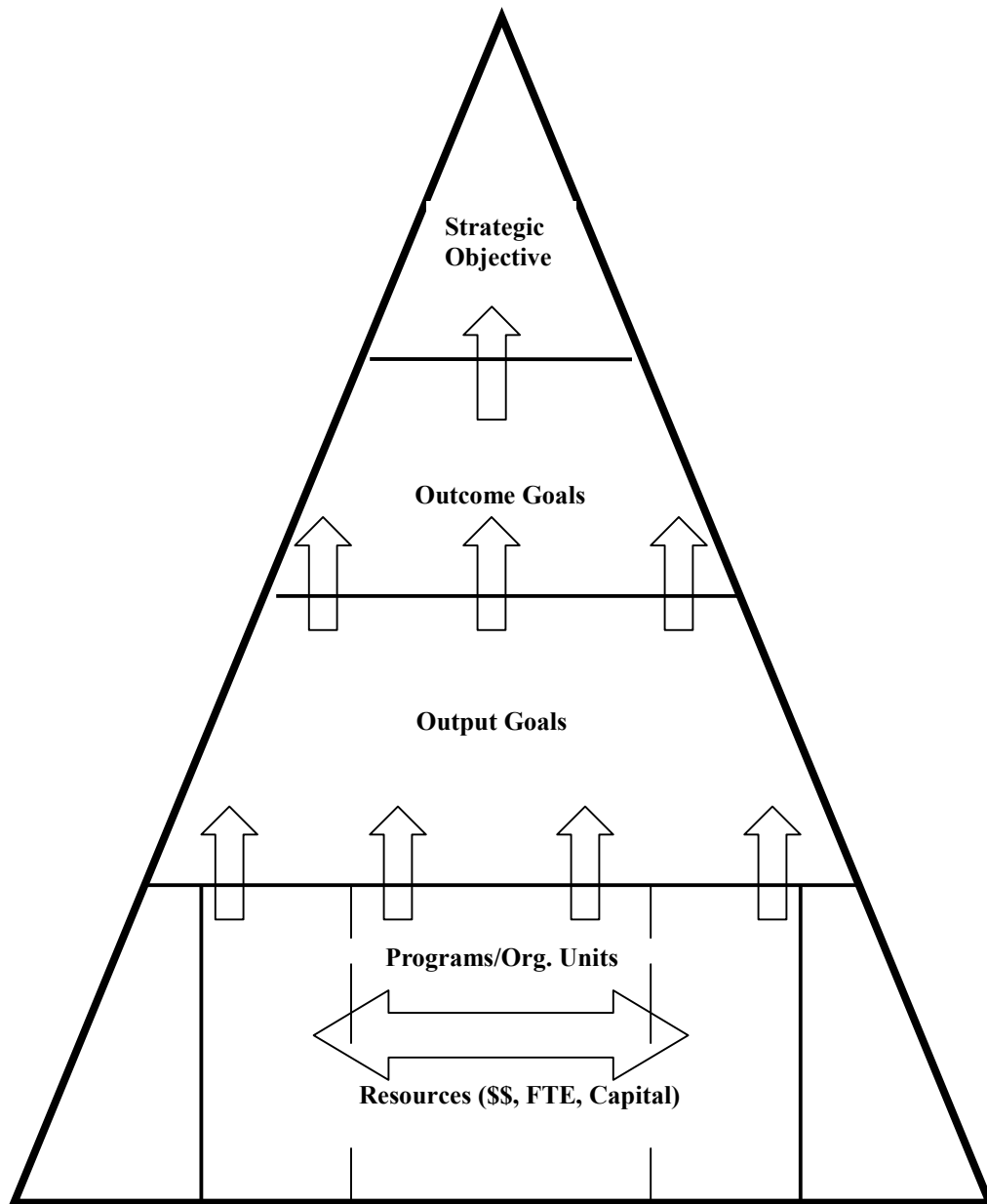
A performance-based budget must be built on a strategic plan that identifies broad strategic objectives and long-term outcome goals. These strategic objectives should reflect the basic mission of the department and should be broad enough to remain relatively constant even as a department's portfolio of programs changes.

Outcome goal(s) should be linked to output target(s) and defined in a manner that support strategic objectives and the department's mission. An outcome goal should help determine success in carrying out the mission and achieving the objectives. An output goal should measure what the program directly produces. Resources and organizational effort should be linked directly to outputs, and the resources and outputs being summed to outcomes.

Evaluations can also examine how organizational efforts and management actions contributed to outcome and output achievement. The department's strategic plan, annual GPRA performance plan, and GPRA performance report document the use of evaluations as a key element in a department's performance measurement system.

### **Connecting Strategic Objectives, Outcome and Output Goals: A Fully Integrated Goal Structure**

The pyramid below illustrates the relationship between strategic, outcome, and output goals. Each strategic goal has at least one related outcome goal which has at least one (and usually many) related output goals, for instance one of the Department of Transportation's strategic goals is safety, its outcome goal is to reduce commercial aviation accidents by 80 percent by 2007 and output goal is to complete implementation of technology to avoid runway incursions.



With a solid performance structure in place, a department can begin work on integrating this performance structure into its budget, tying resources requested to output targets and tying output targets to outcome goals. A performance-based budget should provide executive and legislative branch decision makers with the cost of improved performance, allowing them to make resource allocation choices on a government-wide level.

#### **Concrete Indicators for Objectives, Goals, and Targets:**

1. The department has documented that the outcome goals are acceptable to the Secretary, OMB, and Congress.
2. The department has collaborated with OMB to identify measures that permit comparison of departmental performance with similar measures (Federal and non-Federal) as part of the department budget request.
3. A regular CFO Report is produced (monthly, if possible, or quarterly, at least) that tracks progress toward performance goals during program implementation and budget execution and links each outcome goal with output goals (see box above and attached example of FAA CFO Report). This report should be discussed regularly with top management of the department (see discussion below under E).
4. Departments document the utilization of individual performance agreements with program managers to hold them accountable for achieving agreed upon performance goals.

#### **C. Alignment**

To achieve a green, a department budget must reflect the connection between the department's overall goals and the specific budget request. In addition, the budget request needs to specify what will be gained from funding a program or project specifically in terms of output measures.

##### **Aligning Budget Costs to Goals: HUD's Evolutionary Strategy**

The Department of Housing and Urban Development (HUD) is an example of a department that has made yearly progress towards a performance-based budget. In its FY 2000 Annual Performance Plan, HUD was unable to link specific costs to performance targets and instead only identified which strategic goals would be impacted by each of its program activities. In its FY 2001 Annual Performance Plan, HUD allocated costs of each program to each of its GPRA goals, but did not show the total funding spent on each goal. In its FY 2002 Annual Performance Plan, HUD showed the total cost associated with each of its GPRA goals, including a breakdown that showed how much of this funding was derived from each budget account and program activity.

