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MITRE TECHNICAL REPORT

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**Methodologies for Performance
Measurement by Federal
Government Program Type**

CEM IR&D project #1909M140-AA

**Dr. Lisa Oakley-Bogdewic
Patricia Salamone**

September 2009

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**Dr. Lisa Oakley-Bogdewic
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Abstract

This paper addresses how to best gauge the value of a Federal program type, so that the *value* of their delivery can be assessed and improved. Gauging the value requires understanding the outcome that was expected, and this outcome is shaped, at a minimum, by factors of: program cause, public good delivery type, ownership, and funding source. The US Federal Government has seven types of programs comprising roughly 20% of the US GDP.¹ The program type serves to delineate key features of programs that help parameterize the programs' social costs and expected benefits.² Using the 2008 budget as a baseline, supported by trend data from 2006 to 2009 requested (no Recovery.gov dollars), this paper examines the \$20T+ baseline according to these seven types. It reviews the nature of the factors driving the programs, their current state of performance measurement, the extent to which the model of New Public Management are reflected in their measures (effective decentralization, networked stakeholders in public good delivery, and incorporation of citizen-driven organizations and interests) and gives metric improvement recommendations.

This paper is the second of a set of three papers based on research findings of the MITRE Corporation. The first paper gave recommendations for improving the Program Assessment and Rating Tool (PART) process and applied modernized approaches to bureaucracy/administration³ in order to make it more stakeholder driven and outcome focused.

The third paper documents a new approach to performance management—a Stakeholder-Driven Performance Improvement Framework (SPIF) that applies the recommendations of the first paper, the lessons learned from this second paper and applies a commercial model for measuring Social Return on Investment, to derive a way to measure “ROGI,” or Return on Government Investment.

¹ We used the Federal Budget as a source for the numerator and the CIA World Fact Book for the denominator to derive the 20.3% approximation. Total federal outlays in 2008 (\$2.902T) were found in “Summary Tables” at: <http://www.gpoaccess.gov/usbudget/fy08/browse.html>. The CIA World Fact Book estimates US GDP for 2008 at \$14.29T. This is found at: <https://www.cia.gov/library/publications/the-world-factbook/geos/us.html>.

² This program typology was also leveraged for use in the Program Assessment Rating Tool (PART), the assessment mechanism for Government Performance and Results Act (GPRA, 1993) compliance.

³ Kenneth J. Meier and Gregory C. Hill, “Bureaucracy in the Twenty-First Century,” from Ewan Ferlie, Laurence E. Lynn, Jr., and Christopher Pollitt, *The Oxford Handbook of Public Management*, UK: Oxford University Press, (2005), p. 57.

Table of Contents

<i>Introduction and Overview</i> _____	1
Introduction _____	1
Overview of Federal Programs _____	3
Causes and Drivers in Seven Categories of Federal Programs _____	4
Ownership, Funding Source, and Management of Federal Programs _____	6
Public Good Characterization and the Decentralization Debate _____	9
<i>Stakeholder-Driven Underpinnings of a Public Good</i> _____	11
<i>Relevant Private Sector Models—Summary</i> _____	18
<i>Block/Formula Grants (BF)</i> _____	28
A. BF Guidance and Management Requirements _____	30
B. BF Metrics and Stakeholder Representation _____	32
C. Agency BF Programs in 2008 _____	36
<i>Capital Assets (CA)</i> _____	45
A. CA Guidance and Management Requirements _____	47
B. CA Metrics and Stakeholder Representation _____	49
C. Agency CA Programs in 2008 _____	51
<i>Competitive Grant (CO)</i> _____	57
A. Guidance and Management Requirements _____	57
B. CO Metrics and Stakeholder Representation _____	59
C. Agency CO Programs in 2008 _____	62
CO Programs, FY06-FY09 _____	62
<i>Credit (CR)</i> _____	72
A. Guidance and Management Requirements _____	73
B. CR Metrics and Stakeholder Representation _____	81
C. Agency Programs in 2008 _____	84
<i>Direct Federal (DF)</i> _____	88
A. Guidance and Management Requirements _____	88
B. DF Metrics and Stakeholder Representation _____	96
C. Agency DF Programs in 2008 _____	99

<i>Regulatory (RG)</i> _____	116
A. Guidance and Management Requirements _____	117
B. RG Metrics and Stakeholder Representation _____	121
C. Agency Programs in 2008 _____	124
<i>Research and Development (RD)</i> _____	130
A. Guidance and Management Requirements _____	130
B. R&D Metrics and Stakeholder Representation _____	133
C. Agency Programs in 2008 _____	136
<i>Summary and Conclusions</i> _____	143
<i>References</i> _____	145
<i>Acronyms</i> _____	151
<i>Appendix A: 2008 PART Questions</i> _____	153
<i>Appendix B: Fifteen Program Types Listed in GSA’s The Catalog of Federal Domestic Assistance</i> _____	157

List of Figures

Figure	Page
Figure 1: The Trade-Off in Designing Regulations and Eligibility Criteria	12
Figure 2: Stakeholder Mapping Based on Power, Legitimacy, and Urgency	19
Figure 3: Stakeholder Mapping on a Power-Interest Grid	20
Figure 4: Public Allocation C is Not Efficient but Preferred to Private Market Allocation D	25
Figure BF-1. Block/Formula Grant Program Spending Statistics, FY06-FY09R	37
Figure BF-2. Block Formula Grant Program Ratings, Compared to All PART Programs	37
Figure CA-1. Capital Asset (CA) Program Spending Statistics, FY06-FY09R	52
Figure CA-2. Capital Asset (CA) Program Ratings, Compared to All PART Programs	52
Figure CO-1. Competitive Grant (CO) Program Spending Statistics, FY06-FY09R	63
Figure CO-2. Competitive Grant (CO) Program Ratings, Compared to All PART Programs	63
Figure CR-1. Outline and Summary of Proposed Financial Regulatory Reform	74
Figure CR-2. Credit (CR) Program Spending Statistics, FY06-FY09R	85
Figure CR-3. Credit (CR) Program Ratings, Compared to All PART Programs	85
Figure DF-1. Activity Annual Summary Report for Agencies in A-76 (Figure A1)	92
Figure DF-2. Direct Federal (DF) Program Spending Statistics, FY06-FY09R	100
Figure DF-3. Direct Federal (DF) Program Ratings, Compared to All PART Programs	100
Figure RG-1. Regulatory (RG) Program Spending Statistics, FY06-FY09R	125
Figure RG-2. Regulatory (RG) Program Ratings, Compared to All PART Programs	125
Figure RD-1. Research & Development (RD) Program Spending Statistics, FY06-FY09R	137
Figure RD-2. Research and Development (RD) Program Ratings, Compared to All PART Programs	137

List of Tables

Table	Page
Table 1: Program Types, Stakeholders, and Drivers of Public Goods	5
Table 2: High-Level Count and Value of Programs Managed	6
Table 3: Count of Federal FY08 PART Programs, Organized by Program Type and Supporting Organization	7
Table 4: Fiscal Value (FY08, \$M) of Federal PART Programs, Organized by Program Type and Supporting Organization	8
Table 5: Common Arguments For and Against Decentralization	10
Table 6: Developing a Stakeholder-Driven Index for Program Types	16
Table BF-1. Quality Block/Formula Grant Effectiveness Measures	33
Table BF-2. Key questions in PART for BF programs	35
Table BF-3: BF Program Performance Summary, FY2008	37
Table BF-4. Current Block/Formula Grant (BF) Programs by Agency, FY08	38
Table CA-1. Quality Capital Asset Effectiveness Measures	49
Table CA-2. Key questions in PART for CA programs	50
Table CA-3: CA Program Performance Summary	52
Table CA-4. Current Capital Asset Programs, FY08	53
Table CO-1. Quality Competitive Grant Effectiveness Measures	60
Table CO-2. Key questions in PART for CA programs	61
Table CO-3: CO Program Performance Summary	63
Table CO-4. Current Competitive Grant Programs, FY08	64
Table CR-1. Quality Competitive Grant Effectiveness Measures	82
Table CR-2. Key questions in PART for CA programs	83
Table CR-3: CO Program Performance Summary	85
Table CR-4. Current Competitive Grant Programs, FY08	86
Table DF-1. Quality Capital Asset Effectiveness Measures	97
Table DF-2. Key questions in PART for CA programs	98
Table DF-3: CA Program Performance Summary	100
Table DF-4: Current Capital Asset Programs, FY08	101

List of Tables (Continued)

Table	Page
Table RG-1: Quality Capital Asset Effectiveness Measures	122
Table RG-2. Key questions in PART for CA programs	123
Table RG-3: CA Program Performance Summary	125
Table RG-4. Current Capital Asset Programs, FY08	126
Table RD-1. Quality Capital Asset Effectiveness Measures	134
Table RD-2. Key questions in PART for CA programs	135
Table RD-3: CA Program Performance Summary	137
Table RD-4. Current Capital Asset Programs, FY08	138

Introduction and Overview

Introduction

Government performance management in a strict, principal-agent economic model of public management would be simple—a government service, regulation, oversight, or provision should only be rendered when a contractually-based private market cannot sustain a solution that is for the betterment of our society and its values. In this principal-agent paradigm, there are socio-economic reasons for collective choice—primarily allocation efficiencies and redistribution⁴—and there would be enforceable management structures that make the artifacts of collective choice affordable and responsive to the needs they were set up to serve.

By contrast, in today’s networked and integrated world, government and the ‘private sector’ are intertwined. Discussed in the Overview below are three key elements that influence and affect government program performance, the manner in which performance can be measured or assessed, and the way in which a program’s *value* to society is gauged:

- Why: the cause or driver for the public good and how clearly the stakeholder is defined—a distributional concern, economies of scale or other positive externality expected, natural monopoly concerns, a market failure, or another national or societal concern must be considered.
- How: the ownership, funding source, and management of the programs, and the complexities within, will also affect the forces that motivate accountability and monitor performance of the programs.
- The character of public good delivery: Whether the public goods are pure, rival, or exclusive also affects the expected results the public program should deliver, and the impact it should have.

Following the Overview, a section entitled “Stakeholder Underpinnings of a Public Good” looks at six factors that may cause public goods to vary in the degree to which they are stakeholder-driven and compares these across the seven Federal government program types. The six factors are:

- Nature of public good: Pure, Rival, Exclusive

⁴ Mueller, Dennis C. *Public Choice III*, New York: Cambridge University Press, (2003), Chapters 1 and 2, pp. 9-63. See also: Kenneth J. Meier and Gregory C. Hill, “Bureaucracy in the Twenty-First Century,” from Ewan Ferlie, Laurence E. Lynn, Jr., and Christopher Pollitt, *The Oxford Handbook of Public Management*, UK: Oxford University Press, (2005), pp. 59-60.

- Funding Source: Public, Private, Matching
- Execution Source: Public, Private
- Management Oversight: Centralized/Decentralized for Content/Administration
- Stakeholder Participation: Networked Design or Provision
- Degree of Client Focus: Closeness of Good or Service Delivery to client/public, Management and fiscal efficiency

A third section of this paper reviews private sector practices for incorporating stakeholder interests in their business paradigms. In particular, it reviews literature for how commercial enterprises manage cost, schedule, and operational performance in a market-viable manner and also ensures their stakeholder needs are met. It is hopeful that this section will provide extensible concepts for public programs, as well as highlighting the key difference between private and public markets: the positive externalities of a public “good” are not typically quantified or assessed as a measurable “return” to stakeholders, as in the commercial or NGO models.

The remainder of the document is organized by Program type and each is described in three parts:

- Section A discusses existing guidance and management requirements that may exist around the program type. This section may discuss public debate about the way programs are executed, if information is available. The currency and dates of guiding legislation or OMB guidance for each program type is also worth noting—some have been around for over 50 years, yet the salient features introduced to others have been only in the past few years.
- Section B discusses any performance indicators in this public good type that are recognized by OMB as Exemplary. We attempt to look at the degree to which these represent benefits or value to the program stakeholders.
- Section C includes a summary of programs within the type: Number, funding trends from FY06-FY09 (requested), summary of program performance, and a listing of the actual programs of this type.

Overview of Federal Programs

This overview will actually show the program types and funding amounts received by each agency in the federal government in 2008. Before we discuss these figures, this paper reviews three very important factors that may vary widely between the program types: driver of the program, funding and management sources, and the accessibility of the public good.

Causes or drivers of public goods vary widely. Distributional concerns are based largely on fairness and access to goods and services made available to socioeconomic classes, geographical areas, safety concerns, institutional or market asymmetry concerns, or another needs-based cause.⁵

Funding, ownership, and management sources matter, primarily because these determine who is accountable and how the accounting will be conducted; not inasmuch as it matters if the sources are private, public, or “blurred,” but how they are managed. Indeed, there are publicly owned organizations funded with public monies, publicly owned organizations funded with private monies, privately owned organizations sustained mostly by public funds, and privately owned organizations that are financed from private resources. Operating environments, transaction types, and organizational goals and structures are some of the key drivers of differences affecting performance management in these settings.⁶

There are three characterizations of public goods:⁷ there are “pure” public goods, which are non-exclusive and non-rival, such as clean air, defense against enemy aggressors, and a justice system that should apply to everyone. Second, public goods can be exclusive and apply to only certain classes of the public—education, age-dependent benefits, welfare benefits, etc., are some examples of exclusive goods. Public goods can also be “rival,” where the consumption of the good precludes someone else from consuming the same good. Goods like public medicine, radio frequencies, and highway infrastructure are examples of exclusive programs.

⁵ For some good examples of the many roles of government, see Joseph E. Stiglitz, *Economics of the Public Sector, Second Edition*, New York: W.W. Norton & Co., (1988), pp. 1-2.

⁶ Hal G. Rainey and Young Han Chun, “Public and Private Management Compared,” from Ewan Ferlie, Laurence E. Lynn, Jr., and Christopher Pollitt, *The Oxford Handbook of Public Management*, UK: Oxford University Press, (2005), pp. 72-84.

⁷ See: Nicholson, Walter. *Microeconomic Theory: Basic Principles and Extensions*, Third Edition, Chicago: The Dryden Press, (1985), pp. 706-709, for a discussion of the attributes of public goods.

