

A New Federal Performance Framework

By John M. Kamensky

Staff from the Office of Management and Budget (OMB) have been visiting agencies in recent weeks to explain a new performance framework they have developed for the federal government. The framework is based on recent legislative changes and is embedded in OMB Circular A-11, OMB's guidance to agencies on how they should prepare their budget requests for fiscal year 2014.

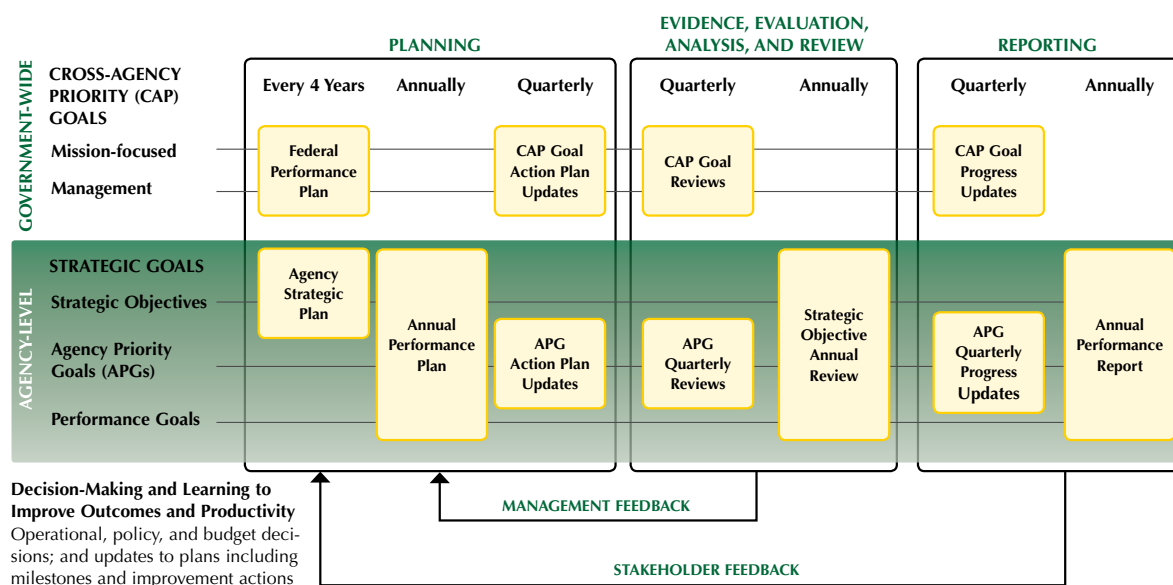
The new guidance provides a multi-year, phased roadmap for implementing the performance framework, which will significantly influence agency headquarters activities (see figure below). If agencies implement the framework properly, its influence should filter down to program-level activities in coming years as well.

I offer a high-level preview of what agencies should expect to see over the next few years. It focuses on:

- The revised strategic and annual planning processes
- The new strategic objective review process
- The new reporting process via Performance.gov
- Efforts to balance the need for compliance and process vs. setting priorities and making decisions

There are a number of other elements in the guidance that address additional requirements in the new law (refer to The New OMB Performance Guidance to Agencies on the following page), but these are not addressed here.

The New Federal Performance Framework



KEY UPCOMING DATES

Fall 2012: APG and Cross-Agency Priority Goal (CAP Goal) information (including performance indicators) published on Performance.gov, beginning quarterly updates.

February 2013: Agencies publish FY 2014 Annual Performance Plans (APPs) and FY 2012 Annual Performance Reports (APRs).

May 2013: Agencies publish program inventory, and show how programs support their goals and objectives.

February 2014: OMB publishes new CAP Goals on Performance.gov; Agencies publish FY 2014–2017 Strategic Plans, including new APGs, on Performance.gov.

February 2015: Results from first Strategic Objective Annual Reviews published on Performance.gov.