Although there are several ways to achieve a connection between overall goals and specific budget requests, a department that can demonstrate all of the following indicators satisfies the requirements for alignment.

**Concrete Indicators for Alignment:**

1. The department has identified major outcome goals. The department has also identified and determined which program areas contribute to each goal. (There may be areas that contribute to more than one outcome goal.)
2. The department has identified how much cost is attributed to each of the output goals associated with the outcome goals identified in 1. In cases where a major program area contributes to more than one outcome goal, the department has established ground rules for attributing costs to the output goals associated with a particular outcome goal. Documentation should identify not only the total costs attributable to each goal but also the marginal costs attributable to increments of performance. (If a department does not have sufficient data, a survey could be done on how much time and costs are split between different goals. If no survey data is available, then an approximation can be used with the expressed commitment to develop this information in the future.)

**Aligning Budget Costs to Goals: The Coast Guard Approach**

The U.S. Coast Guard uses patrol boats for both safety and homeland security purposes. Trying to split the time and costs of one boat between two efforts is difficult. However, the Coast Guard has identified through historic data what share of a sailor's time is spent on each effort. This was done by a quick survey on the time spent on search and rescue efforts versus law enforcement efforts. This is not a perfect approach, but it does allow some understanding of how one expense contributes to two outcome goals.

1. The department has aligned specific outcome goals with its strategic objectives. With costs being identified for output goals, and summed for all output goals associated with an outcome goal, this alignment will allow the budget to identify total resources for a strategic objective.
2. The department's budget request displays the linkage and association between outputs, outcomes, and strategic objectives, and the budget resources for these goals and objectives. The request identifies the output and outcome performance levels that would result from spending the resources requested.

**D. Full Cost**

This area focuses on capturing full budgetary cost and matching these costs with output and outcome goals. The department should have financial and budgetary systems that allow it to track the full costs of a program and the output and outcome goals for that program. (The concept and process for allocating full cost to programs will be applied uniformly throughout the federal government allowing departments to produce consistent cost information.)

Departments should develop a process that calculates full costs and allocates these costs to program outputs and outcomes. (See the definition of full cost in the attached Definitions of Key Terms and Concepts.) A department should first determine whether this allocation process could be done using its current accounting systems. For some departments, new accounting systems may need to be put in place to do this calculation and allocation. Where the department's calculation and allocation capacity is limited, interim steps that can be taken to determine the full costs of an output goal. As an example, a department could develop a procedure for splitting overhead and capital costs between outputs.



While the ideal approach for improving a department's capacity to allocate full costs to performance increments would be to redesign the budget account structure into a performance based structure, the need for Congress to concur with such a restructuring may make this an impractical step in the near term.

In the absence of a restructured set of budget accounts, the Department should work closely with OMB on developing informational displays that would appear in budget requests, and which will present the full costs of outputs, with these costs being summed for associated outcomes and strategic objectives.

#### **Concrete Indicators for Full Cost:**

1. The Department has a consistent, transparent set of documented program cost and performance outcome attribution procedures that can be used to allocate or attribute costs fully throughout a performance structure. The department is able to attribute costs in budget formulation, execution and reporting.
2. The department can readily document alignment of cost centers in the department's financial accounting system to programs or performance centers. Align or re-describe program activities (in the Program and Financing Schedule) within each appropriation account in performance terms instead of activity or functional terms.
3. The Department has a plan to address material weaknesses that GAO, OMB and/or the departmental IG have identified, with the understanding that some weaknesses will take longer to resolve than others.

#### **Full Budgetary Costing: Example from FAA**

The Federal Aviation Administration (FAA) made structural changes to two of its budget accounts: Facilities & Equipment and Research, Engineering & Development. Specifically, FAA changed its Program and Financing Schedule from a program basis to performance goal basis showing the requested allocation for each performance goal. To accomplish this, FAA grouped each investment project under a broad performance goal and a more specific performance indicator. This structure will allow FAA to determine the effectiveness of its investments in achieving performance goals, both in the budget-year and in the long run.

#### **E. Validation**

The area covers departmental documentation of program effectiveness, and use of this data to inform budget decisions. Documenting program effectiveness includes more than capturing data on performance measures. Other studies, including benefit-cost studies, evidence-based logic models, and benchmarking studies (inter-agency or intra-agency comparisons of program with similar goals) should be used to supplement performance data for determinations of program effectiveness. Individual and organizational accountability, formally documented, can be a key driver in changing program performance. It is important that performance data be captured during program implementation and be monitored throughout the course of budget execution by departmental leadership and by program managers.

Departments should also document how data on program effectiveness informs its planning and budget decisions. For example, if a department identifies an under-performing program, efforts should be made

to improve the effectiveness of the program, or potentially shift program resources to other programs where these will be used more effectively and efficiently.

Several agencies, including the Veterans Health Administration, the Department of Transportation, and the Office of Student Financial Assistance have used performance agreements to enhance managerial accountability. Fulfillment of performance agreements can be a basis for monetary awards or other positive incentives.

**Concrete Indicators for Validation:**

1. The department conducts regular meetings to discuss the monthly CFO report (described under B. above) and any related program/management reviews. These meetings are at a high-level and discuss program effectiveness and success in meeting output and outcome goals. Also, these meetings identify opportunities to identify strategies for improving program efficiency.
2. The department has a strategy to improve its methods of capturing program effectiveness. This includes improving the quality of departmental performance plans and reports or undertaking complementary analyses, including program evaluations, benefit-cost studies, evidence-based logic models, and benchmarking studies.
3. The department has established, in collaboration with OMB, a process for reviewing the effectiveness of specific program using standard methodologies.

## **Definitions of Key Terms and Concepts In this Paper**

***Full budgetary cost*** means:

The annual cost, on a budgetary basis of measurement, of all resources used by an agency, its components (e.g., executive direction, any program, or any support provider), or its outputs. Full budgetary cost includes salaries and expenses, the full accruing cost of the employer share of retiree benefits, the accruing cost of hazardous substance cleanup, annual capital usage charges and rent, and the cost of all support goods and services used, as well as grants, transfers, credit subsidies, and other program benefit payments. Although the basis of measurement is budgetary, the coverage of resources included should be no less comprehensive than full cost under Federal cost accounting standards.