Causes and Drivers in Seven Categories of Federal Programs

There are seven program categories in the Federal Government and 1,016 programs that are assessed using OMB's PART.⁸ There are 55 federal agencies, departments, or entities, hereby noted as Federal Organizations that execute these program types. These PART programs account for \$2.675 trillion of the estimated \$2.9 trillion in total Federal outlays⁹, and 20% of the estimated 2008 US GDP of \$14.5 trillion¹⁰.

Per the PART guidance¹¹, program types are defined by the Agency proponent, through the answering of the questions which best describe the aspects and potential benefits of the program in question. Agencies are instructed to classify the program by the primary program type, answer the core PART questions, and then answer additional program type questions if needed. If a program is truly mixed, it will be classified as such. There was one in 2008.

In addition to the sheer number and complexity of the programs provided by Federal organizations, there may be multiple sets of drivers and related goals that apply to a single program type. Table 1 suggests relationships of Program Types and normative drivers / societal goals, indicating the complex environments of some Federal Agencies.

⁸ This paper will not examine how the fifteen types of programs listed in The Catalog of Federal Domestic Assistance (www.cfda.gov) cross-walk the seven PART program types, but they are worth noting to appreciate the complexity of federal program management. These can be found in Appendix C.

⁹ See: Table 1.1 at: <http://www.gpoaccess.gov/usbudget/fyo8/hist.html>.

¹⁰ See: Table 10.1 at: <http://www.gpoaccess.gov/usbudget/fyo8/hist.html>.

¹¹ OMB, "Guide to the Program Assessment Rating Tool (PART)," January 2008, pp. 6-7.

Table 1: Program Types, Stakeholders, and Drivers of Public Goods

Program Type	Definition¹²	Stakeholder or Goal	Driver
Block/Formula Grant (BF)	“Programs that provide funds to State, local and tribal governments and other entities by formula or block grant, such as the Department of Energy’s (DOE) Weatherization Assistance program and HHS’ Ryan White/AIDS program.”	Health, Welfare	Assistance; Equality
Capital Asset (CA)	“Programs that achieve their goals through development and acquisition of capital assets (e.g. land, structures, equipment, and intellectual property) or the purchase of services (e.g. maintenance, and information technology). Program examples include Navy Shipbuilding and the Bonneville Power Administration.”	Users of Infrastructure	Long-term project and economies of efficiency
Credit (CR)	“Programs that provide support through loans, loan guarantees and direct credit, such as the Export Import Bank’s Long Term Guarantees program.”	Borrowers (access) and Lenders (loan guarantees)	Regulatory oversight; finance market access equality
Competitive Grant (CO)	“Programs that provide funds to State, local and tribal governments, organizations, individuals and other entities through a competitive process, such as Health Centers at the Department of Health and Human Services (HHS).”	Health, Welfare	Assistance; Equality
Direct Federal (DF)	“Programs where services are provided primarily by employees of the Federal Government, like the State Department’s Visa and Consular Services program.”	Health, Welfare, Security,	Assistance; Social Welfare; Redistribution
Regulatory (RG)	“Regulatory-Based programs: Programs that accomplish their mission through rulemaking that implements, interprets or prescribes law or policy, or describes procedure or practice requirements, such as the U.S. Environmental Protection Agency’s Mobile Source Air Pollution Standards and Certification program.”	Safety Fairness Other	Regulatory Protection; Risk mitigation
Research & Development (RD)	“Programs that focus on knowledge creation or its application to the creation of systems, methods, materials, or technologies, such as DOE’s Solar Energy and NASA’s Solar System Exploration programs.”	Innovation	Innovation for societal benefit

¹² OMB, “Guide to the Program Assessment Rating Tool (PART),” January 2008, pp. 85-87.

Ownership, Funding Source, and Management of Federal Programs

Ownership and funding source for a program may or may not be the same. Regulatory programs are often funded by the sector that is regulated, rather than the general public. The “owners,” therefore, that are causing the possible negative externality or public risk generally fund the government activity and their views may or may not be taken into the management of the supporting program. The polarity that can exist between the owners of the public good, the source of funding for the program, and the actual management of the program varies widely by and within program types.

Management complexity may also vary widely by and within program types. It is proposed for this survey of Federal Programs that the number of program types a federal organization manages may foreshadow the degree of complexity for performance measurement and performance management. This complexity may, in turn, affect a program’s ability to reach out to and represent Stakeholder interests.

The distribution of 1016 federal programs, by type and by federal organization is in Table 2 below. Organizations with the most complex performance management environment (5 or more program types) account for nearly half the value of all Federal programs in FY08. Likewise, organizations with the least complex performance management environments (two or fewer program types) account for over half the number and one-third the FY08 value. This implies that most programs are in simpler environments, but the more expensive programs tend to be in complex environments:

Table 2: High-Level Count and Value of Programs Managed

<u>Number of Organizations</u>	<u>Number of Program Types</u>	<u>Percent of # 1016 Programs</u>	<u>Percent of Total FY08 Value</u>
13	5 or more	24%	45%
11	3 to 4	20%	23%
<u>31</u>	2 or fewer*	<u>56%</u>	<u>32%</u>
55		100%	100%

*Primarily were of the Direct Federal and/or Regulatory types.

Tables 3 and 4 below, show the distribution of the number and value of programs, respectively, by Federal Organization. Whether a Federal organization manages a homogeneous or heterogeneous set of programs, a performance management framework within which to construct, manage, and communicate organizational and programmatic outcomes to their overseers/funders, teammates, and stakeholders/recipients should be of high value for all involved.

Table 3: Count of Federal FY08 PART Programs, Organized by Program Type and Supporting Organization

	BF	CA	CO	CR	DF	Mixed	RD	RG	Grand Total	
African Development Foundation			1						1	low
Appalachian Regional Commission			1						1	low
Broadcasting Board of Governors					8				8	low
Commission on Civil Rights					1				1	low
Commodity Futures Trading Commission					1				1	low
Consumer Product Safety Commission								1	1	low
Corporation for National and Community Service	2	1			1				4	mid
Corps of Engineers-Civil Works		6			6			1	13	mid
Court Services and Offender Supervision Agency f					2				2	low
Delta Regional Authority			1						1	low
Department of Agriculture	12	1	8	14	33		10	7	85	high
Department of Commerce	2	1	5		18		3	4	33	high
Department of Defense--Military		15			35		4		54	mid
Department of Education	36	1	45	4	2		5		93	high
Department of Energy	2	12	1		11		29		55	high
Department of Health and Human Services	34	6	50		13		10	2	115	high
Department of Homeland Security		2	4		44		6	5	61	high
Department of Housing and Urban Development	8	1	16	6				2	33	high
Department of Justice	8	1	3		22		1		35	high
Department of Labor	7	1	6		14			7	35	high
Department of State	9	3	12		27				51	mid
Department of the Interior	6	12	2	1	31		12	6	70	high
Department of the Treasury	4		3	2	22	1		5	37	high
Department of Transportation	9	4	2	2	10		4	5	36	high
Department of Veterans Affairs				1	8		1		10	mid
District of Columbia					2				2	low
Environmental Protection Agency	16		4		14		10	9	53	high
Equal Employment Opportunity Commission					1				1	low
Export-Import Bank of the United States				1					1	low
Federal Communications Commission	2							5	7	low
Federal Deposit Insurance Corporation					1			1	2	low
Federal Election Commission								1	1	low
Federal Housing Finance Board					1				1	low
Federal Mediation and Conciliation Service					1				1	low
Federal Trade Commission					1				1	low
General Services Administration		6			9			1	16	mid
International Assistance Programs		1	9	3	1				14	mid
Millennium Challenge Corporation			1						1	low
National Aeronautics and Space Administration		6			1		6		13	mid
National Archives and Records Administration		1			1				2	low
National Credit Union Administration				1	1			1	3	mid
National Science Foundation							11		11	low
Neighborhood Reinvestment Corporation	1								1	low
Nuclear Regulatory Commission								7	7	low
Office of National Drug Control Policy	1	1	2				1		5	mid
Office of Personnel Management					8			1	9	low
OTHER INDEPENDENT AGENCIES										low
Peace Corps					1				1	low
Railroad Retirement Board					2				2	low
Securities and Exchange Commission					2			3	5	low
Small Business Administration	2			4	4				10	mid
Smithsonian Institution		1			1				2	low
Social Security Administration					3				3	low
Tennessee Valley Authority		2			1				3	low
Trade and Development Agency			1						1	low
United States Interagency Council on Homelessnes					1				1	low
Grand Total	161	85	177	39	366		1	113	74	1016

Table 4: Fiscal Value (FY08, \$M) of Federal PART Programs, Organized by Program Type and Supporting Organization

	BF	CA	CO	CR	DF	Mixed	RD	RG	Grand Total	freq
African Development Foundation			42						42	low
Appalachian Regional Commission			35						35	low
Broadcasting Board of Governors					653				653	low
Commission on Civil Rights					9				9	low
Commodity Futures Trading Commission					41				41	low
Consumer Product Safety Commission								80	80	low
Corporation for National and Community Service	294	27			95				416	mid
Corps of Engineers-Civil Works		4,563			1,607			159	6,329	mid
Court Services and Offender Supervision Agency f					190				190	low
Delta Regional Authority			12						12	low
Department of Agriculture	61,253	474	873	21,417	19,623		2,347	1,181	107,168	high
Department of Commerce	165	1,846	442		3,913		1,008	682	8,056	high
Department of Defense--Military		118,608			305,875		12,791		437,274	mid
Department of Education	41,622	696	3,143	3,962	12,450		529		62,402	high
Department of Energy	271	15,835	0		2,764		8,041		26,911	high
Department of Health and Human Services	262,322	934	16,895		463,832		28,442	2,326	774,751	high
Department of Homeland Security		281	6,212		35,713		156	1,564	43,926	high
Department of Housing and Urban Development	13,209	6,382	19,462	187				82	39,322	high
Department of Justice	2,147	512	298		20,593		37		23,587	high
Department of Labor	6,832	1,598	1,004		5,476			1,271	16,181	high
Department of State	1,678	800	8,858		14,337				25,673	mid
Department of the Interior	741	843	149	6	5,632		725	1,458	9,554	high
Department of the Treasury	1,257		73	30	11,829	1,997		1,138	16,324	high
Department of Transportation	49,856	2,812	5,084	130	13,901		667	1,578	74,028	high
Department of Veterans Affairs				8,862	84,523		535		93,920	mid
District of Columbia					257				257	low
Environmental Protection Agency	2,614		216		1,899		503	730	5,962	high
Equal Employment Opportunity Commission					329				329	low
Export-Import Bank of the United States				0					0	low
Federal Communications Commission	9,068							2,397	11,465	low
Federal Deposit Insurance Corporation					8,715			8,715	17,430	low
Federal Election Commission								59	59	low
Federal Housing Finance Board					36				36	low
Federal Mediation and Conciliation Service					43				43	low
Federal Trade Commission					210				210	low
General Services Administration		10,726			6,450			53	17,229	mid
International Assistance Programs		717	3,394	-96	430				4,445	mid
Millennium Challenge Corporation			1,544						1,544	low
National Aeronautics and Space Administration		9,618			147		7,865		17,630	mid
National Archives and Records Administration		45			389				434	low
National Credit Union Administration				10	7,984			78	8,072	mid
National Science Foundation							5,906		5,906	low
Neighborhood Reinvestment Corporation	300								300	low
Nuclear Regulatory Commission								652	652	low
Office of National Drug Control Policy	225	99	89				10		423	mid
Office of Personnel Management					137,272			41	137,313	low
Peace Corps					356				356	low
Railroad Retirement Board					10,504				10,504	low
Securities and Exchange Commission					520			200	720	low
Small Business Administration	120			472	85				677	mid
Smithsonian Institution		105			159				264	low
Social Security Administration					655,026				655,026	low
Tennessee Valley Authority		11,096			19				11,115	low
Trade and Development Agency			61						61	low
United States Interagency Council on Homelessnes					2				2	low
Grand Total	453,974	188,617	67,886	34,980	1,833,888	1,997	69,562	24,444	2,675,348	

Public Good Characterization and the Decentralization Debate

Whether the public good is a “pure” public good, an exclusive or non-exclusive public good, a rival or non-rival public good, or some combination therein, there is much debate about the “best” organizational level from which a program should deliver a public good so that the intended recipients are best served. Should a “common defense” only be executed in one form and in one manner, or are there decentralized forms of defense (such as the National Guard) that can serve the closer and immediate needs of stakeholders? This research paper does not aim to “judge” the manner in which programs are executed, but the debate highlights a critical issue: *If the program properly balances decentralization concerns, the ease of measuring the stakeholder impact should be higher.*

Indeed, the postmodern challenge of public administration for programs of any type is to assure that programs and outcomes are (1) appropriately decentralized in management, (2) involve greater participation from the networked societal elements that affect public good delivery and value, and (3) involve or are based on client-driven organizations. This postmodern challenge focuses on lowering the barriers of government programs by making them more inclusive of the citizens they serve.¹³ For the purposes of our research, these three facets are considered positive attributes of modern public management, but they are also sources of debate.

There are debates about the *dimension and degree of centralization*. The management of public goods can have varying degrees of hierarchy and centralization, and along the dimensions of political foundation, administrative tasks, or financial accountability. One version of this debate is relayed in Table 5 below, which discusses the tradeoffs between administrative efficiencies, effectiveness of public good delivery, and efficacy of political representation.¹⁴

As for stakeholder outreach and societal networking, the line between what is privately or publically funded, managed, or overseen becomes more blurry with time in the US economy. Still, public outreach can assist in the consideration of all stakeholder interests are considered—a first step toward maximizing returns on government investments. Social outreach should also assist in the third factor mentioned above—the degree to which client-driven organizations are involved in public good design, delivery, and feedback.

¹³ Kenneth J. Meier and Gregory C. Hill, “Bureaucracy in the Twenty-First Century,” from Ewan Ferlie, Laurence E. Lynn, Jr., and Christopher Pollitt, *The Oxford Handbook of Public Management*, UK: Oxford University Press, (2005), p. 57.

¹⁴ This content is replicated from: Christopher Pollitt, “Decentralization,” from Evan Ferlie, Laurence E. Lynn, Jr., and Christopher Pollitt, editors, *The Oxford Handbook of Public Management*, New York: Oxford University Press, (2005), p. 381.