Background

Almost 20 years ago, Congress passed the Government Performance and Results Act of 1993 (GPRA). That law required federal agencies to develop multi-year strategic plans, annual performance plans, and measures of progress, and to report every year their progress against their annual plans.

In 2004, the Government Accountability Office concluded that, after a decade, the statutory requirements under GPRA “have established a solid foundation of results-oriented performance planning, measurement, and reporting in the federal government.” But there were concerns that this new supply of performance information was not being used by decision-makers to make data-driven decisions. There were also perceived timing and coordination issues. For example,

The New OMB Performance Guidance to Agencies

Long-standing OMB guidance outlines agency performance management and reporting responsibilities under the law. The guidance was significantly revised in August 2012—more than doubling in length—to reflect the new requirements of the GPRA Modernization Act and lay out a multi-year, phased implementation approach. Here are section-by-section highlights of the new guidance:

A performance governance framework: The guidance describes the roles and responsibilities of various officials (such as agency chief operating officers), provides definitions of the many terms used in the performance arena, and lays out a timetable for action. This section is a substantial revision of previous guidance.

Public reporting: The new law requires a one-stop performance web portal for all performance plans, reports, and programs across the government. This section describes what gets reported, by when. This section is new.

A federal performance plan and cross-agency goals: The new law requires OMB to develop a federal performance plan that details key cross-agency priority goals. This section is new.

Agency strategic plans: The new law changes the timing of when agencies are to update their multi-year strategic plans to align them with the four-year term of office for the President. The guidance lays out a new timetable, with all agencies submitting new plans by February 2014. This section is a revision.

Agency performance plans: The new law requires agencies to more tightly link their annual performance plans to their multi-year strategic plans, to the cross-agency goals, and to their own priority goals. Agencies must also identify “lower priority program activities” (at least five percent of their discretionary budget), as required by the new law. This section is a revision.

Agency priority goals: The new law requires the 24 largest agencies to identify between two and eight “priority goals.” The guidance lays out a process for refining or replacing existing priority goals, with drafts due to OMB by early summer 2013. This section is new.

Annual performance reports: Agencies typically report on their past year’s performance in November, as part of their financial reporting, or in February, as part of their budget submissions. The new law encourages more frequent reporting on at least their priority goals. This section is a revision.

Performance and strategic reviews: The new law requires two sets of reviews. One is a quarterly review of progress on agency priority goals. The other is an annual review and assessment of agency performance goals and objectives. The quarterly reviews have been a part of the Obama administration’s performance agenda, so they have been piloted. But the second set of reviews—of performance goals and objectives—is a new requirement that OMB plans to phase in. This section is new.

Federal program inventory: The new law requires a central list of all federal programs, along with description, financing, and performance information for each. This will be a massive undertaking, starting with the difficulty of defining what constitutes a program in the first place! This section is new.

Source: OMB Circular A-11, Part 6, “Preparation and Submission of Strategic Plans, Annual Performance Plans, and Annual Program Performance Reports” (August 2012).



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the original law required agencies to develop five-year strategic plans on three-year cycles. This did not match the four-year presidential election cycle. As a consequence, when a new President took office, the existing agency plans were often discarded.

In 2010, Congress adopted the GPRA Modernization Act. This new law substantially revised the original and attempted to both address the weaknesses of the old law and embed successful administrative practices developed over the past two decades. For example, the new law requires agencies to appoint performance improvement officers, a position created during the Bush administration that proved successful in creating a performance champion in each agency.

The new law made more than 150 changes or additions to existing law and included a complex timetable for implementation, as Figure 1 depicts. In response, OMB developed guidance to agencies on how they should implement these provisions. Four of the more significant sets of new requirements are summarized below.

Strategic and Annual Planning

The 1993 law required agencies to develop multi-year strategic plans and annual performance plans. The original vision was that plans should reflect organizational and leadership commitments to goals that key stakeholders agree are important, and that agency leadership would focus on strategies to pursue those goals, using measurement, data, and analysis to inform their choices and decisions. But what seemed to evolve was largely a compliance process disconnected from what agencies “really did.” The 2010 amendments try to fix that.