***Costs of increments of change in performance levels*** means:

The differential full costs of various levels of performance, including effectiveness, from year to year. (Higher levels of performance effectiveness can result from working smarter within the same constant-dollar program cost; or, by finding what works best and providing additional resources to expand the scale of the program.)

***Unit cost or Cost of outputs*** means:

The full cost of each increment or segment of programmatic output. An example might be the full budgetary cost of providing a benefit check to an eligible recipient.

***Programs or Program Activities*** means:

The list of agency programs and activities appearing in the Program and Financing schedules of the Budget Appendix.

***Outcome and output goals*** means:

The performance goals (with quantified or measurable target levels) found in department performance plans. Department strategic plans contain general goals and strategic objectives, which provide the overall framework for annual goals in performance plans. Additional goals may be found in bureau-level performance or budget documents.

**SECTION 230—PREPARATION AND SUBMISSION OF THE ANNUAL PROGRAM  
PERFORMANCE REPORT**

**Highlights for the FY 2002 Program Performance Report  
and Section Index**

**Highlights**

- As required by statute, the program performance report covers FY 2002, and three previous fiscal years, 1999–2001.
- Most independent agencies must transmit their program performance report by February 27, 2003.
- The Cabinet Departments and ten major independent agencies must combine their performance report with their accountability report, and transmit the combined report by February 1, 2003.
- Actions being taken in response to assessments of program effectiveness or implementation of President’s Management Agenda initiatives should be covered in the performance report.

**Main Section Index**

Section 230.	Preparation and Submission of the Annual Program Performance Report
Exhibit 230	Section 4(b) of the Government Performance and Results Act
Section 231.	What Does the Annual Program Performance Report Contain?
Section 232.	Sending the Annual Program Performance Report to the President and Congress

**Index for Section 230**

- 230.1 The purpose of the annual program performance report.
- 230.2 Relationships between the annual performance report and the strategic plan, the annual performance plan, and the accountability report.
  - (a) The general relationship between the strategic plan, the annual plan, and the annual report.
  - (b) Including actual performance information in the annual plan.
  - (c) Combining the annual performance report with the annual plan.
  - (d) Combining the annual performance report with the annual accountability report.

**230.1 The purpose of the annual program performance report.**

The Government Performance and Results Act (GPRA or the Results Act) specifies the basic content of your annual program performance report (the annual report, the annual performance report) . The annual report provides information on your actual performance and your progress in achieving the goals and objectives in your strategic plan and annual performance plan (the annual plan). Actual performance is compared to the projected performance levels (targets) in your annual plan. Where target levels were not achieved, you explain why and describe the steps you are taking to accomplish such goals in the future. Your annual report also assesses the reliability and completeness of the performance data contained within it. The report covers both the fiscal year just ended, and three previous fiscal years.

As an agency, you submit an annual program performance report to the President and Congress. Your report is submitted within 150 days of the end of a fiscal year. [OMB Bulletin 01-09](#) (September 25, 2001) on the "Form and Content of Agency Financial Statements" requires the 14 Cabinet Departments and ten independent agencies (the Agency for International Development,, Environmental Protection Agency, Federal Emergency Management Agency, General Services Administration, National Aeronautics and Space Administration, National Science Foundation, Nuclear Regulatory Commission, Office of Personnel Management, Small Business Administration, and the Social Security Administration) to combine the program performance report with the accountability report and to transmit a combined FY 2002 performance and accountability report to the President, Congress, and OMB not later than February 1, 2003.

These annual performance reports introduce a greater emphasis on organizational and managerial accountability for program execution and results throughout the Executive branch. The GPRA provisions related to the program performance report are set out in [Exhibit 230](#) .

You prepare one annual report for a fiscal year. Missing or incomplete program performance data for the fiscal year is included, as it becomes available, in a subsequent year's annual report. Performance information for past years is also included in your annual plan (see [subsection 222.2\(b\)](#)).

**230.2 Relationships between the annual performance report and the strategic plan, the annual performance plan, and the accountability report.**

*(a) The general relationship between the strategic plan, the annual plan and the annual report.*

You base your annual report on the performance goals and indicators in your annual plan. Your annual report must cover all performance goals in your annual plan. In certain instances, the annual report need not cover every performance indicator in the annual plan. (See [subsection 231.2\(b\)](#) on omitting reporting on certain performance indicators. See section 200.2 for definitions of performance goals and performance indicators.)

Your agency's annual report can also record achievement of the general goals in your strategic plan. This is done as follows: when an annual plan for a particular fiscal year defines a general goal as a performance goal, the annual report for that year will cover achievement of that general goal.

An agency must also describe aspects of data collection and reporting that are specific to the fiscal year covered by the annual report (see [section 231.7](#)).

Coverage of other annual plan elements in your annual report is not mandated. An agency may also briefly narrate how the means and strategies described in the annual plan related to performance goal achievement.

*(b) Including actual performance information in the annual plan.*

In your FY 2004 annual plan, you include at least six years of performance information (see [sections 220.1](#) and [224.2](#)). This includes actual performance information for FY2002 as covered in the annual report, and actual performance information for FY 1999, 2000, and 2001. Information on actual performance, as it appears in the annual plan, should substantively mirror what is presented in the annual report. In the annual plan, you are not required to include comparisons between the projected and actual performance levels or provide explanation for why performance goal target levels were not met.

Actual performance information usually first appears in the final annual plan, which is generally sent to Congress in February. The initial annual plan is sent to OMB in September. This latter date is before the end of the fiscal year for which actual performance is reported. Thus, the initial plan will likely contain little actual performance information when sent. Agencies may add actual performance information to the initial plan during the Fall.

Special note for the 24 departments and agencies preparing a combined FY 2002 performance and accountability report You may include FY 2002 program performance data in your final FY 2004 performance plan that is not included in the combined report. Such data typically would either have become available after the combined report was prepared, or could not be included in the combined report as it is considered to be privileged material that may not be publicly released before transmittal of the President's budget. (The President's budget is transmitted after the February 1 date for submitting the combined performance and accountability report.) Program performance data appearing in the annual plan but not in the combined report is subsequently included in the FY 2003 program performance report.

You may also include other parts of your performance report, such as an explanation for why a goal was not met, or the results of program evaluations, in your annual plan. Information bearing on the achievement of current and future performance goals will be particularly relevant, and should be included.