Table 5: Common Arguments For and Against Decentralization**Arguments in favor of administrative decentralization**

- Decentralization speeds decision making by reducing the overload of information which otherwise clogs the upper reaches of a centralized hierarchy. Faster decision making is more efficient.
- Decentralization may mean decisions are taken closer to the users/consumers of an organization's product and services, and this, in turn, means that decisions are likely to be responsive to those users.
- Decentralization improves the ability of an organization to take account of differences between one local context and another. Services can be better 'tuned' to local conditions.
- Decentralization may be used as the one way to reduce political intervention in matters that are best managed without political interference in details (e.g., case work with individual citizens, regulatory functions, etc.)
- Decentralization encourages innovation (because new ideas no longer have to find their way all the way up the hierarchy to the center to be approved and authorized).
- Decentralization improves staff motivation and identification. They feel they can 'belong' to a smaller, more comprehensible organization, rather than just being a cog in a gigantic bureaucratic machine.

Arguments in favor of political decentralization

- Devolution of political power puts it closer to the citizen
- Devolution of political power makes politicians less remote, more visible and more accountable
- Devolution of power encourages more citizens to play some active part in the democratic process—by voting, attending meetings, or even standing for office
- Devolution of political power allows for greater expression of legitimate local and regional differences

Arguments in favor of centralization (political and administrative)

- Centralization enables organizations to benefit from economies of scale
- Centralization enables organizations to retain a critical mass of experts (in central think tanks and the 'technostructure'). Small organizations do not have the infrastructure to do this.
- Centralization, in the form of standardization, leads to greater equity. All citizens in similar circumstances receive the same service. Autonomous local services are more prone to inequities—both intentional and unintentional
- Centralization makes the coordination of policies and programs (especially those which cross sectoral or organizational boundaries) easier to accomplish. 'Joined-up' government can be substituted for 'hollowed-out' government.
- Centralization makes the line of accountability clearer and more easily understood by citizens. In highly decentralized systems, patterns of accountability are complex, and there are too many opportunities for blame-shifting.

Stakeholder-Driven Underpinnings of a Public Good

As alluded to in the previous section, there are several facets of a public good that vary among program types. How the facets apply to specific types of public goods are generally not developed in the literature; however, most likely because the facets' attribute or character is not necessarily unique to a single public good type. When combined, however, they help to determine an understanding of how *stakeholder-driven* the public good or program may be, simply due to these surrounding facets. The facets are as follows:

- Nature of public good: Pure, Rival, Exclusive
- Funding Source: Public, Private, Matching
- Execution Source: Public, Private
- Management Oversight: Centralized/Decentralized for Content/Administration
- Stakeholder Participation: Networked Design or Provision
- Degree of Client Focus: Closeness of Good or Service Delivery to client/public, Management and fiscal efficiency

In theory, the more stakeholder driven is a public good, the more a provider of the public good should be able to execute the right good to the right sets of beneficiaries in the most efficient way. Presumably, benefit and value of the public good for this more easily identified stakeholder should be easier to measure as well. *Whether the "correct," intended beneficiaries receive the benefit of the government good or program is a critical question when evaluating the returns to stakeholders.*

This becomes a regulatory problem as well as a measurement problem. That is, the clarity of eligibility requirements for the good/service/program may be a determinant of the likelihood that benefits reach the intended recipients. As such, this shows an additional feature of public program management: stakeholders must be identified and qualifications must be efficiently and effectively administered to be able to measure whether the benefit of the public good was delivered to the intended beneficiary.

Figure 1¹⁵ shows a trade-off between the number of *deserving* individuals *not receiving* aid (due to tighter regulation) versus the number of *undeserving* individuals *receiving* aid (due to overly-loose regulation). The efficacy of the enforcement of the regulations is surely heightened by increased abilities to identify stakeholders and the actual character of their benefit needed. That is, if an investment in stakeholder's identification and characterization of their needs are adequate, the tighter regulation may be easier to administer, and the number of deserving individuals not receiving aid might decline. The consideration of stakeholder identification in the information age may decrease the slope of the upper left curve, showing that tighter regulation is simply more precise and not preclusive.

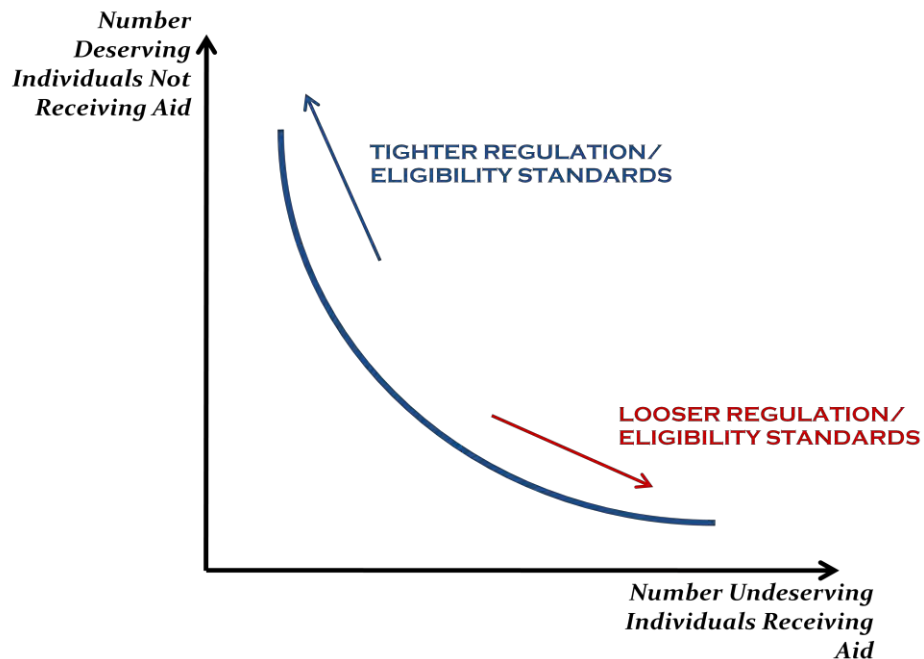


Figure 1: The Trade-Off in Designing Regulations and Eligibility Criteria

¹⁵ Stiglitz, Joseph E., *Economics of the Public Sector, Second Edition*, New York: W.W. Norton & Company, (1988), pp. 240.

While the tradeoff in Figure 1 above appears simple, the program manager and Agency's ability to institute proper and clear oversight to effectively deliver the public good to the right beneficiary/identified stakeholder in the most cost effective manner is affected by the six factors at the beginning of this section above. Our ability to measure the outcomes created by, and the returns on, government investment are also affected by these factors.

- Nature of the public good: If the good is a pure public good, it is non-exclusive and non-rival. An increase in national security is a good example. We may all be better off, because the oppression of the communist Eastern Bloc is no longer a dooming national threat to the U.S. But, measuring whether the intended beneficiary received the public good is difficult. Some may be immediately worse off, because they traded with these countries under the old regime. But, all were made better off, because the impending threat of conflict with weapons-rich Russia declined and many markets opened. The more 'pure public' is the good, the more we are assured the deserving received the benefit.
- Funding source: If the funding source is completely public, then the accounting of who pays for and who receives the public good is more likely to be masked over. Conversely, if there are private or matching funds involved, the accountability is higher, and the good is more likely to be properly delivered. If the good is privately funded (like much regulation), stakeholder interests are likely represented in a more precise manner.
- Execution Source: The agent that executes the delivery of the public good may be a government agency or a private firm. The agent's incentive, or ability, to deliver the good as intended may vary by whether they are a public or private body, and whether all execution must be identical or customized for the local needs. The public body may have better information of qualification, or a higher incentive to deliver using cost-minimizing techniques, than would a profit-maximizing firm. Non-government incentives for efficient delivery and for effective delivery may differ and may even conflict with one another. Regulating policies that "iron out" these factors are critical if a private firm executes the public good. By the presumption that government involvement is needed only when the private markets cannot achieve the societal outcome, it is assumed here that public execution represents stakeholder needs without conflicts of interest more than does private.
- Management Oversight: The degree to which oversight rules are centralized and therefore identical or can affect administration, political, and execution aspects of a public good. That is, there may be some aspects of public good delivery that should be centralized administratively for efficiency or politically for equality, and then other parts that should be decentralized for effectiveness. The degree

to which the actual good delivered must be identical vice vary with the need of the group in question is also set in this socio-economic needs question. This paper assumes that when Federal program management oversight is federated to the States, stakeholder interests are met to a higher degree. While administrative efficiencies may exist with centralized oversight, we propose that the more decentralized is the execution of a public good, the more effective is the representation of stakeholder interests. The cost efficiency factor would be captured by the execution source factor above (third bullet).

- Stakeholder Participation: Participation in the delivery and receipt of a public good can be of a networked design, a provisional design, or some mix of the two. Theoretically, a networked design would have the advantage of closeness to the client/public need, yet this model may not be the most fiscally efficient. On the other hand, a provisional delivery of a public good would be a one-size-fits-all good or service, minimum information needed and cheaply executed, but the need may or may not be precisely met. The ease of executing precise qualifying regulation for a high proportion of the intended beneficiaries is surely eased by larger stakeholder participation, as shown by networked program execution designs.
- Client Focus: The degree of “closeness to the need” may vary as well. A food stamp program is focused on a specific need for income-challenged families. Clean water regulation is focused on people in the surrounding area of the water in question. A research grant for leukemia is focused on current and future victims of this disease and related diseases. Quotas on foreign trade are focused on domestic suppliers’ competitiveness. Political campaign regulations are focused on the voters in general, or the incumbent, or the challenger. Note how the focus gets farther removed from specific ‘clients’ in these progressive examples—while the goods may be highly valued by society, they are less driven by specific stakeholder needs.

It is a research challenge to not only measure the tightness of regulation and the actual number of individuals receiving the aid in question, but more so whether the proper balance was achieved in consideration of the cost vice wastefulness involved with moving inward, away from either of the “bads” axes in Figure 1. A descriptive index of regulation/eligibility accuracy, which slows movement outward on either axis by easing the cost burden or effort needed for assessing qualification, can vary with at least the six factors above: the type of public good in question; by how the good is funded and whether there is an incentive for the proper delivery of the good; by how decentralized are execution standards; by how decentralized are the administrative and content management regulations; by how involved is the stakeholder community in

delivering and using the public good to better their situation; and by how identifiably close to the stakeholder need is the public good in question.

The Stakeholder Driven Index in equation (1) is presented only to show the reader how different are the federal program types when notional stakeholder considerations are measured.

$$\text{Stakeholder Driven Index} = \frac{(\alpha + \beta + \gamma + \delta + \epsilon + \lambda)}{6}$$

where the values of the Greek factors are determined by Table 6 below. This equation and Table seek to show that some public good types may be naturally more stakeholder-driven than others. The index could, for example be multiplied by the amount of funding for a scale factor.

As expected, Regulatory programs potentially serve the needs of stakeholders most, followed by Competitive Grants, by Research & Development programs, by Block/Formula Grants, by Credit programs, by Direct Federal programs, and then by Capital Asset programs in this grossly over-simplified scale [RG>CO>RD>BF>CR>DF>CA]. These quantitative comparisons do provide some intuition to understand the parameters surrounding the public goods and their context, content, and delivery mechanisms.

Table 6: Developing a Stakeholder Driven Index for Program Types

<i>Program Type</i>	<i>Public Good Character</i>	<i>Funding Source</i>	<i>Execution Source</i>	<i>Management Oversight</i>	<i>Stakeholder Participation</i>	<i>Client Focus</i>
Type of Federal Program numerator exponent summation score	α : Pure=1, Exclusive=0.5, Rival=0.25	β : Public = 0.25, matching=0.5, Private=1	γ : Public=1, Mixed=0.5, Private=0.25	δ : Federal Centralized = 0.25, Federated to State=0.5, Decentralized=1	ϵ : Networked Design=1, Mixed=0.5, Provisional=0.25	λ : Clients defined =1, betterment of any with need =0.5, recipient unclear=0.25
BF=2.8/6 = 0.4667	Exclusive=0.5	Federal w/ some matching state=.5	Mixed=.5	Federal, State =.5	Mixed=.5	Mixed=.3
CA=2.1/6 = 0.35	Rival=.25	Public=.25	Mixed=.5	Mixed=.3	Mixed=.5	Mixed=.3
CO= 3.75/6 = 0.625	Rival=.25	Private matching=.7	Mixed=.5	Decentralized=1	Networked=1	Mixed=.3
CR= 2.75/6 = 0.458	Rival=.25	Public=.25	Mixed=.5	Federal=.25	Mixed=.5	Clients=1
DF=2.5/6 = 0.417	Rival=.25	Public=.25	Mixed=.5	Mixed=.5	Mixed=.5	Mixed=.5
RD=3.15/6 = 0.525	Mixed=.7	Mixed=.7	Mixed=.5	Federal=.25	Mixed=.5	Any w/ need=.5
RG=4.5/6 = 0.75	Pure=1	Private=1	Public=1	Federal, State =.5	Mixed=.5	Any w/ need=.5

A “side-but-significant” secondary factor for consideration in differences between program types is the reality of “Actual Incidence.” This is an important consideration when considering “full” stakeholder benefits, as the benefit may involve significant secondary effects. “When those who benefit from a government program are different from those that the program was intended to help, we see that the benefits have been shifted, or that the actual incidence is different from that [for whom it was intended].”¹⁶ Some examples:

- New Subway System. The commuter benefits—less driving, saved time, cheaper than parking/tolls. The land-owners with housing and commercial real estate

¹⁶ Stiglitz, Joseph E., *Economics of the Public Sector, Second Edition*, New York: W.W. Norton & Company, (1988), p. 248.

around the subway stop also benefit—they find that the rents they can charge increase, especially in the short run, before the market adjusts with competitive forces.¹⁷

- Increase in Medicare benefits: Improving benefits to the elderly may cause children to take less of a role in providing care or support for their parents.
- Subsidized education aims to make education more available to all, but in general, middle to upper income children are more likely to avail themselves to qualify for higher education at all. Hence, “all children” are not necessarily benefitted and middle and upper-middle income families generally benefit most.

The consideration of distributional consequences require that both the primary and secondary societal/economic group intended to benefit be identifiable—either consumer or producer stakeholders. If the two are clearly identified, the incidence of program cost can likely be better managed.

¹⁷ Stiglitz, Joseph E., *Economics of the Public Sector, Second Edition*, New York: W.W. Norton & Company, (1988), pp. 246-247.

Relevant Private Sector Models—Summary¹⁸

How do commercial enterprises manage cost, schedule, and operational performance in a market-viable manner that ensures stakeholder needs are met? Appendix A includes a white paper that identifies techniques and methodologies from the commercial world that can be applied or adapted to the public and Federal sectors.