The Senate committee report explaining the new GPRA law notes that the timeframe for the development of multi-year agency strategic plans needs to be synchronized with four-year presidential terms.

Under GPRA, an agency is currently required to develop a strategic plan at least every three years to cover the following five year period. This reporting timeframe for updating strategic plans does not correspond to presidential terms. It makes little sense to require an update of a strategic plan shortly before a new administration is scheduled to take office, as changes in political leadership often result in new objectives and can render preexisting plans unuseful.

The new law requires that these four-year strategic plans be presented to Congress by the President with his first full budget, which is submitted one year after taking office. So beginning in early 2013, all agencies must begin developing new strategic plans, consult with stakeholders and Congress, and submit initial drafts to OMB on June 3, 2013, with final drafts for clearance by December 20, 2013.

What becomes more complex is that agencies must concurrently develop new annual performance plans (which will now have to cover two years instead of one—the current fiscal year as well as the subsequent year), and agency-level “priority goals” which would be a subset of their strategic and performance plans. In addition, they will have to show how these plans support any related cross-agency priority goals and how they link back to people and financial resources to support their implementation. Specifically, according to the Senate committee report, the new law:

. . . requires an agency to provide additional information about how the agency plans to achieve its performance goals by identifying clearly defined milestones, the agency officials responsible for ensuring each goal is achieved, and the program activities, regulations, policies and other activities that support each goal.

The OMB guidance says that this “should be considered in conjunction with” materials agencies traditionally submit with their annual budget justifications to Congress. And, for the first time, these materials will need to be “machine-readable.”

Strategic Objective Review Process

A provision buried in the GPRA Modernization Act of 2010 says: “Each fiscal year, the Office of Management and Budget shall determine whether the agency programs or activities meet performance goals and objectives outlined in the agency performance plans and submit a report on unmet goals . . . ” to the agency head, GAO, and various congressional committees.

Doing this at the program or activity level, however, would be daunting. There are more than 1,000 programs government-wide (at least that was the case under the Bush Administration’s Program Assessment Rating Tool). In response, OMB developed a novel way to meet this statutory requirement that enables broader strategic tradeoffs and increases the meaningfulness of the results of such a review. OMB accomplishes this by putting programs in the context of how they interact with each other around the achievement of meaningful outcomes.

OMB has developed a review process that focuses on assessments of agency strategic objectives—calling it the Strategic Objectives Annual Review (SOAR). This review will be used to inform long-term strategy planning and annual budgeting, to identify gaps in capacity, and to improve transparency. The guidance lays out a structured process for raising issues to agency leadership, and describes how progress under each strategic objective will be assessed.

Fiscal years 2012–2013 will be a transition phase, “because many agencies do not have strategic objectives set which are appropriate for such a review, or do not have appropriate data sources for each strategic objective.” OMB encourages agencies to develop a strategic objective review process and, using existing information in their current performance plans, include progress summaries in their FY 2012 annual performance reports.

Beginning in fiscal year 2014, all agencies will be required to begin assessing progress on their strategic objectives (which will have been updated as a part of their new strategic plans, due in February 2014). To prepare for this, OMB says the revised annual performance plans must be organized around agency strategic objectives.

But this isn’t just a new paperwork exercise. The new law requires OMB to assess whether agencies are making progress toward their planned levels of performance and to take action if it judges that a strategic objective is “facing significant challenges.” This tracking and reporting framework will begin “with the assessments completed for fiscal year 2014

Annual Performance Report . . . ” OMB says this will likely be in early 2015.