Agencies may also add actual performance information to a revised final plan. (Only actual performance information that became available after the final annual plan was sent to Congress can be added.) Revised final plans are prepared in the Fall, and are completed by the end of the first quarter of the fiscal year covered by the plan. Information is added only for those goals that are being revised. An agency does not add actual performance information for unrevised goals. Rather, this latter information is included in next year's final performance plan. For example, an agency does not obtain actual FY 2002 performance information for a program until May 2003. The performance goals for this program are not changed in the revised final plan for FY 2004. The agency would not include this actual performance information in its FY 2004 revised final plan, but would include it in the FY 2002 column of the FY 2005 performance plan. (Also see [subsection 220.1\(b\)](#) on the three iterations of an annual plan.)

**SECTION 230—PREPARATION AND SUBMISSION OF THE ANNUAL PROGRAM PERFORMANCE REPORT**

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The appearance of actual performance information in the annual plan does not relieve an agency of its responsibility to include the same information in an annual report. If newly obtained performance information appears in a revised final plan, this information must also be included in the subsequent year's annual report. This will ensure that actual performance information is presented along with other required elements of an annual report.

*(c) Combining the annual performance report with the annual plan.*

Your agency may choose to merge your annual performance report with your final annual plan. Agencies may not merge the annual report with the revised final plan, as this plan is not usually formally sent to Congress and the President.

An agency may also combine its annual plan, annual performance report, and Congressional justification into a single document. Before doing so, agencies should carefully consider the practicality of producing such a document. Coordination beforehand with appropriate Congressional committees and OMB is essential before attempting to combine the Congressional justification, annual plan, and annual performance report.

As sent to the President and Congress, all required elements of the annual performance report must exist in a single document, even when combined with the annual plan, or the accountability report.

An agency wishing to combine its annual performance report with another statutory report (other than an accountability report) should discuss this proposed combination with its OMB Resource Management Office before proceeding. The timing, transmittal, and distribution requirements of [section 232](#) apply to any such combined report.

*(d) Combining the annual performance report with the accountability report.*

Some agencies prepare an annual accountability report. [OMB Bulletin 01-09](#) requires that the 24 departments and agencies subject to the Chief Financial Officers Act prepare a combined performance and accountability report for FY 2002. Accountability reports are prepared consistent with requirements set out in the Reports Consolidation Act of 2000, and [OMB Bulletin 01-09](#).

The annual performance report may not be split among several documents, such as including several elements in the annual plan and placing others in an accountability report. In a merged document, agencies may adjust the placement of the required report elements to enhance their presentation.

Program performance information derived from the annual performance report is not subject to new or additional audit requirements as a consequence of its being included in the accountability report or the financial statement.

As the transmittal date for a combined performance and accountability report precedes the release of the President's budget, this report may not be merged with the annual plan.

**Combining the Program Performance Report  
and Accountability Report in Future Years**

OMB intends to advance the transmittal date of the combined annual performance and accountability report to November 15, approximately six weeks after the close of the fiscal year covered by the report. This date would be effective beginning with the report for FY 2004.

The effects of a November 15 transmittal date for the program performance part of a combined report, including the burden an accelerated reporting date could place on agency data collection and analysis and the prohibition against premature release of budget privileged material that might be in the report, are being further studied by OMB and discussed with the agencies.



**Section 4(b) of the Government Performance and Results Act**

(This excerpt from Section 4(b) covers 31 U.S.C. 1116 (a)-(f) on annual program performance reports, as amended by the Reports Consolidation Act of 2000.)

**"§1116. Program performance reports**

" (a) Not later than 150 days after the end of an agency's fiscal year, the head of each agency shall prepare and submit to the President and the Congress, a report on program performance for the previous fiscal year.

"(b)(1) Each program performance report shall set forth the performance indicators established in the agency performance plan under section 1115, along with the actual program performance achieved compared with the performance goals expressed in the plan for that fiscal year.

"(2) If performance goals are specified in an alternative form under section 1115(b), the results of such program shall be described in relation to such specifications, including whether the performance failed to meet the criteria of a minimally effective or successful program.

"(c) The report for fiscal year 2000 shall include actual results for the preceding fiscal year, the report for fiscal year 2001 shall include actual results for the two preceding fiscal years, and the report for fiscal year 2002 and all subsequent reports shall include actual results for the three preceding fiscal years.

"(d) Each report shall—

"(1) review the success of achieving the performance goals of the fiscal year;

"(2) evaluate the performance plan for the current fiscal year relative to the performance achieved toward the performance goals in the fiscal year covered by the report;

"(3) explain and describe, where a performance goal has not been met (including when a program activity's performance is determined not to have met the criteria of a successful program activity under section 1115(b)(1)(A)(ii) or a corresponding level of achievement if another alternative form is used)—

"(A) why the goal was not met;

"(B) those plans and schedules for achieving the established performance goal; and

"(C) if the performance goal is impractical or infeasible, why that is the case and what action is recommended;

"(4) describe the use and assess the effectiveness in achieving performance goals of any waiver under section 9703 of this title; and

"(5) include the summary findings of those program evaluations completed during the fiscal year covered by the report.

"(e)(1) Except as provided in paragraph (2), each program performance report shall contain an assessment by the agency head of the completeness and reliability of the performance data included in the report. The assessment shall describe any material inadequacies in the completeness and reliability of the performance data, and the actions the agency can take and is taking to resolve such inadequacies.

" (2) If a program performance report is incorporated into a report submitted under section 3516, the requirements of section 3516(e) shall apply in lieu of paragraph (1).

"(f) The functions and activities of this section shall be considered to be inherently Governmental functions. The drafting of program performance reports under this section shall be performed only by Federal employees.

Notwithstanding subsection (a) of section 1116 of title 31, United States Code as amended, an agency head may submit a report under such subsection not later than 180 days after the end of that agency's fiscal year with respect to fiscal years 2000 and 2001.

**SECTION 231—WHAT DOES THE ANNUAL PROGRAM PERFORMANCE REPORT  
CONTAIN?**

**Index for Section 231**

- 231.1 Required elements of an annual program performance report.
- 231.2 Comparing actual performance to the performance goal target levels.
  - (a) In general.
  - (b) Omitting reporting on certain performance indicators.
  - (c) Reporting on performance goals defined using the alternative form.
- 231.3 Unavailability of actual performance information.
  - (a) In general.
  - (b) Displaying previously omitted prior year performance information in a subsequent annual report.
- 231.4 Providing an explanation for non-achievement of a performance goal.
  - (a) In general.
  - (b) The specific explanation.
  - (c) The generic explanation.
  - (d) Deferring an explanation.
- 231.5 Agency plans and schedules for achieving an unmet goal in the future.
- 231.6 Evaluating performance levels in the current year performance plan relative to actual performance during the past fiscal year.
  - (a) In general.
  - (b) Program effectiveness and President's Management Agenda initiatives.
- 231.7 Assessing the completeness and reliability of performance data.
  - (a) In general.
  - (b) Assessment of data completeness.
  - (c) Assessment of data reliability.
  - (d) Quality of the reported performance information.
- 231.8 Including trend data in the annual program performance report.
- 231.9 Other features of the annual program performance report.
  - (a) Program evaluations.
  - (b) Information on use of non-Federal parties.
  - (c) Classified appendices not available to the public.
  - (d) Budget information.
  - (e) Analysis of tax expenditures.
  - (f) Waivers of administrative requirements.
- 231.10 Format.