This paper will highlight immediately the critical feature that Appendix A exposes: the positive externalities of a public “good” are not typically quantified or assessed as a measurable “return” to stakeholders in the commercial or NGO models.

Commercial industry exists, essentially, to make a profit or to succeed at another motivation for the benefit to some part of society’s betterment. Alternatively, for the most succinct description we could come up with for the purpose of the US government, we turn to the Preamble to the Constitution: *“to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defence, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity.”* These goals are decidedly more difficult to measure than profit and loss; however, one does not seek to go broke while achieving them! We will revisit these concepts at the end of this section after we review some helpful lessons from the commercial/NGO sector models.

Stakeholder mapping: to whom will programs communicate performance?

If performance management is fundamentally about communicating success and progress towards goals, the first question a manager or leader must ask is: to whom will I communicate performance? The first step any business must take is to assess the ‘market’ and interested parties for their good, service, or cause. The fundamental premise behind stakeholder mapping is to ensure that all stakeholders are identified and that they are in some way mapped or prioritized in order to determine how to deal with their various interests.¹⁹ R.E. Freeman defines a stakeholder as “any group or individual who can affect or is affected by the achievement of the organization’s objectives.” This includes people and groups that: will benefit from the proposed initiative, benefit from your organization's success, or that influence opinion and make decisions.

From “the squeaky wheel gets the grease” metaphor, power and influence of the stakeholder type is also something to keep in mind when trying to assess whether the “true” beneficiary of the public good is actually receiving the good and whether the performance indicators reflect this delivery. The following two figures show

¹⁸ Thank you to Patricia Salamone for writing the original paper of which this section is a summary. Her paper is not available for public release.

¹⁹ Freeman, R. E., *Strategic Management: A Stakeholder Approach*, Boston: Pittman, 1984.

alternative stakeholder mapping constructs in which power and influence play a driving role.

Mitchell et al. proposed a classification of stakeholders based on power to influence, the legitimacy of each stakeholder's relationship with the organization, and the urgency of the stakeholder's claim on the organization, as illustrated in Figure 2.

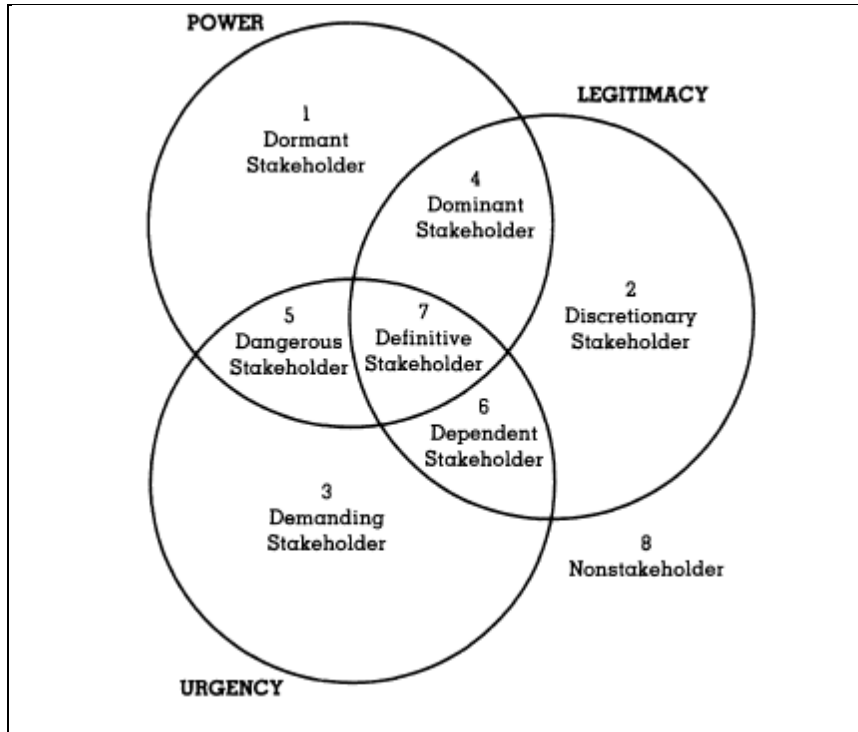


Figure 2: Stakeholder Mapping Based on Power, Legitimacy, and Urgency²⁰

Our research in this paper does not try to assess whether the degree of power, legitimacy, or urgency is the driver behind performance management, but this model does call into question the meaning of the term “societal benefit.” It also shows the interdependency of stakeholders in the public sector. For example, “dependent stakeholders” have urgent and legitimate claims, but lack power, so they must depend on others (such as Political Action Committees) for the power necessary to represent their interests.

²⁰ Mitchell, Ronald K., Bradley R. Agle, and Donna J. Wood, “Toward A Theory Of Stakeholder Identification And Salience: Defining The Principle Of Who And What Really Counts,” *Academy of Management Review*, Vol. 22, No. 4, pp 853-886, 1997.

Figure 3 below shows a generalized and alternative stakeholder mapping technique that maps power or influence against impact or interest. Third dimensions can also be added, showing the magnitude of the stakeholders in each quadrant.²¹ In this approach, stakeholders are mapped out on a power/interest grid as shown in Figure 3 classified by their power over the project and by their interest in it.

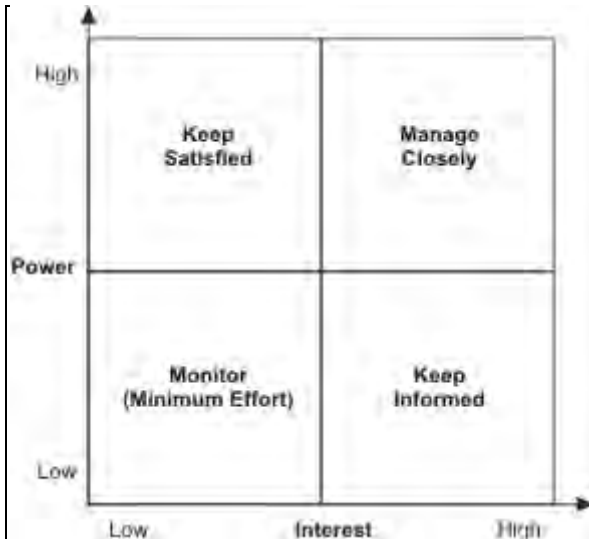


Figure 3: Stakeholder Mapping on a Power-Interest Grid

The position of a stakeholder or stakeholder group on the grid determines the actions that should be taken with them. Since performance management is fundamentally about communication with stakeholders to progress to a better state of the world, this quadrant is intuitively important for any public manager to keep in mind as (s)he formulates the best indicators to relay success to the program's stakeholders.

- High power, interested stakeholders: These are the stakeholders you must fully engage with and make the greatest efforts to satisfy.
- High power, less interested stakeholders: Put enough work in with these stakeholders to keep them satisfied, but not so much that they become bored with your message.
- Low power, interested stakeholders: Keep these stakeholders adequately informed, and talk to them to ensure that no major issues are arising. These stakeholders can often be very helpful with the detail of your project.

²¹ "What is Stakeholder Analysis," S. Babou, at PMHut.com. Three-part article: 12 March, 11 April, and 15 April 2008. (<http://www.pmhut.com/what-is-stakeholder-analysis>)

- Low power, less interested stakeholders: Again, monitor these stakeholders, but do not bore them with excessive communication.

A third mapping of interest (not drawn here) suggests adding an indication on the stakeholder map of which stakeholders are expected to be blockers or critics and which stakeholders are likely to be advocates and supporters of the project.²²

Since performance management is not free or effortless, this stakeholder mapping review suggests that how the needs of different stakeholders are prioritized or balanced could be a key driver for the selection of performance metrics. At the outset, competing interests may render some stakeholder groups unrepresented in the performance indicator communication. But as performance management practices mature, the needs of all stakeholders may be represented and possibly resolved through the use of a well defined and repeatable performance management process.

Holistic areas of measurement: about which aspects should be communicated?

After stakeholders and stakeholder interests have been defined and the need for communicating with them prioritized, a program manager of organization needs to ask: *About which aspects of performance will I communicate?*

The general industry solutions package includes five products: campaign analytics, customer analytics, sales analytics, financial performance analytics, and workforce analytics. The analysis results can be displayed using web-based business dashboards.

- “Campaign analytics” help organizations follow customer behavior and advertising campaign status and compare the two.
- “Customer analytics” provide insight into an organization’s customer base and segments. Metrics include lifetime value, recency, frequency of purchases, and monetary value scores.
- “Sales analytics” help an organization understand and optimize its sales force. Indicators such as unsold products, inactive customers, and discounting help to monitor actual revenue against forecast revenue.
- “Financial performance analytics” provides insight into the status of an organization’s financial health to allow it to understand the underlying factors behind its key business drivers. Metrics include cash inflow and outflow.
- “Workforce analytics” help human resources organizations and other managers manage employee recruitment, retention, and results.

²² “Stakeholder Analysis: Winning Support for Your Projects,” at MindTools.com, an online management, leadership, and career training site: http://www.mindtools.com/pages/article/newPPM_07.htm

Some organizations expand their views to include business intelligence in this setting for their enterprise performance management systems. Other familiar performance management methodologies include Six Sigma, Activity-Based Costing, and Total Quality Management, which each include the areas of performance listed above.

The Balanced Scorecard diverged from this standard model as a method for valuing investments for non-financial aspects, by showing the causality of the non-financial performance aspects to the financial bottom line. It is extendable to the government setting, as documented by the GAO²³, albeit the financial “bottom line” is still the primary driver in the commercial sector.

For the government sector, the financial perspective, in the government arena, plays an enabling or constraining role and emphasizes cost effectiveness rather than profit maximization or long-term growth.²⁴

Types and quality of measures: What is the best type of measure to use?

As alluded to above, Commercial industry reports are highly focused on financial indicators. A typical set is taken from General Motors’s annual report for 2007²⁵: Net sales and revenue from products and/or services (in dollars); Production volume (in Units); Income or loss (in dollars); Adjusted net income or loss (in dollars); Diluted earnings or losses per share (in dollars); Adjusted net profit margin (in percentage); Net loss (in dollars); Net income (in dollars); Book value per share of common stock (in dollars); Common shares outstanding as of December 31 (the number).

These indicators are directly relevant to the concerns of the stockholders of the company. The report also provides additional information breaking down the company’s income and expenses. General Motors may include more detailed statistics internally, but this is what they include in their annual report, so this is presumably the main source of information for external stakeholders.

As a second example²⁶ that is more akin to a government program with stakeholders in the public good realm, The Nature Conservancy (TNC) for some years used two basic metrics: *dollars raised* and *acres of land purchased*. These metrics were easy to assess and easy to explain to potential donors. However, TNC eventually realized that success

²³ US General Accounting Office, "Measuring Performance and Demonstrating Results of Information Technology Investments," www.gao.gov, March 1998.

²⁴ Lansdowne, Zachary F., and Bruce W. Lamar, *A Survey of Portfolio Selection Methodologies*, Draft MITRE Technical Report, December 2000

²⁵ General Motors, Annual Report 2007, Found at: www.gm.com/corporate/investor_information/docs/fin_data/gm07ar/download/gm07ar_full.pdf

²⁶ Sawhill, John, and David Williamson, "Measuring What Matters in Non-Profits," *The McKinsey Quarterly*, 2001, Number 2.

in meeting these metrics *did not necessarily translate into success in achieving its stated mission: preserving the diversity of plants and animals by protecting the habitats of rare species*. For example, the populations of rare plants or animals in Conservancy-owned land can be affected by activities outside those preserves (say, water pollution). This realization caused TNC to revise both its strategy and its metrics. It shifted its strategy from buying land to preserving local and regional ecosystems, and to measure its success in carrying out this strategy, it devised new metrics, as described below.

The approach used for TNC that is described by the McKinsey consultants sets up a framework that uses three types of performance metrics. (Financial metrics are also recognized as important, but they are not addressed in this framework since “the law requires organizations to report them.”) These are:

- Capacity measures. These measure the organization’s success in “mobilizing its resources.” They “measure progress at all levels of an organization, thereby enabling it to get things done.” Examples for a non-profit might be membership statistics or fundraising performance.
- Activity measures. These measure the organization’s effectiveness in doing its job. Metrics might be the number of people served by a program, the number of projects completed, etc. TNC used projects launched and sites protected.
- Impact measures. These measure the organization’s success in achieving its mission. TNC, for example, used measures of biodiversity health and threat abatement as their new indicators.

McKinsey outlines three approaches that non-profits might use to develop metrics for measuring their success in accomplishing their missions.

- Define their mission very narrowly, so that it is easy to quantify and measure. Goodwill Industries’ goal for example, is to “raise people out of poverty through work.” A simple metric suffices: the number of people who participate in its job training programs and then are placed in jobs.
- Complete in-depth research into the long-term outcomes of its programs. The Headstart program, for example would look at longitudinal data to see the effects of its program.
- “Develop microlevel goals that, if achieved, would imply success on a grander scale.” Water oxygen levels tracked over decades with specific targets, for example, for water clean-up programs.

McKinsey consultants note that scoping one’s mission sufficiently is difficult, long-term research requires resources, and that the third approach is the most likely to be broadly useful.

Another perspective on mission-related metrics is presented in a white paper titled “Metrics of Success in Art Museums,” by Maxwell L. Anderson, commissioned by the Getty Leadership Foundation, Los Angeles, California. The paper presents an approach to developing more useful metrics, and recommends that metrics of success have three attributes.

- They must be directly connected with the core values and mission of the organization.
- They must be reliable indicators of long-term organizational and financial health.
- They must be easily verified and reported.

Revisiting Externalities and the Preamble

Using the presupposition that government needs to be involved when the non-government sectors cannot produce the desired outcome for the public, the need for measuring the actual value-added that is therefore brought to bear through government involvement becomes the exercise at hand. As shown above, “boiling down” stakeholder value into a monetizable metric eases performance measurement and for cost benefit analysis, because everything is in quantifiable and monetary, or “like,” terms. In the public sector, there are inexact but on average useable measures to quantify the value of lives saved, forestry saved, diseases eradicated, and the like. One can use market values (expected earnings, sales values, or costs incurred, etc.) to estimate the value of such items.