Performance.gov

The original 1993 law required agencies to prepare annual performance reports describing their performance in relation to the promises made in their annual performance plans. Ultimately, these reports were posted on the Internet by each agency when this became an accepted way of conveying government information. The new law goes much further. It requires a one-stop, government-wide website that provides the progress of every agency’s priority goals, an inventory of all agency programs, and is the repository for all agency strategic plans, performance plans, and performance reports.

Example of an Agency’s Strategic Objectives

Department of Health and Human Services

The HHS strategic plan has five strategic goals. The first is “Strengthen Health Care” which in turn is supported by six strategic objectives:

Strategic Objective 1: Make coverage more secure for those who have insurance, and extend affordable coverage to the uninsured.

Strategic Objective 2: Improve health care quality and patient safety.

Strategic Objective 3: Emphasize primary and preventive care linked with community prevention services.

Strategic Objective 4: Reduce the growth of health care costs while promoting high-value, effective care.

Strategic Objective 5: Ensure access to quality, culturally competent care for vulnerable populations.

Strategic Objective 6: Promote the adoption and meaningful use of health information technology.

Each strategic objective reflects a series of initiatives and programs, along with associated measures and resources. Some of these sub-initiatives are designated as Agency Priority Goals.

The challenge will be how to do this in a way that can make this large amount of information both useful and used by a range of different stakeholders. The Obama administration created a website in mid-2011, Performance.gov, which details its various management improvement initiatives. It was expanded in February 2012 to detail more than 100 agency and cross-agency priority goals established by the administration.

OMB guidance says this website will be further expanded beginning in December 2012 to include quarterly progress assessments of agency and cross-agency priority goals. Agencies will add their strategic plans, annual performance plans, and annual performance reports in subsequent years in machine-readable formats, as they are made available. For example, agencies will publish their fiscal year 2014 annual performance plans and their fiscal year 2012 annual performance reports on the web no later than May 31, 2013.

Compliance vs. Use

The new law and its many complicated requirements offer both promise and peril. A key challenge for leaders will be to avoid being overwhelmed by myriad process and compliance requirements under the new law and the accompanying OMB guidance. There will be a strong temptation in some agencies to create a team, staff it with experts, and let them comply with the requirements with professional-looking reports.

The real question for agencies and their leaders will be: how can the new federal performance framework be leveraged to create an evidence-based, performance-and results-focused organizational culture?

This won't be easy. A recent academic study by Drs. Donald Moynihan and Stéphane Lavertu examines federal employee survey results about the implementation of the earlier phases of GPRA to see if the law actually changed performance. They premise their analysis on the underlying assumption in organizational theory "that change among employees can be fostered by altering their routines ..." In a statistical analysis of the survey results, they conclude that the law's requirements "... have excelled at creating organizational routines for data collection and dissemination, [but] they have been less successful at creating routines for the use of these data."

Moynihan and Lavertu caution the implementers of the new law against being too optimistic about its chances of creating a new performance culture when they observe from the first two phases that: "GPRA and PART have been more effective



in 'passive forms of performance information use,' such as complying with requirements to collect and report it." And they conclude that this "tells us something about the limits of any formal government-wide performance requirements to alter the discretionary behavior of individual managers when such behavior is difficult to monitor."

Nevertheless, there are some encouraging signs with some agencies already pointing the way. The top leadership at the Departments of Housing and Urban Development and Health and Human Services are pioneers in implementing many of the requirements in the new law. For example, they already hold periodic progress meetings of senior officials and heavily rely on data-driven assessments of performance to make decisions and allocate resources.

In addition, five agencies, including HUD, Veterans Affairs, and the Department of Energy, are piloting a performance management approach called GEAR, which stands for Goals-Engagement-Accountability-Results. This pilot asks agencies to develop specific initiatives to "articulate a high performance culture" and to "align employee performance management with organizational performance management." The pilot agencies are using this approach to "create a culture of ongoing, continuous feedback between managers and employees." Ultimately, this approach may be expanded to other agencies and may be more significant than their being able to say, "we met OMB's requirements." ■