**231.1 The required elements of an annual program performance report.**

**Summary of Requirement:** An annual report must compare actual performance with the projected levels of performance set out in an annual performance plan. When a projected performance level is not met, the report includes an explanation for not achieving a goal(s), and describes steps for meeting the goal(s) in the future. The report also assesses the effect of past year performance on current year performance levels, and the completeness and reliability of performance data. Annual reports for fiscal year 2002 and subsequent years will cover at least four years of actual performance information.

Your annual report must include the following elements:

- A comparison of your actual performance with the projected (target) levels of performance as set out in the performance goals in your annual performance plan (see [section 231.2](#));
- An explanation, where a performance goal was not achieved, for why the goal was not met (see [section 231.4](#));
- A description of the plans and schedules to meet an unmet goal in the future, or alternatively, your recommended action regarding an unmet goal where you have concluded it is impractical or infeasible to achieve that goal (see [section 231.5](#));
- An evaluation of your performance plan for the current fiscal year, taking into account the actual performance achieved in the fiscal year covered by your report (see [section 231.6](#));
- An assessment of the reliability and completeness of the performance data included in the report (see [section 231.7](#)); and
- Actual performance information for at least four fiscal years (see [section 231.8](#)).

**231.2 Comparing actual performance to the performance goal target levels.**

**Summary of Requirement:** The annual program performance report states the actual level of performance for every performance goal, and compares it to the target performance levels for these goals in the annual performance plan.

(a) *In general.*

Your agency's annual report compares the target level of performance for each goal as set out in your annual plan with the actual level of performance. The target levels are those shown in either the final plan or the revised final plan; whichever is the most current.

Your agency's annual report must state the actual performance for every performance goal in your annual performance plan. (See [section 231.3](#) if actual performance information is not available when the annual report is submitted.)

Actual performance is reported as it occurred during the fiscal year covered by the report. For some programs, this performance may have resulted from spending prior year monies during the fiscal year. (See [section 221.4](#) on performance goals funded by prior year monies.) If the annual plan contains a goal(s) set on a calendar year basis, actual performance is also reported on a calendar year basis.

The annual report includes actual performance for any goals that were discontinued after the fiscal year covered by the report. Discontinued goals should be noted.

For some performance goals, the target levels will differ between the final plan and the revised final plan. An agency may choose to compare its actual performance to both target levels, but this is not encouraged. Such a presentation may complicate how information appears in the annual report and likely necessitate an explanation for why at least one of the two target levels was not met.

*(b) Omitting reporting on certain performance indicators.*

An agency need not include actual performance information for a performance indicator if the performance goal(s) associated with the indicator(s) is directly measurable. If performance indicators are critical to determining whether a performance goal was achieved, the actual performance for these indicators must be presented. (See subsection [220.3\(b\)](#) for a further description on the use of performance indicators.) Reporting may be omitted only if a performance indicator was so identified in the annual plan. If an agency collectively categorized its performance goals and indicators as performance measures, or did not separately list performance goals and performance indicators, then such entries are treated as performance goals and must be covered in the annual report.

*(c) Reporting on performance goals that were defined using the alternative form.*

If the alternative form (i.e., a non-quantified measure) is used to define a performance goal in the annual plan, the annual report matches actual performance to the corresponding performance criteria set out in the form. The description of actual performance must allow an accurate, independent determination to be made of whether such performance met the criteria specified in the form, or how it otherwise compared to the goal as stated. (See [section 220.6](#) on the alternative form of measurement.)

For some performance goals expressed in the alternative form, agencies should include illustrative examples of achievements occurring during the fiscal year. Examples can highlight, in a tangible way, what results were produced. Examples may be particularly appropriate for research and development goals, where criteria may be generalized and results cannot be predicted beforehand. For these and other programs, the examples can also indicate the nature of the results considered by evaluators when gauging whether the criteria for a certain level of performance were met. Examples can reflect major accomplishments or a representative set of achievements.

**231.3 Unavailability of actual performance information.**

**Summary of Requirement:** When performance data are unavailable at the time an annual report is prepared, the actual performance information, the comparison to performance goal target levels, and any appropriate explanation, is included in a subsequent year's annual report.

*(a) In general.*

At the time a performance report (or a combined performance and accountability report) is sent to the President and Congress, actual performance information may not be available, or the available information may be incomplete or preliminary. The annual report should identify those performance goals where actual performance information is missing, incomplete, or preliminary. For such goals, the annual report should indicate the approximate date when actual performance information, sufficient to make an accurate comparison with performance goal target levels, will be available. Once available, the actual performance information is included in a subsequent annual report.

If actual performance information for the fiscal year is unavailable for a performance goal, you are encouraged to include performance information from an earlier fiscal year. This information can be helpful in defining baselines or showing trends. For example, if FY 2002 performance data is unavailable for the FY 2002 annual report, relevant performance information for fiscal year 1998 may be included to complement data from FY 1999–2001. Actual performance information for FY 1999, 2000, and 2001, if available, must be included in the FY 2002 annual report (see [section 231.8](#)). (See also [section 221.2](#) on including actual performance information for these fiscal years in the annual plan.)

When actual performance information is available, but analyses of this data, such as the explanation for an unmet goal or a description of steps being taken to meet an unmet goal in the future, cannot substantively be completed by the time of transmittal, the data are included in the report and marked as preliminary. The report should note that the analyses are omitted. The following year's annual report will include the data and the deferred analyses.

If the actual performance information included in the annual report is characterized as preliminary (see subsection [231.4\(d\)](#)), the comparison between actual and target performance is deferred until a future year's report. You should note that your annual plan includes this actual performance information, although the plan may omit comparisons between actual and target performance, or any associated analysis. Including such comparisons or associated analyses in the annual plan does not relieve an agency from including these in the next year's program performance report.

Special Note for the 24 departments and agencies preparing a combined performance and accountability report. The transmittal of this report prior to the President sending his budget to Congress may require you to omit certain performance-related information from the combined report. Such information is considered privileged as it would bear directly on or reflect resource decisions in the President's budget. Examples of such include resource-related steps to improve program performance and achieve currently unmet goals in the future; actions being taken to improve program effectiveness grades; and decisions to discontinue or significantly modify programs.