What about the value of the elements of the Preamble? “to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defence, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity.”²⁷

These too, can be approximated for example, by the amount someone or a society would pay for the right to vote; the trade advantages of having the federated States of the U.S. “united” as a single nation; the insurance premium equivalent for time-limited safety net of income that would preserve the welfare of all citizens; or the market replacement values of (or, the equivalent amount of money citizens would be willing to trade to avoid) a failing safety feature or risky outcomes, such as the flooding of crops, terrorist attacks, etc.. The problem with these examples is that market prices do not exist to accurately account for their total value. Moreover, these public goods have

²⁷ From the Preamble to the Constitution of the United States of America, found at: <http://www.law.emory.edu/index.php?id=3080>.

been normatively deemed as unalienable rights—something citizens should possess, free of charge. Yet, these public “goods” are free of neither cost nor effort.

Figure 4 below shows pictorially the issue we are discussing: how to conceptualize the additional social utility of a public good that cannot be achieved by the private markets.

The Theory of Second Best²⁸

- Line A-B is represents society’s budget constraint between two representative goods on the X-axis and Y-axis.
- The concave curve is the production possibilities frontier. All points along this are efficient.
- Green convex curves are societal utility curves
- Point D is efficient because it is on the frontier, but (regulated) Point C is “better” because the social utility curve is higher and preferred to the solution of productive efficiency under current market price conditions
- E is not fiscally achievable—C is second best²⁹ because it is an inefficient solution.

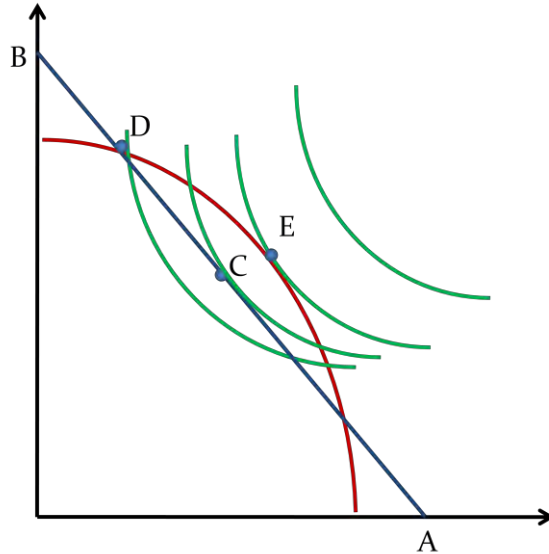


Figure 4: Public Allocation C is not Efficient but Preferred to Private Allocation D

One reason that we cannot accurately estimate the difference in value of points D and C is because they are usually not individually observed under the same conditions. The degree to which private and public solutions are comingled is high in today’s world, because the private solution often depends on the public allocation and vice versa.

²⁸ Nicholson, Walter. *Microeconomic Theory: Basic Principles and Extensions*, Third Edition, New York: The Dryden Press, (1985), page 64. Point C is second best for two reasons. First, point C is less preferred than point E, a point on the production possibilities frontier, but not available because of the constraint AB, such as a lack of market price incentives, for this economy portrayal. Second, point C is less efficient than is point D on the same possibilities frontier. It is, however, preferred to point D—the public allocation of resources makes society better off. While second best, point C gives the highest utility, fiscally possible solution.

²⁹ Of course, E might be achievable through public indebtedness, but the moral hazard tendencies and long-term solvency of the firms or organizations in the private sector are called into question when it is believed that “there is always more money” in the public purse.

Cost incidence of moving from D to C. The fairness of taxes to build and prices to sustain a public good depends on the optimal trade-off between efficiency and equity.³⁰ The nature of the relationship depends on the amount of equity that must be given up for a unit of efficiency, and vice versa. For example, consider a bridge. Its maintenance costs money, and it might be considered “efficient” to charge a toll to drivers for its operation and maintenance costs. But, citizens and businesses on both sides of the bridge also gain from the bridge’s existence, so it is perhaps not *fair* that the entire cost of the bridge be cast into the fee structure for tolls. Moreover, there are direct costs to operating toll booths, and indirect costs of changing individual choices to no longer use the bridge if tolls are instituted. Clearly, the trade-offs need to be considered in a predictive revenue and cost model and the more accurately stakeholders can be identified, the more fair *should be* the incidence of cost burdens.

Another example of a “Point C” in our economy is seen through redistribution programs. These are often of a great debate, because the Program objectives are not clear by the way a program is executed. Sometimes, there are obvious and better ways to execute a program for a given set of stakeholders. Why is this not selected, as a rule? One reason is that either efficiency or equity goals may not be politically possible.

For example, farming subsidies are clearly not efficient, and in the end may produce market gaps that prove them to be ineffective. The ultimate goal is to redistribute income to farmers in exchange for keeping food prices stable and low and preserve ecological habitats that are good for the environment. The way this ‘redistribution’ is currently conducted is riddled with inefficiency and loss, but, it is likely that this is the only way to make such redistribution possible—voters in urban areas outnumber those in rural/farming areas, and it is unlikely the majority would opt to “insure” the farming industry against price fluctuations. Indeed, a primary element missing from this marketplace is effective and actuarially fair crop insurance, due to the problems with moral hazard and adverse selection, but also due to an insurer’s inability to actually pay out benefits for a destructive natural disaster.³¹

Although a stakeholder can be identified, this does not guarantee that the benefits or the return on investment is always easier to measure. Additional factors, such as absence of markets for conditions and outcomes that are valuable to society, may produce “twists” in the program goals that seem nonsensical.

³⁰ Stiglitz, Joseph E., *Economics of the Public Sector, Second Edition*, New York: W.W. Norton & Company, (1988), pp. 250-253.

³¹ Stiglitz, Joseph E., *Economics of the Public Sector, Second Edition*, New York: W.W. Norton & Company, (1988), pp. 242-3.

The previous sections have highlighted sources of variations in the types of public goods by the array of Federal Agencies, each with a discrete and possibly overlapping set of purposes. The remainder of this document is organized in seven sections—one for each Federal Program Type: Block/Formula Grant (BF), Capital Asset (CA), Credit (CR), Competitive Grant (CO), Direct Federal (DF), Regulatory (RG), and Research & Development (RD). As noted in the Introduction, there are three parts to each section:

- Section A discusses existing guidance and management requirements that may exist around the program type. This section may discuss public debate about the way programs are executed, if information is available.
- Section B discusses any performance indicators in this public good type that are recognized by OMB as Exemplary. We attempt to look at the degree to which these represent benefits or value to the program stakeholders. Whether the recognized metrics helped to answer some of the 2008 PART Questions (See Appendix B) targeted to the program type is also discussed.
- Section C includes a summary of programs within the type: Number, funding trends from FY06-FY09 (requested), summary of program performance, and a listing of the actual programs of this type.

Block/Formula Grants (BF)

Block/Formula Grant programs are defined as “Programs that provide funds to State, local and tribal governments and other entities by formula or block grant, such as the Department of Energy’s (DOE) Weatherization Assistance program and HHS’ Ryan White/AIDS program.”³²

Grants are a mechanism for decentralizing control of funding, management, execution, administration, or any mix. Grant programs may decentralize one aspect only, which may pose dichotomies for the program—e.g., localizing fiscal management, but centralizing content for teaching institutions.³³ By contrast, competitive grants are considered to be a move toward privatization—“the transfer of the production of goods or services from the public to the private sector,” at least from a management perspective.³⁴

The debate primarily centers on the pros and cons of grant program delivery methods to achieve recipient results, given the block/formula grant management construct. Some examples of differing perspectives on block/formula grant programs are below:

- Perspective that local control is simplified with block grants and the programs can better deliver goods and services to serve citizen needs³⁵ —

“Under the current system, states must deal with more than 300 separate programs related to welfare, food stamps, housing and job training. These programs are administered by different agencies at the federal level and are subject to extensive, complicated rules and regulations, which often conflict across program lines. Block grants offer states an opportunity to develop programs and policies based on local needs rather than a one-size-fits-all federal perspective.”

Features of flexibility include:

- “Consolidation of Programs which simplifies administration and procedures and results in improved efficiencies and effectiveness;

³² OMB, “Guide to the Program Assessment Rating Tool (PART),” January 2008, p. 85.

³³ Christopher Pollitt, “Decentralization,” from Evan Ferlie, Laurence E. Lynn, Jr., and Christopher Pollitt, editors, *The Oxford Handbook of Public Management*, New York: Oxford University Press, (2005), p. 380.

³⁴ Timothy K. Barnekov and Jeffrey A. Raffel, “Public Management and Privatization,” from Mark Holzer, editor, *Public Productivity Handbook*, New York: Marcel Dekker, Inc., (1992), p. 100.

³⁵ Department of Human Services (at Michigan.gov), “Background on Federal Block Grants Structural Reform and Administrative Reform and Flexibility,” found at: http://www.michigan.gov/dhs/0,1607,7-124-5459_7342_7925-15755--,00.html.

- Transferability which permits transfer of resources to areas of greatest need or priority as determined by the state;
 - Carry-forward which permits transferring and saving money for future years in order to deal with emergencies or contingencies.”
- Perspective that block grants mask the fiscal accountability of program efforts, making the accountability of outcomes suffer—

“Furthermore, block grants would actually reduce the accountability of government because they would separate the raiser of the tax revenue (the federal government) from the spender of it (state and local governments). If something goes awry, Washington will blame the states for not spending the money wisely, and the states will blame Washington for not providing enough money to do the job. Taxpayers and users of government services will be left wondering who is responsible for what.”³⁶

- Perspective that grants can be anti-productive for local funding support of needed program outcomes—

“Few grant programs provide rewards for the productive, or penalize the unproductive, use of federal funds; may include maintenance of effort provisions, prohibiting any reductions in local expenditures; and some formula-based grants reward local governments for increased expenditures in a given program. These factors, coupled with the tendency of many officials to spend grant dollars less carefully than their own-source revenues, have the unintended effect of undermining productivity.”³⁷

- Definitional perspective that highlights debate—

“In a federal system of government, a block grant is a large sum of money granted by the national government to a regional government with only general provisions as to the way it is to be spent. This can be contrasted with a categorical grant which has more strict and specific provisions on the way it is to be spent. An advantage of block grants is that they allow regional governments to experiment with different ways of spending money with the same goal in mind, though it is very difficult to compare the results of such spending and reach a conclusion. A disadvantage is that the regional governments might be able to use the money if they collected it through

³⁶ Reed, Lawrence W. and Mr. Dean Stansel, “Block Grants are Not the Answer,” Posted May 1, 1995, found at: <http://www.mackinac.org/article.aspx?ID=99>

³⁷ David N. Ammons, “Productivity Barriers in the Public Sector,” from Mark Holzer, editor, *Public Productivity Handbook*, New York: Marcel Dekker, Inc., (1992), p. 122.

their own taxation systems and spend it without any restrictions from above.”³⁸

The perspectives above illustrate how debates about the degree of centralization, ability to include a network of stakeholders [networked public, private, supplier, and citizen entities], and the degree to which the programs include citizen-driven organizations and interests vary and are intertwined for mixed results. We may be able to conclude a few items:

- Block/formula grants are ordinarily implemented as a method for management decentralization—political, administrative, and/or financial.
- The degree of networked stakeholder participation may or may not be higher with block grants—they seem to be more so, at a lower/decentralized governmental level.
- The degree to which block grant programs are client-driven should be higher, but this surely depends on the local administrators.

A. BF Guidance and Management Requirements

There are at least four key sources of guidance for Block/Formula grants (as well as other grants).

OMB Circular A-102³⁹: This circular provides for consistency for grants administration and financial accounting across all Federal Agencies. It states that, “A grant or cooperative agreement shall be used only when the principal purpose of a transaction is to accomplish a public purpose of support or stimulation authorized by Federal statute.” The circular sets rules for advanced public notice and grant alignment with statute or approved and reviewed Agency priorities. There are standard forms and pre-application requirements for amounts in excess of \$100K for purposes of Agency-applicant communication, eligibility determination, competitiveness assessment, and discouragement of weak applications. All applications should include: objectives and need for assistance; results or benefits expected; approach; geographic location; and bio of primary applicant. Carry-over balances are also possible, as are intergovernmental transfers. Financial status report forms are due from all grantees by function or activity, but not by class of expenditure. Grantees are encouraged to make income to defray program costs but not to compete unfairly.

³⁸ Discussion about block and categorical grants from Wikipedia: http://en.wikipedia.org/wiki/Block_grant

³⁹ Office of Management and Budget Circular A-102, "Grants and Cooperative Agreements with State and Local Governments." The recompilation consists of the last complete revision of the Circular published at 59 FR 52224 (dated October 7, 1994, published October 14, 1994), as further amended at 62 FR 45934 (August 29, 1997).

Executive Order 12372, “Intergovernmental Review of Federal Programs”⁴⁰: “The objective of the Executive Order 12372 is to foster an intergovernmental partnership and to strengthen federalism by relying on State and local processes for State and local coordination and review of proposed Federal financial assistance.”⁴¹ There are six key provisions to this Executive Order:

- (i) Federal Agencies shall consult with elected officials of States that would be affected by Federal funds;
- (ii) States can organize expertise or governance locally to determine the best courses of action (beneficiaries, policy, financial, etc.);
- (iii) Elected officials must represent State response to Federal grants;
- (iv) “(OMB) shall maintain a list of official State entities designated by the States to review and coordinate proposed Federal financial assistance and direct Federal development” (p. 2);
- (v) Agency’s shall formulate the rules surrounding grant selection and financing; and
- (vi) OMB Director can provide such rules and regulations that (s)he “deems appropriate for the effective implementation and administration of this Order and the Intergovernmental Cooperation Act of 1968” (p. 2).

Other Documents about Grants Management: [Grants.gov and CFDA](#)

The Catalog of Federal Domestic Assistance (CFDA)⁴² provides a “summary of each grant program, as well as contact information for Federal agencies that award grants.” Appendix IV of the Catalog of Federal Domestic Assistance provides Agency Regional and Local offices addresses. The functional index sections also list the assistance programs available and assign a benefit type to each for reference: A-Formula Grants; B-Project Grants; C-Direct Payments for Specified Use; D-Direct Payments with Unrestricted Use; E-Direct Loans; F-Guaranteed/Insured Loans; G-Insurance; H-Sale, Exchange, or Donation of Property and Goods; I-Use of Property, Facilities, and Equipment; J-Provisions of Specialized Services; K-Advisory Services and Counseling; L-Dissemination of Technical Information; M-Training; N-Investigation of Complaints; O-Federal Employment.