In these circumstances, the combined report could include the actual performance value and the requisite comparison to the performance goal target level. This data is marked as preliminary.

Other budget-related information related to the goal is omitted. This information would subsequently appear in the program performance report for the following year, and may be included in the annual plan for the budget year. (The annual plan is submitted after transmittal of the President's budget, and thus privileged information withheld from the annual report could be included in the annual plan.)

*(b) Displaying previously omitted prior year performance information in a subsequent annual report.*

Annual reports include performance goals for a prior fiscal year where the comparison between actual performance and target levels was deferred from a prior report because of missing or limited performance data, or the analysis could not be completed in time. For these performance goals, the presentation in the future year annual report must meet all applicable requirements, including an explanation for why a goal was not met.

The annual report should present this information in a separate section, with the section subdivided, as necessary, by fiscal year. For example, the prior year section in an agency's FY 2003 performance report is subdivided into separate sections for FY 2000 and 2002 to cover deferred coverage of performance goals in the annual reports for these two years. Particular care should be taken when presenting a prior year section in a combined performance and accountability report.

**231.4 Providing an explanation for non-achievement of a performance goal.**

***Summary of Requirement:*** The annual program performance report must include an explanation for why a performance goal was not met.

*(a) In general.*

If a performance goal or indicator was not achieved, your annual report must explain why the target level was not met. The extent of your explanation may vary, depending on how non-achievement affected the program or activity.

You need not explain why the target level for a performance goal was exceeded. However, you are encouraged to include an explanation in your annual report if the target level was exceeded by a significant extent. This information can be useful in understanding a program or your management of that program.

*(b) The specific explanation.*

A specific explanation is included if goal non-achievement is significant and material. A specific explanation should show an understanding of why a performance shortfall occurred, and the consequences. The specific explanation should also support actions you are taking to eliminate or reduce future shortfalls for this goal. A specific explanation should not cover more than one unmet goal.

No hard and fast rule or threshold exists for when non-achievement of a goal warrants a specific explanation. The need for a specific explanation may depend on how precisely the performance target was set, the variance from previous year performance trends, and the relative effect of any shortfall. For

**SECTION 231—WHAT DOES THE ANNUAL PROGRAM PERFORMANCE REPORT CONTAIN?**

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example, a one percent deviation between actual and planned performance might be trivial or critical depending on the program.

Agencies may apply the following criteria when determining if a specific explanation is required. A specific explanation should always be provided if:

- The manager(s) of the program, activity, or component experiencing a performance shortfall alerts or informs senior agency officials about actual performance levels, and the implications of these levels on overall program accomplishment; or
- The manager(s) took or is taking substantive action to address the shortfall in performance; or
- Performance levels for future years are being adjusted downward to reflect actual performance levels; or
- Outside parties will likely conclude that the non-achievement was significant and material.

*(c) The generic explanation.*

You must provide an explanation even if the difference between the goal target level and actual performance is slight. This explanation may be generic and used for several or more unmet goals. A generic explanation may not be used if an agency is changing the target levels for an underachieved goal, or is taking additional or modified steps to assure future goal achievement.

In most instances, minimal differences result from goals being set months in advance and to an approximate level of precision. An agency may use the following language for its generic explanation: the performance goal was set at an approximate target level, and the deviation from that level is slight. There was no effect on overall program or activity performance.

*(d) Deferring an explanation.*

An agency may defer providing an explanation where the performance data are preliminary, and, based on the experience of previous years, subject to significant correction. The deferral should be noted in the annual report. An explanation, if still needed, is provided in a future year performance report that includes the performance goal for which only preliminary data was initially available.

**231.5 Agency plans and schedules for achieving an unmet goal in the future**

***Summary of Requirement:*** The annual program performance report describes the actions an agency will take to meet an unmet goal in the future, and a schedule for these actions. An agency may recommend that an unmet goal be modified or discontinued.

For every performance goal whose target level was not achieved, an agency includes a description of the actions it is taking to achieve the goal in the future. A schedule for these actions is also included. The actions and schedule may span both the current fiscal year and future fiscal years.

The actions and schedule should also be included in the means and strategies section of the agency's annual plan (see [section 220.4](#)). If an annual report is completed after the final plan, agencies may find it appropriate to use the means and strategies section of a revised final plan for this purpose. The description of these actions is not required for any unmet performance goal for which the agency provided a generic explanation (see [subsection 231.4\(c\)](#)).

A description of the actions being taken, and the accompanying schedule, may be omitted for an unachieved goal where external factors (such as a natural disaster) or entities (such as another country) were the sole cause for non-achievement, and the agency lacks the capacity or authority to affect these factors or entities. The effect of these external factors or entities on non-achievement should be noted in the annual report.

An agency may conclude, based on actual performance, that a performance goal cannot be achieved in the future. For such goals, the annual report explains why a particular goal is no longer practical or feasible, and recommends a course of action for the goal. These actions may include discontinuing or adjusting the goal. Changes to a performance goal may also need to be reflected in the agency's strategic plan.

**231.6 Evaluating performance goal levels in the current year performance plan relative to actual performance during the past fiscal year.**

***Summary of Requirement:*** An assessment of the effect of actual performance on expected performance levels in the current fiscal year is included in the annual program performance report.

*(a) In general.*

Your annual report includes an assessment of the effect of actual performance levels in the fiscal year covered by the report on the estimated levels of performance in the current fiscal year. A simple conclusive statement may suffice for this assessment.

As you prepare your annual report, the performance information you collect may be used to make further adjustments to your annual plan for the current fiscal year. You may modify the performance goals or the means and strategies in a revised final plan. You may do so if actual performance information is available near the end of the fiscal year covered by the annual report. These adjustments are made at the time a revised final plan is prepared, which is usually several months in advance of the transmittal of an annual report. The annual report should identify every change to performance goals in the performance plan for the current fiscal year that primarily stem from this assessment of effects. (See [section 220.8](#) on the revised final plan.)

The annual report may be used as a basis for revising the performance goals, the means and strategies, or verification and validation elements in either the final plan or the revised final plan for the budget year. (While the annual report appears in February, this date is close to the completion of a final plan, and is about eight months prior to when a revised final plan for the budget year is prepared.)



**SECTION 231—WHAT DOES THE ANNUAL PROGRAM PERFORMANCE REPORT CONTAIN?**

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*(b) Assessments of program effectiveness and implementation of initiatives for the President's Management Agenda.*

A major ongoing initiative is to assess the effectiveness of Federal programs throughout the Executive branch. These assessments often use data contained in the agency program performance reports. The assessments may generate proposals for improving program performance, or taking other actions affecting the program. In any year, completion of the effectiveness assessments for that year will usually coincide with formulation of the President's budget. Your program performance report should cover any actions being taken in either the current year or the budget year reflecting program-related decisions based on the completed assessments.

Five government-wide initiatives are the key feature of the President's Management Agenda. Agencies are embarked on a set of major improvements in how they work and function with the objective of enhancing effectiveness and improving efficiency. Agencies may summarize in the program performance report the significant actions being taken in the current year or budget year in response to evaluations of status and progress in successfully meeting standards for success in each of the five initiatives. These evaluations are being published as part of the President's budget.

**231.7 Assessing the completeness and reliability of performance data.**

***Summary of Requirement:*** Agencies are required to assess the completeness and reliability of performance data included in the annual report. Any material inadequacies in the completeness and reliability of performance data are described, as well as actions being taken to remedy the inadequacies.

*(a) In general.*

The Reports Consolidation Act of 2000 specifies that your annual report contain an assessment of the completeness and reliability of the performance data included in it. The assessment describes any material inadequacies in the completeness and reliability of the data, and any actions the agency can take and is taking to resolve the inadequacies.

Your annual plan is the principal document for describing how an agency intends to verify and validate the performance data it collects and reports (see [section 220.5](#)). This description also covers those specific actions being taken by an agency during the current or a future fiscal year to improve the quality and value of the data, including its completeness and reliability. The annual report – rather than the annual plan—should summarize any completed steps to improve the quality and value of performance data during the fiscal year covered by the report.

*(b) Assessment of data completeness.*

The performance data in an annual report is considered complete if:

- actual performance is reported for every performance goal and indicator in the annual plan, including preliminary data if that is the only data available when the annual report is sent to the President and Congress (see [section 231.3](#) on unavailability of performance information); and

- the agency identifies, in the report, any performance goals and indicators for which actual performance data are not available at the time the annual report is transmitted, and notes that the performance data will be included in a subsequent annual report. (Agencies are encouraged to pre-announce expected lags in the reporting of performance data in their annual plan (see also [subsection 220.5\(d\)](#)).

An agency should describe the performance data as being incomplete when the data are not available for including in the transmitted report, and there is either a certainty or likelihood that the data will not be available in the future. The performance goals and indicators for which performance data are missing, both currently and in the future, should be identified.

*(c) Assessment of data reliability.*

Performance data are acceptably reliable when there is neither a refusal nor a marked reluctance by agency managers or government decisionmakers to use the data in carrying out their responsibilities. Performance data need not be perfect to be reliable, and the cost and effort to secure the best performance data possible can exceed the value of any data so obtained.

Performance data that is not acceptably reliable is characterized as being materially inadequate. The annual report should identify any performance goals and indicators for which the available performance data are materially inadequate, along with a brief reason for why the data are inadequate.

The annual report should briefly cite any actions being taken by the agency to remedy a material inadequacy, and refer the reader to the annual plan for a fuller description of these steps (see [subsection 220.5\(c\)](#)).

*(d) Quality of the reported performance information.*

An agency may also include a brief commentary on the general, overall quality of the actual performance information contained in the annual report. This can describe particular characteristics, issues, or problems related to collection and reporting of actual performance information for the fiscal year covered by that report. Accuracy and validity of the data can also be covered. The description can include the time available to collect and analyze the actual performance data prior to transmittal of the report, and the effect of the reporting schedule on data collection, analysis, and presentation. The annual report description may cover data sources. (See also [section 220.5](#) on verification and validation.)

**231.8 Including trend data in the annual program performance report.**

***Summary of Requirement:*** Over time, agencies are required to include additional years of actual performance information until the annual report covers a minimum of four fiscal years. Four years of actual performance information are required for the FY2002 report, and all future year reports.

Beginning with the annual report for fiscal year 2002, your annual report includes actual performance information for at least four fiscal years. (Previous annual reports gradually increased fiscal year coverage; for example, the fiscal year 2001 report included actual performance information for fiscal years 1999, 2000, and 2001.)

## SECTION 231—WHAT DOES THE ANNUAL PROGRAM PERFORMANCE REPORT CONTAIN?

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Agencies may cease reporting actual performance information for prior years for any goal that is discontinued. However, at least one annual report must contain actual performance information for a discontinued goal (see [subsection 231.2\(a\)](#)). Agencies should not change actual performance information for prior year performance goals from what was presented in the annual reports for these prior years.

Comparisons between actual performance and performance goal target levels are not included for prior fiscal years, unless the comparison was deferred because of the unavailability or inadequacy of the performance data in a prior year's annual report, or the analysis of actual performance was not completed.

Agencies having actual performance information for fiscal years prior to 1999 may include this information in their annual report for fiscal year 2002. (See also [section 231.3](#) on unavailability of actual performance information and [section 221.2](#) on including prior year actual performance information in the FY 2004 annual plan.) Actual performance information from earlier fiscal years can be useful in showing long-term trends; for example, data from fiscal years 1992 and 1997 could provide a long-term perspective.

### **231.9 Other features of the annual program performance report.**

***Summary of Requirements:*** When applicable, the annual report summarizes the findings of any program evaluations completed during the fiscal year and describes the contribution of non-Federal parties in the preparation of the report.

Some of the following elements and features of an annual report may selectively apply to your agency. Any that do not apply are omitted from your annual report.

#### *(a) Program evaluations.*

Include a summary of the findings and recommendations of the program evaluations completed during the fiscal year. If no evaluations were completed, the report should note such.

At a minimum, an annual report covers two types of program evaluation: assessments of the manner and extent to which programs achieve intended objectives, and assessments of program implementation policies, practices, and processes. An agency's strategic plan sets out its schedule for doing program evaluations. Changes to this schedule are shown in the interim adjustment to the strategic plan. An interim adjustment may be prepared annually and is a separate part of the annual plan. (See [section 210.7](#) on program evaluations generally, and also see [section 213](#) regarding interim adjustments to a strategic plan.)

An annual report may also summarize findings and recommendations from other analyses or studies completed during the fiscal year. These studies and analyses can include policy, program, or management analyses, comprehensive reviews, cost-benefit studies, research to provide baseline data, or demonstration research. These studies and analyses supplement program evaluations and are described in the annual plan (see also [subsection 222.2\(d\)](#)).

The annual report should note the availability of a complete copy of a program evaluation and how this might be obtained by an interested party.