The Grants.gov⁴³ portal, used to “apply to more than 1,000 federal grant programs and that provides access to about \$500 billion in annual awards” was recently criticized for

⁴⁰ Executive Order 12372, “Intergovernmental Review of Federal Programs” found at: <http://www.fws.gov/policy/library/rge012372.pdf>.

⁴¹ Georgia State Clearinghouse, 2007, “Presidential Executive Order 12372,” Found at: <http://www.opb.state.ga.us/SC%20Web%20Page%201/12372-fsp.html>

⁴² See the Catalog of Federal Domestic Assistance at: https://www.cfda.gov/downloads/CFDA_2008.pdf

⁴³ This quote and pointers can be found at the Grants.gov portal: <http://www.whitehouse.gov/omb/grants/index.html>.

“systemic weaknesses.”⁴⁴ This GAO study says that management of the Web portal for federal grants needs improvement. This criticism likely applies to Competitive Grants – grants to hospitals, universities, and non-profits—but may also apply to Block/Formula grants issued to state and local governments; hence, it is discussed in this section.

The criticisms are:

- “Measures currently used don’t give a clear picture of system performance or how well applicants [for grants] are being served.” **This article did not address how well the programs were serving stakeholders, only how well the portal was serving applicants for grants.** OMB was instructed to “work with other interested parties to come up with government-wide policies for processing grant applications.”
- The difficulties grantees have in using the portal “sometimes causes late grant submissions.” GAO recommended OMB and HHS construct “performance measures related to system availability, usability, and data integrity,” and directed “HHS to regularly review performance results.” On the contrary, “the study also found that grant-making agencies whose donations support the site didn’t pay in a timely manner, negatively affecting system performance.”
- Federal organizations “responsible for managing the program had inconsistent coordination, unclear lines of authority, and confusion over roles and responsibilities that put the system’s long-term performance at risk.” This includes roles and responsibilities between OMB, HHS, and the “Grants Executive Board (GEB) comprised of officials from 26 grant-making agencies.”

Senators Joseph Lieberman (I-Conn.) and George Voinovich (R-Ohio) agreed with these criticisms and urged support for a bill they authored and that passed the Senate in March designed to improve the portal.

B. BF Metrics and Stakeholder Representation

OMB provides guidance to PART program subjects, but likely the best guidance for programs is examples from programs similar to their own. This section lists measures identified by OMB as high quality, provides brief discussion on the merits of these measures from a “stakeholder” perspective, reviews additional measures required for

⁴⁴ Ben Bain, “GAO: Grants.gov Has Serious Weaknesses,” Federal Computer News, July 16, 2009; Found at: http://fcw.com/Articles/2009/07/16/Web-GAO-Grants.gov-problems.aspx?s=fcwdaily_170709&p=1

this program type, and discusses methods for approaching these special measure requirements.

The outcomes in Table BF-1 show that BF programs assist or give citizens access to elements of livelihood that allow them to pursue happiness. Embedded in just the examples above were citizens (and those of other nations) with real needs: education, shelter, foster parents, HIV patients, infant deaths, ethnic physical disabilities, homeless, unemployed, training, humanitarian assistance, highway deaths, and clean water were the examples.

Table BF-1. Quality Block/Formula Grant Effectiveness Measures⁴⁵

<u>Agency</u>	<u>Program</u>	<u>Performance Measure</u>	<u>Measure type</u>	<u>Program Type</u>
Department of Education	21st Century Learning Centers	Percentage of regular program participants whose achievement test scores improved from below grade level to at or above grade level	Outcome	Block/Formula Grant
Department of Energy	Weatherization Assistance Program	Program benefit-cost ratio excluding non-energy benefits (ratio of value of energy saved to program cost)	Efficiency	Block/Formula Grant
Department of Health and Human Services	Foster Care	The percentage of children with substantiated reports of maltreatment that have a repeated report within 6 months	Outcome	Block/Formula Grant
Department of Health and Human Services	Office of Child Support Enforcement	Cost-effectiveness ratio (total dollars collected per \$1 of expenditures)	Efficiency	Block/Formula Grant
Department of Health and Human Services	Ryan White	Reduce rate of deaths due to HIV infection	Outcome	Block/Formula Grant
Department of Health and Human Services	Maternal and Child Health Block Grant	Reduce rate of infant deaths	Outcome	Block/Formula Grant
Department of Health and Human Services	Indian Health Services	Decrease obesity rates for American Indian/Alaska Native children	Outcome	Block/Formula Grant

⁴⁵ List of OMB-acceptable metrics found at expectmore.gov.

Table BF-1. Quality Block/Formula Grant Effectiveness Measures, concluded

<u>Agency</u>	<u>Program</u>	<u>Performance Measure</u>	<u>Measure type</u>	<u>Program Type</u>
Department of Health and Human Services	Projects for Assistance in Transition from Homelessness (PATH)	Maintain cost of enrolling a person in services	Efficiency	Block/Formula Grant
Department of Labor	Dislocated Worker Assistance	Retention in employment. Percentage of program participants employed in 1st quarter after program exit who remained employed in the 2nd and 3rd quarters after exit	Outcome	Block/Formula Grant
Department of Labor	Adult Employment and Training Activities	Increase in earnings. Percentage change in earning for program participants: (1) pre-enrollment to program exit and (2) 1st quarter after exit to 3rd quarter after exit	Outcome	Block/Formula Grant
Department of State	U.S. Humanitarian Demining Program (HDP)	Square meters of land cleared and restored to productive use in sponsored programs out of 719,536,000 sq. meters in countries receiving U.S. assistance	Output	Block/Formula Grant
Department of Transportation	Federal Highway Infrastructure	Fatalities per 100 million vehicle-miles of travel (VMT)	Outcome	Block/Formula Grant
Environmental Protection Agency	Clean Water State Revolving Fund	Average number per year of waterborne disease outbreaks attributable to swimming in, or other recreational contact with, the ocean, rivers, lakes or streams	Outcome	Block/Formula Grant

Did these outcome metrics serve to answer the additional questions in the PART set aside for BF programs? Table BF-2 addresses this question.

Table BF-2. Key questions in PART for BF programs

PART Question	Exemplar metrics satisfactory?	Additional comment
4.3: Does the program demonstrate improved efficiencies or cost effectiveness in achieving program goals each year?	Yes. The efficiency measures above address and show cost „controls’ are in place and monitored.	It is presumed the program keeps a timeline of their delivery per dollar, or at least their dollars spent.
4.4: Does the performance of this program compare favorably to other programs, including government, private, etc., with similar purpose and goals?	A comparison of their outcome metric levels and trends to meaningful benchmarks would be informative to the program manager and Agency.	This is a real opportunity for stakeholder outreach and best practice resources available to programs
3.BF1: Does the program have oversight practices that provide sufficient knowledge of grantee activities?	The level of stakeholder detail in the outcome metrics suggest stakeholder awareness, only the efficiency measures suggest of grantee diligence. Must see this section’s answers as well.	3.BF1 is addressing adequate oversight, given the tendency towards decentralization of controls in block grant programs.
3.BF2: Does the program collect grantee performance data on an annual basis and make it available to the public in a transparent and meaningful manner?	The examples above appear to be multi-year programs that are likely to make their results and achievements available to the public. Must see this section’s answers.	3.BF2 is addressing ability of the program to be transparent to the networked set of providers, consumers, etc.
Additional Question: Did the social benefit of the program exceed the social costs?	Only the weatherization program above attempted to show such a relationship in its outcome metric.	This concept is often a combination of two concepts— outcome achievement and cost efficiency. It is probable that the same program had a corollary metric to help answer this question.

Outcome measures for the BF program type should possess two characteristics in addition to the PART considerations to help quantify benefit to stakeholders:

First, the outcome metrics should capture the stakeholder for whom the benefit created and secondarily, they should articulate the type of grant that was utilized. There are fifteen types and outcome measures that capture the type would allow us to measure whether they statistically differ in the communities served or the benefit levels delivered. The types include: A-Formula Grants; B-Project Grants; C-Direct Payments for Specified Use; D-Direct Payments with Unrestricted Use; E-Direct Loans; F-Guaranteed/Insured Loans; G-Insurance; H-Sale, Exchange, or Donation of Property and Goods; I-Use of Property, Facilities, and Equipment; J-Provisions of Specialized Services; K-Advisory Services and Counseling; L-Dissemination of Technical Information; M-Training; N-Investigation of Complaints; O-Federal Employment.

C. Agency BF Programs in 2008

Spending Levels in FY06-FY09 Requested: Figure BF-1 below shows that BF programs represent around 17% of the total spending captured by the Federal PART programs. Spending in the BF area has risen steadily from over \$410B in FY06 to over \$460B requested for FY09, for the 161 programs, see Table BF-4 below, in total.

FY08 Performance: The performance of the BF programs in FY08 were the lowest in comparison to all other program types, and the variance in the performance scores across the four types of scores was the highest of all program types.

These blanket statistics across all BF programs infer poor Program Purpose & Design, Planning, and Management mechanisms, and poor delivery of Actual Results. Table BF-3 shows that all score types averages only 67% on a 100% scale across all BF programs.⁴⁶ The wide variance in successes in these factors—about 30% greater than the variance all programs as a group across these factors—infers a lack of consistency in consistency in program management and results delivery. Figure BF-2 shows BF Programs ratings percentages as compared to the entire set of PART programs—the BF programs had lower percentages in the Effective and Moderately Effective categories that all programs combined.

⁴⁶ These factors had different weights applied to the scores in these four areas to calculate a rating for each program. The weights for Program Purpose & Design, Planning, Management, and Actual Results, are 20%, 10%, 20%, and 50%, respectively. The Mean and Variance calculations DO NOT take these weights into account, as this can be politically motivated and may mask the true level of strength and program consistency across these four performance factors.

Table BF-3: BF Program Performance Summary, FY2008

Area:	BF (161)
Mean PART Score*	67%
Score Variance**	9%
<u>Area σ^2</u>	
All σ^2	130%
Avg. Assessment Latency (years)	3.35

*Mean Score is the average score across all four sections of PART over all programs of that type

**Score Variance is the variance across scores in all four sections of PART over all programs of that type

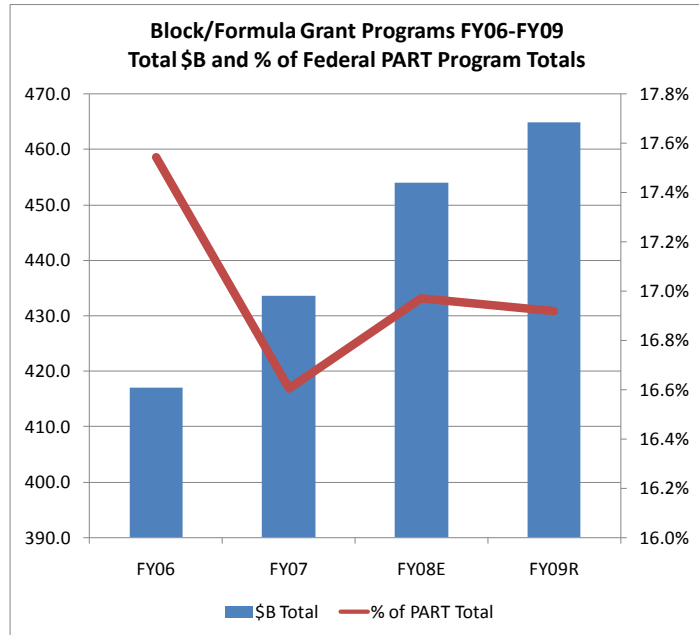


Figure BF-1. BF Program Spending Statistics, FY06-FY09R

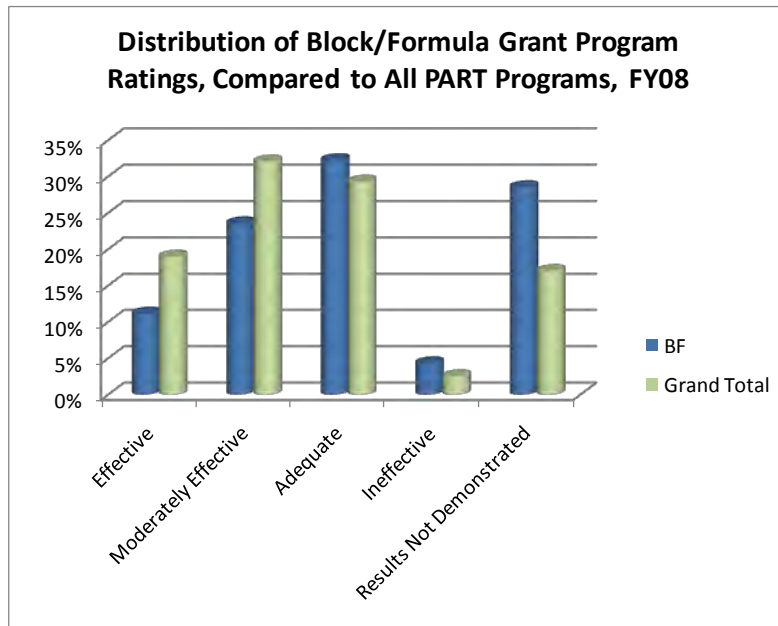


Figure BF-2. BF Program Ratings, Compared to All PART Programs

Table BF-4. Current BF Programs by Agency, FY08

Agency Name	PART Program Name
Corporation for National and Community Service	AmeriCorps State and National Grants
Corporation for National and Community Service	Learn and Serve
Department of Agriculture	Commodity Supplemental Food Program
Department of Agriculture	Food and Nutrition Service - Child and Adult Care Food Program
Department of Agriculture	Food Distribution Program on Indian Reservations
Department of Agriculture	Food Stamp Nutrition Education
Department of Agriculture	Food Stamp Program
Department of Agriculture	National School Lunch
Department of Agriculture	Nutrition Assistance for Puerto Rico
Department of Agriculture	School Breakfast Program
Department of Agriculture	Senior and Woman, Infants, and Children Farmers' Market Programs
Department of Agriculture	Summer Food Service Program
Department of Agriculture	The Emergency Food Assistance Program (TEFAP)
Department of Agriculture	Women, Infants, and Children (WIC)
Department of Commerce	Coastal Zone Management Act Programs
Department of Commerce	Pacific Coastal Salmon Recovery Fund
Department of Education	21st Century Community Learning Centers
Department of Education	Adult Education State Grants
Department of Education	American Printing House for the Blind
Department of Education	Byrd Honors Scholarships
Department of Education	Comprehensive School Reform
Department of Education	Education - Neglected and Delinquent State Agency Program
Department of Education	Education - State Assessment Grants
Department of Education	Education for Homeless Children and Youths
Department of Education	Education State Grants for Innovative Programs
Department of Education	English Language Acquisition State Grants
Department of Education	Enhancing Education Through Technology
Department of Education	Even Start