*(b) Information on use of non-Federal parties.*

GPRA states that preparation of an annual report is an inherently government function. Your agency's employees are solely responsible for the transmitted copy of an annual report. However, when preparing your report, your employees may be aided by non-Federal parties, such as consultants, grantees, contractors, States, and local governments. Assistance by non-Federal parties can include the collection and reporting of performance data. The report should include an acknowledgment of the role and a brief description of any significant contribution made by a non-Federal entity in preparing report.

*(c) Classified appendices not available to the public.*

An agency with a classified appendix for its annual plan may also prepare a similar classified appendix for its annual report. (See [section 222.5](#) for a description of material that may be included in a classified appendix.)

With OMB approval, an agency may also prepare a non-public appendix for its annual plan. In the annual plan, a non-public appendix contains certain goals for law enforcement or revenue collection activities, where revealing these goals publicly would likely impede their achievement. Generally, agencies may not need to prepare a similar non-public appendix to their annual report. Retrospective reporting of actual performance for these particular goals should not interfere with achieving current or future goals for these activities. However, if an agency believes that reporting of actual performance will impede current or future goal achievement, a non-public appendix may be prepared. The agency should contact its OMB representative for approval prior to preparing such an appendix.

*(d) Budget information.*

In your annual report, you should include relevant budget information, consistent with the obligation amounts shown in the Budget Appendix for the fiscal year covered by the report. As resource amounts are generally covered in the means and strategies part of the annual plan, the annual report does not present comparisons between the amounts originally requested for a fiscal year and the amounts actually obligated.

*(e) Analysis of tax expenditures.*

Tax expenditures are attributable to provisions of the Federal income tax laws that allow a special exclusion, exemption, or deduction from gross income or that provide a special credit, rate of tax, or deferral of tax (2 U.S.C. 622). An annual report must include the results of any tax expenditures analysis the agency completed during the fiscal year. These analyses assess the effect of specific tax expenditures in achieving performance goals. Nearly every agency preparing an annual report for FY 2002 is unaffected by this reporting requirement, as current responsibility for preparing these analyses is very limited.

*(f) Waivers of administrative requirements.*

Section 5 of the Results Act allows agencies to receive waivers from administrative requirements and controls. These waivers are intended to provide managers and organizations with greater flexibility, discretion, and authority, in the expectation this will lead to improved performance. An agency receiving such a waiver must describe, in its annual report, the use of this waiver and assess its effectiveness in achieving performance goals. No waivers were authorized for FY 2002, and no agency annual report for FY 2002 will include this description and assessment.

**SECTION 231—WHAT DOES THE ANNUAL PROGRAM  
PERFORMANCE REPORT CONTAIN?**

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**231.10 Format**

There is no prescribed format for the annual report. Your agency is encouraged to include, from your strategic plan, a summary of your mission statement and your general goals and objectives.

The annual report is your opportunity to communicate the results of your programs and activities to the American public, legislators, and Executive branch officials. Your agency should produce a report that is easily read and understood, and direct and concise in the information it conveys. While an annual report is not a matter of style substituting for substance, the mode of presentation can be critical to an informative report. Agencies are encouraged to write their report using plain language; for information, see <http://www.plainlanguage.gov>

The report's design should provide for easy and quick access through the WorldWideWeb.

**SECTION 232—SENDING THE ANNUAL PROGRAM PERFORMANCE REPORT TO THE  
PRESIDENT AND CONGRESS**

**232 Sending the annual program performance report to the President and Congress.**

***Summary of Requirement:*** The agency head must send the annual report to the President and Congress no later than 150 days after the end of the fiscal year covered by the report.

Every agency submitting an annual plan to Congress must prepare and transmit an annual report for the fiscal year covered by the plan. An annual report need not be prepared if an agency ceases operations prior to the transmittal date.

Your annual report must be transmitted no later than 150 days following the end of the fiscal year covered by the report. The FY 2002 and subsequent year reports will be due by February 27 of the year following the end of the fiscal year. An annual performance report combined with an annual performance plan must be transmitted within the time specified by the Reports Consolidation Act.

Special note for the 24 departments and agencies preparing a combined FY 2002 Performance and Accountability Report The combined report must be transmitted no later than February 1, 2003.

Agencies having a fiscal year period other than October 1 through September 30 submit their annual reports within 150 days of the end of their fiscal year. Agencies, such as those on a January-December fiscal year, are encouraged to transmit their reports earlier than 150 days, thus allowing the report information to be used by Congress in reviewing agency programs and resource requests.

Your annual report is sent to the President and Congress. GPRA requires that the report be transmitted by the head of your agency.

A copy of your annual report should now also be sent directly to the Director of OMB. This will provide a distribution for a stand-alone annual report similar to that for a performance and accountability report. An advance copy of the annual report, or the performance report part of an annual performance and accountability report, is sent to the appropriate Resource Management Office in OMB at least ten days before its transmittal to Congress and the President..

Your transmittal letters to Congress are addressed to the Speaker of the House of Representatives and the President and President pro tempore of the Senate. Copies of the Congressional transmittal are sent to the chairmen and ranking minority members of the budget committees, relevant authorization and oversight committees, appropriation subcommittees, and the chairman and ranking minority member of the Senate Committee on Governmental Affairs and the House Government Reform Committee. At a minimum, you should provide a copy of the annual report to all those in Congress receiving a copy of your agency's annual plan.

Following its transmittal to the President and Congress, your agency's annual report should be made available to the public. You should use electronic means to make the report quickly and readily accessible, such as by posting it on your agency's website.

**SECTION 232—SENDING THE ANNUAL PROGRAM PERFORMANCE  
REPORT TO THE PRESIDENT AND CONGRESS**

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The Reports Consolidation Act of 2000 requires that an agency merging the annual performance report with its accountability report send the combined document to the President, Congress, and the Director of OMB. The combined document is titled the Performance and Accountability Report. A performance and accountability report is sent by the agency head. An agency may add other signatories, such as the Chief Financial Officer, to the transmittal of a performance and accountability report, thus recognizing a shared responsibility within the agency for the performance reported and any future performance commitments.

If you choose to combine your annual report with your annual plan, changes to your customary distribution for the annual plan may be needed. A combined plan and report must be sent to the Speaker of the House and the President and President pro tempore of the Senate. (Annual plans need not be sent to these officials.) A combined plan and report must also be officially sent to the President. The transmitting official for the combined plan and report must be the agency head. (Annual plans may be sent to Congress by an official other than the agency head; see [section 223.1](#).) Agencies should coordinate with the appropriate OMB Resource Management Office on a schedule for providing an advance copy of the combined annual plan and report.