Table BF-4. Current BF Programs by Agency, FY08, cont'd

Agency Name	PART Program Name
Department of Education	Federal Pell Grants
Department of Education	Federal Support for Gallaudet University
Department of Education	Federal Support for Howard University
Department of Education	Federal Support for the National Technical Institute for the Deaf
Department of Education	Federal Work-Study
Department of Education	IDEA Special Education Grants for Infants and Families
Department of Education	IDEA Special Education Preschool Grants
Department of Education	Impact Aid Basic Support Payments and Payments for Children with Disabilities
Department of Education	Impact Aid Payments for Federal Property
Department of Education	Indian Education Grants to Local Educational Agencies
Department of Education	Leveraging Educational Assistance Partnership
Department of Education	Mathematics and Science Partnerships
Department of Education	Migrant State Agency Program
Department of Education	Reading First State Grants
Department of Education	Rural Education
Department of Education	Safe and Drug Free Schools State Grants
Department of Education	Strengthening Historically Black Colleges and Universities
Department of Education	Strengthening Historically Black Graduate Institutions
Department of Education	Supplemental Educational Opportunity Grants
Department of Education	Supported Employment State Grants
Department of Education	Tech-Prep Education State Grants
Department of Education	Title I Grants to Local Educational Agencies
Department of Education	Vocational Education State Grants
Department of Education	Vocational Rehabilitation State Grants
Department of Energy	State Energy Programs
Department of Energy	Weatherization Assistance
Department of Health and Human Services	Abstinence Education
Department of Health and Human Services	Administration on Aging

Table BF-4. Current BF Programs by Agency, FY08, cont'd

Agency Name	PART Program Name
Department of Health and Human Services	Adoption Assistance
Department of Health and Human Services	Adoption Incentives
Department of Health and Human Services	CDC: State and Local Preparedness Grants
Department of Health and Human Services	Child Abuse Prevention and Treatment Grants
Department of Health and Human Services	Child Care and Development Fund
Department of Health and Human Services	Child Welfare Services
Department of Health and Human Services	Children's Hospitals Graduate Medical Education Payment Program
Department of Health and Human Services	Community Mental Health Services Block Grant
Department of Health and Human Services	Community Services Block Grant
Department of Health and Human Services	Community-Based Child Abuse Prevention
Department of Health and Human Services	Developmental Disabilities Grant Programs
Department of Health and Human Services	Family Violence Prevention and Services Program
Department of Health and Human Services	Foster Care
Department of Health and Human Services	Independent Living Program
Department of Health and Human Services	Low Income Home Energy Assistance Program
Department of Health and Human Services	Maternal and Child Health Block Grant

Table BF-4. Current BF Programs by Agency, FY08, cont'd

Agency Name	PART Program Name
Department of Health and Human Services	Medicaid
Department of Health and Human Services	Medicare Integrity Program
Department of Health and Human Services	National Bioterrorism Hospital Preparedness Program
Department of Health and Human Services	Office of Child Support Enforcement
Department of Health and Human Services	Poison Control Centers
Department of Health and Human Services	Projects for Assistance in Transition from Homelessness
Department of Health and Human Services	Promoting Safe and Stable Families
Department of Health and Human Services	Protection and Advocacy for Individuals with Mental Illness
Department of Health and Human Services	Refugee Social Services
Department of Health and Human Services	Ryan White HIV/AIDS
Department of Health and Human Services	Social Services Block Grant
Department of Health and Human Services	State Children's Health Insurance Program
Department of Health and Human Services	Substance Abuse Prevention and Treatment Block Grant
Department of Health and Human Services	Temporary Assistance for Needy Families (TANF)
Department of Health and Human Services	Tribally-Operated Health Programs
Department of Health and Human Services	Urban Indian Health Program
Department of Housing and Urban Development	American Dream Downpayment Initiative

Table BF-4. Current BF Programs by Agency, FY08, cont'd

Agency Name	PART Program Name
Department of Housing and Urban Development	Capacity Building for Community Development and Affordable Housing
Department of Housing and Urban Development	Community Development Block Grant (Formula)
Department of Housing and Urban Development	Fair Housing Assistance Program
Department of Housing and Urban Development	Housing Opportunities for Persons with AIDS
Department of Housing and Urban Development	HOME (Affordable Housing Block Grant)
Department of Housing and Urban Development	Native American Housing Block Grants
Department of Housing and Urban Development	Public Housing
Department of Justice	Crime Victims' Programs
Department of Justice	Juvenile Accountability Block Grants
Department of Justice	Juvenile Justice Programs
Department of Justice	Multipurpose Law Enforcement Grants
Department of Justice	National Criminal History Improvement Program
Department of Justice	Residential Substance Abuse Treatment
Department of Justice	State Criminal Alien Assistance Program
Department of Justice	Violence Against Women Programs
Department of Labor	Dislocated Worker National Emergency Grants
Department of Labor	Employment Service
Department of Labor	Unemployment Insurance Administration State Grants
Department of Labor	Veterans' Employment and Training State Grants
Department of Labor	Workforce Investment Act - Adult Employment and Training
Department of Labor	Workforce Investment Act - Dislocated Worker Assistance
Department of Labor	Workforce Investment Act - Youth Activities
Department of State	Assistance to Refugees
Department of State	Contribution to the United Nations Development Programme
Department of State	Contributions to International Fisheries Commissions

Table BF-4. Current BF Programs by Agency, FY08, cont'd

Agency Name	PART Program Name
Department of State	Contributions to the International Atomic Energy Agency
Department of State	Humanitarian Migrants to Israel
Department of State	Migration and Refugee Assistance -- Protection
Department of State	President's Emergency Plan For AIDS Relief: Global Fund
Department of State	Protection of Foreign Missions and Officials
Department of State	United Nations High Commissioner for Refugees
Department of the Interior	Bureau of Indian Affairs - Job Placement and Training
Department of the Interior	Bureau of Indian Affairs - Tribal Colleges
Department of the Interior	National Park Service - Heritage Partnership
Department of the Interior	National Park Service - Land and Water Conservation Fund State Grants
Department of the Interior	National Park Service - National Historic Preservation
Department of the Interior	Office of Surface Mining - State Managed Abandoned Coal Mine Land Reclamation
Department of the Treasury	African Development Fund
Department of the Treasury	Asian Development Fund
Department of the Treasury	Global Environment Facility
Department of the Treasury	International Development Association
Department of Transportation	Federal Lands Highway Program
Department of Transportation	Federal Motor Carrier Safety Administration Grant Program
Department of Transportation	Federal Transit Administration - Formula Grant Programs
Department of Transportation	Federal Transit Administration - State Administered Public Transit Grant Programs
Department of Transportation	Hazardous Materials Transportation Safety - Emergency Preparedness Grants
Department of Transportation	Highway Emergency Relief Program
Department of Transportation	Highway Infrastructure
Department of Transportation	Maritime Administration - State Maritime Schools
Department of Transportation	National Highway Traffic Safety Administration Grant Program
Environmental Protection Agency	Air Quality Grants and Permitting
Environmental Protection Agency	Alaska Native Village Water Infrastructure

Table BF-4. Current BF Programs by Agency, FY08, concluded

Agency Name	PART Program Name
Environmental Protection Agency	Clean Water State Revolving Fund
Environmental Protection Agency	Drinking Water State Revolving Fund
Environmental Protection Agency	EPA Lead-Based Paint Risk Reduction Program
Environmental Protection Agency	EPA Pesticide Enforcement Grant Program
Environmental Protection Agency	EPA Tribal General Assistance Program
Environmental Protection Agency	Leaking Underground Storage Tank Cleanup Program
Environmental Protection Agency	Nonpoint Source Pollution Control Grants
Environmental Protection Agency	Ocean, Coastal, and Estuary Protection
Environmental Protection Agency	Pesticide Field Programs
Environmental Protection Agency	Public Water System Supervision Grant Program
Environmental Protection Agency	U. S.-Mexico Border Water Infrastructure
Environmental Protection Agency	Underground Injection Control Grant Program
Environmental Protection Agency	Underground Storage Tank Program
Environmental Protection Agency	Water Pollution Control Grants
Federal Communications Commission	Universal Service Fund E-Rate
Federal Communications Commission	Universal Service Fund High Cost
Neighborhood Reinvestment Corporation	Neighborhood Reinvestment Corporation
Office of National Drug Control Policy	High Intensity Drug Trafficking Areas
Small Business Administration	Service Corps of Retired Executives Small Business Assistance
Small Business Administration	Small Business Development Centers

Capital Assets (CA)

Capital Assets and Service Acquisition programs are defined as “Programs that achieve their goals through development and acquisition of capital assets (e.g., land, structures, equipment, and intellectual property) or the purchase of services (e.g., maintenance, and information technology). Program examples include Navy Shipbuilding and the Bonneville Power Administration.”⁴⁷

Public Capital programs need not only worry about the particular benefits of the end-products that are delivered by public goods and services using the capital, but need to assure public overseers that the longer term investment is delivering returns that exceed alternative ways of spending these intertemporal public funds. To complicate this dual mission, there are at minimum, four issues with the bottom line of public capital spending:

- how we define capital;
- how/when we trace “benefits” that are realized;
- who pays for capital versus “owns” it; and
- how we account for capital in the annual and longitudinal budget.

Understanding the definition of capital is important, because it helps to modify the context around capital assets so that all parts of the budget be viewed in a way that allows us to see its value in a common way.

Defining Capital. Three definitions are listed below for reference and discussion in this section:

1. The current OMB definition is in effect for Federal programs at this time⁴⁸:

Capital assets are land, structures, equipment, and intellectual property, including software, that are used by the Federal Government and have an estimated useful life of two years or more. Capital assets exclude items acquired for resale in the ordinary course of operations or held for the purpose of physical consumption such as operating materials and supplies. The acquisition cost of a capital asset includes both its purchase price and all other costs incurred to bring it to a form and location suitable for its intended use.

Capital assets may be acquired in different ways: through purchase, construction, or manufacture; through a lease-purchase or other capital lease, regardless of whether title has

⁴⁷ OMB, “Guide to the Program Assessment Rating Tool (PART),” January 2008, p. 85.

⁴⁸ OMB, OMB Circular A-11, Appendix One: Definition of Capital Assets, p. 57.

passed to the Federal Government; through an operating lease for an asset with an estimated useful life of two years or more; or through exchange. Capital assets include the environmental remediation of land to make it useful, leasehold improvements and land rights; assets owned by the Federal Government but located in a foreign country or held by others (such as federal contractors, state and local governments, or colleges and universities); and assets whose ownership is shared by the Federal Government with other entities. Capital assets include not only the assets as initially acquired but also additions; improvements; modifications; replacements; rearrangements and reinstallations; and major repairs but not ordinary repairs and maintenance. Examples of capital assets include the following, but are not limited to:

office buildings, hospitals, laboratories, schools, and prisons; dams, power plants, and water resources projects; furniture, elevators, and printing presses; motor vehicles, airplanes, and ships; satellites and space exploration equipment; information technology hardware, software and modifications; Department of Defense (DOD) weapons systems; and environmental restoration (decontamination and decommissioning efforts).

Capital assets may or may not be capitalized (i.e., recorded on an entity's balance sheet) under Federal accounting standards. Examples of capital assets not capitalized are DOD weapons systems, heritage assets, stewardship land, certain assets acquired for environmental cleanup efforts, and some software.

Capital assets do not include grants for acquiring capital assets made to state and local governments or other entities (such as National Science Foundation grants to universities or Department of Transportation grants to AMTRAK). Capital assets also do not include intangible assets such as the knowledge resulting from research and development (R&D) or the human capital resulting from education and training, although capital assets do include land, structures, equipment and intellectual property (including software) that the Federal Government uses in R&D and education and training. Agencies are encouraged to use the capital programming process or elements thereof, in planning for expenditures not covered by this definition, to the extent that they find it useful.

2. CBO: "In general, capital refers to an investment in goods or services that provide benefits over a period of time after their acquisition. However, a substantial portion of government spending could be viewed as providing a stream of benefits over an extended period, beyond those activities typically associated with the term 'capital.'"⁴⁹

3. Traditional Economic Theory: "When we speak of the capital stock of an economy we mean the sum total of machines, buildings, and other manufactured, nonlabor resources that are in existence at some point in time. These assets represent some part of an economy's output in the past that was not consumed, having been set aside to be used for production in the future ... some portion of current output is being set aside for

⁴⁹ Congressional Budget Office, "CBO Paper: Capital Budgeting," May 2008, p. 2.

use in producing output in future periods. Present ‘sacrifice’ for future gain is the essential aspect of capital accumulation.”⁵⁰

A. CA Guidance and Management Requirements

OMB Circular A-11⁵¹: This document about Capital Budgeting is more fundamentally about budget formulation. A summary of this 700+ page document includes:

- An overview of the budget, budget laws, terms and concepts, and communications with Congress and the public;
- How to prepare budget estimates (including Personnel compensation, benefits, and related costs and other special estimates such as spectrum);
- Actual budget submission guidelines, including justification requirements, financial management, IT reporting and e-gov requirements, and rental payments for space and land;
- The provision of an understanding of the actual budget system process (MAX data, category codes, functional categories, passbacks, baseline estimates, spending, collections, supplemental, etc.);
- Financial rules about authorizations, obligations, rescissions, appropriations, transfers, object classifications, etc.);
- Directions about budget execution—apportionments, reapportionments, and continuing resolutions;
- Execution reports; to a special section on Federal Credit; to a section on strategic planning and annual performance reports;
- A final section on planning, budgeting, acquisition, and management of capital assets (Part 7)
- An appendix with additional guidance on Capital spending, including the Anti-Deficiency Act (Title 31)
- Principals of Budgeting for Capital Assets (appendix H) to include planning, costs and benefits, finance principals and risks.

Part 7, Exhibit 300 (of A-11): The majority of the questions are intended for IT investments, and this document is amidst a review; but, the fundamentals of this “business case” document can be found in Executive Order No. 12893, “Principles for

⁵⁰ Nicholson, Walter. *Microeconomic Theory: Basic Principles and Extensions*, 3rd Edition,” Chicago: The Dryden Press, (1985), pp. 558-559.

⁵¹ OMB Circular A-11 can be found at:

http://www.whitehouse.gov/omb/assets/au_current_year/a_11_2008.pdf

Federal Infrastructure Investments,"⁵² and "A Supplemental Capital Programming Guide."⁵³ While there is ample opportunity to document the stakeholder and the respective outcome in Exhibit 300, it is not called for directly, albeit is a business case and does include Mission performance as one of the four indicators asked to compare across alternatives.

The principles outlined in EO 12893 include: systematic analysis of expected benefits and costs; efficient management and operations; private sector participation and motivation; encouragement of more effective State and Local programs and non-duplication of them. It also gives guidance about applying the principles to budget submissions (starting in 1996) and legislative proposals (starting in 1994).

OMB Memorandum M-09-02⁵⁴, Information Technology Management Structure and Governance Framework (October 21, 2008) aims to affirm the roles and authorities of the CIO before the change of administration in 2009. In addition to directing the Agency Head to include the CIO in strategic, planning, programming, and execution decisions, it directs the CIO to design processes for investment management and to make public architecture data of the portfolio.

In the current administration, initiatives like data.gov and the IT Dashboard are changing the way in which information about public capital investments is tracked and managed. Although the principals of good accounting and proper business case analysis are not guaranteed by transparency, it is the current administration's philosophy that openness and transparency will decrease the need for, and possibly the negative aspects of, centralization of management. Transparency may allow the delivery of the capital asset public goods to be more networked in their design, execution, and use/value. The degree to which capital assets will become more client-driven may also improve with increased visibility of the capital assets our nation possesses and their affordability for renewal or displacement.

⁵² EO 12893 can be found at:

⁵³ This is dated 2006 and is at: http://www.whitehouse.gov/omb/circulars/ai/current_year/part7.pdf

⁵⁴ OMB Memorandum M-09-02, Information Technology Management Structure and Governance Framework (October 21, 2008). See: <http://www.whitehouse.gov/omb/assets/omb/memoranda/fy2009/mo9-02.pdf>

B. CA Metrics and Stakeholder Representation

This section lists indicators identified by OMB as high quality, and provides brief discussion on the merits of these indicators from a “stakeholder” perspective. The outcome and efficiency indicators in Table CA-1 largely show that the intent of CA programs is to gain efficiencies—more outcomes for less dollars—from longer term investments. Only the first set—the Pell grant outcomes—did not overtly discuss time or cost efficiencies, but the Grants are for a duration of time students spend seeking a college education, which generally elapses over 3+ years.

Table CA-1. Quality Capital Asset Effectiveness Measures

Agency	Program	Performance Measure	Measure type	Program Type
Department of Education	Pell Grants/Student Aid Administration	The gap between completion rates for Pell Grant recipients and the general student population will decrease each year.	Outcome	Capital Asset Acquisition
Department of Education	Pell Grants/Student Aid Administration	Reduce Pell Grant over awards	Outcome	Capital Asset Acquisition
Department of the Interior	National Park Service: Facility Management	Condition of priority NPS buildings as measured by a Facility Condition Index (FCI) (a ratio of the cost of remedying maintenance deficiencies to the current replacement value, commonly used by private firms to monitor conditions of facilities).	Outcome	Capital Asset Acquisition
National Science Foundation	Facilities	Percent of construction acquisition and upgrade projects with negative cost and schedule variances of less than 10% of the approved project plan	Efficiency	Capital Asset Acquisition
National Science Foundation	Facilities	Percent of operational facilities that keep scheduled operating time lost to less than 10%	Efficiency	Capital Asset Acquisition

Did these outcome metrics serve to answer the additional questions in the PART set aside for CA programs? Table CA-2 addresses this question.

Table CA-2. Key questions in PART for CA programs

PART Question	Exemplar metrics satisfactory?	Additional comment
4.3: Does the program demonstrate improved efficiencies or cost effectiveness in achieving program goals each year?	Each measure above was about efficiencies (more for less or in comparison) in some manner. Even the first metric—increased rates of school completion by grant recipients—can be used to measure completion rate per dollar spent or as compared to the control population.	“Efficiency” is one key expected outcome of a capital, long-term investment. So while not necessarily contributing to an outcome like “lives saved” or “moms off welfare,” the idea is that CA investments <i>enable</i> these outcomes as a persistent, efficient asset.
4.4: Does the performance of this program compare favorably to other programs, including government, private, etc., with similar purpose and goals?	The first two metrics had comparisons to the control group in question but not to another similar program. It is presumed this comparative assessment was in the section 2 analysis of program design.	Q4.4 suggests outcome metrics should include comparisons to similar efforts, in addition to effectiveness and efficiency concepts. “Similar efforts” should specify the <u>stakeholder</u> for a more full understanding of the recipient.
2.CA1: Has the agency/ program conducted a recent, meaningful, credible analysis of alternatives that includes trade-offs between cost, schedule, risk, and performance goals, and used the results to guide the resulting activity?	The last three metrics above—the replacement cost metric, the cost/schedule negative variances, and the operation time loss metric—each convey that these AoA concepts are carried through in the evaluation of the program’s management.	The outcome metric should also communicate the “so what” that follows this good management outcome. For example, “because operations time loss is kept at less than 10% in NSF facilities, the total costs saved in program execution exceeds 20% from overtime pay and utilities charges.”
3.CA1: Is the program managed by maintaining clearly defined deliverables, capability/performance characteristics, and appropriate, credible cost and schedule goals?	The outcome and efficiency sample metrics above suggest that all of these features are represented in the management of the programs.	Q3.CA1 requires a feedback loop between it and the actual outcome and efficiency measures used to manage the program (section 4 of the PART). For some agencies, the Section 4 PART measures are not the only metrics used for CA program management.
4.CA1: Were program goals achieved within budgeted costs and established schedules?	Each of the examples above answer a portion of this multi-part question.	It is likely that these exemplar metric exists among a suite of indicators that capture all of these features.

Characteristics in addition to the PART considerations that outcome measures of the CA program type should possess to help quantify benefit to stakeholders include: the type of capital investment and the associated stakeholder community.

The descriptive factor that seems to discriminate CA from other program types is time, or the duration of the investment that must be made. The absence of understanding the type of capital investment or the stakeholder community for which it is used is trying to be remedied with the Enterprise Architecture reporting process. The Business

Reference Model identifies the type of asset that the investment or program is typified. This is usually applied to IT and may extend outside IT categories.

The understanding of the stakeholder community served by the capital asset is intended by OMB to be captured by the segment architecture under which the program is aligned. The data that supports this alignment of Strategy/Goal to Program to Project and Performance Measure is currently flawed by a paucity of data at comparable levels.

C. Agency CA Programs in 2008

Spending Levels in FY06-FY09R: Figure CA-1 below shows that CA programs represent 6-7% of the total spending captured by the Federal PART programs. Spending in the CA area rose markedly by about 33% in the aggregate between FY06 and FY07, but has stayed roughly the same, near \$200B for each of FY07-FY09r, for the 161 programs, see Table CA-4 below, in total.

FY08 Performance: The performance of the CA programs in FY08 exceeded that of the PART programs in aggregate. The variance in performance scores across the four types of scores for CA programs was slightly less than for all program types.

These blanket statistics across all CA programs infer above average Program Purpose & Design, Planning, Management, and Actual Results, and relatively uniform successes across these PART factors. Table CA-3 shows that all CA Program score types average 78% on a 100% scale, above the 76% average for all programs.⁵⁵ Figure CA-2 shows CA Program ratings distribution as compared to the entire set of PART programs—the CA programs had higher percentages in the Effective and Moderately Effective categories than all programs combined.

⁵⁵ These factors had different weights applied to the scores in these four areas to calculate a rating for each program. The weights for Program Purpose & Design, Planning, Management, and Actual Results, are 20%, 10%, 20%, and 50%, respectively. The Mean and Variance calculations DO NOT take these weights into account, as this can be politically motivated and may mask the true level of strength and program consistency across these four performance factors.

Table CA-3: CA Program Performance Summary

Area:	CA (85)
Mean* PART Scores:	78%
Score Variance**:	4.9%
CA variance versus total variance	71.8%
Number Programs	85
Avg. Assessment Latency (years)	3.01

*Mean Score is the average score across all four sections of PART over all programs of that type

**Score Variance is the variance across scores in all four sections of PART over all programs of that type

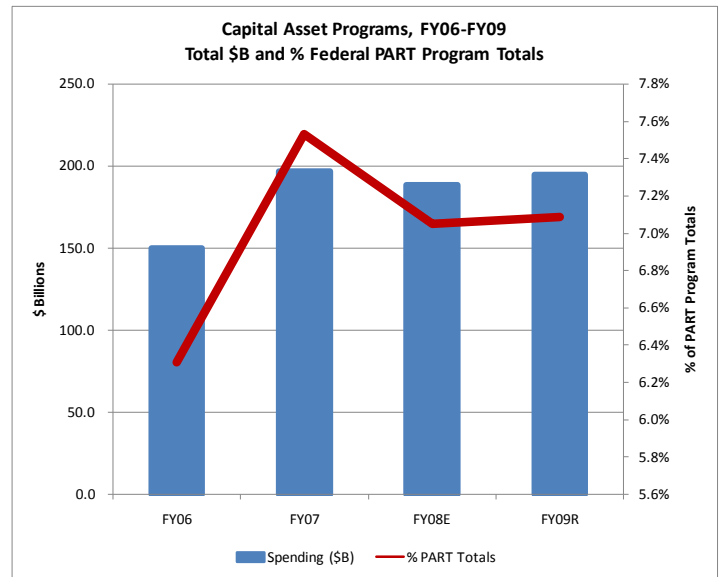


Figure CA-1. CA Program Spending Statistics, FY06-FY09R

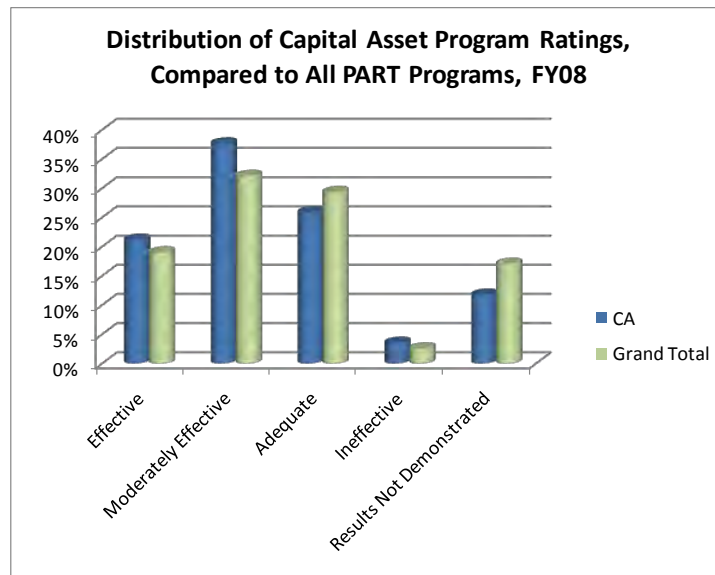


Figure CA-2. CA Program Ratings, Compared to All PART Programs

Current CA Programs, by Agency

Table CA-4. Current CA Programs, FY08

Agency Name	PART Program Name
Corporation for National and Community Service	AmeriCorps National Civilian Community Corps
Corps of Engineers-Civil Works	Aquatic Ecosystem Restoration
Corps of Engineers-Civil Works	Coastal Storm Damage Reduction
Corps of Engineers-Civil Works	Corps of Engineers: Coastal Ports and Harbors
Corps of Engineers-Civil Works	Corps of Engineers: Hydropower
Corps of Engineers-Civil Works	Flood and Coastal Storm Damage Reduction (with Dam Safety)
Corps of Engineers-Civil Works	Flood Damage Reduction
Department of Agriculture	National Forest Improvement and Maintenance
Department of Commerce	National Oceanic & Atmospheric Administration: Weather and Related Programs
Department of Defense--Military	Air Combat Program
Department of Defense--Military	Airlift Program
Department of Defense--Military	Cooperative Threat Reduction
Department of Defense--Military	Defense Communications Infrastructure
Department of Defense--Military	Energy Conservation Investment
Department of Defense--Military	Future Combat Systems/Modularity Land Warfare
Department of Defense--Military	Marine Corps Expeditionary Warfare
Department of Defense--Military	Military Construction Programs
Department of Defense--Military	Missile Defense
Department of Defense--Military	National Security Space Weather Programs
Department of Defense--Military	Navy Shipbuilding
Department of Defense--Military	Precision Weapons Programs
Department of Defense--Military	Rotary Wing Programs
Department of Defense--Military	Space Launch
Department of Defense--Military	Space-based Communications Programs
Department of Education	Student Aid Administration

Table CA-4. Current CA Programs, FY08, continued

Agency Name	PART Program Name
Department of Energy	Bonneville Power Administration
Department of Energy	Civilian Radioactive Waste Management Program: Yucca Mountain Project
Department of Energy	Environmental Management
Department of Energy	National Nuclear Infrastructure
Department of Energy	National Nuclear Security Administration: Elimination of Weapons-Grade Plutonium Production Program
Department of Energy	National Nuclear Security Administration: Facilities and Infrastructure Recapitalization Program
Department of Energy	National Nuclear Security Administration: Directed Stockpile Work (DSW)
Department of Energy	National Nuclear Security Administration: Fissile Materials Disposition Program
Department of Energy	National Nuclear Security Administration: Inertial Confinement Fusion Ignition and High Yield Campaign (ICF) Campaign
Department of Energy	National Nuclear Security Administration: Readiness in Technical Base and Facilities
Department of Energy	Southwestern Power Administration
Department of Energy	Western Area Power Administration
Department of Health and Human Services	CDC: Buildings and Facilities
Department of Health and Human Services	Indian Health Service Health Care Facilities Construction
Department of Health and Human Services	Indian Health Service Resource and Patient Management System
Department of Health and Human Services	Indian Health Service Sanitation Facilities Construction Program
Department of Health and Human Services	National Institutes of Health - Buildings and Facilities
Department of Health and Human Services	Strategic National Stockpile

Table CA-4. Current CA Programs, FY08, continued

Department of Homeland Security	Immigration and Customs Enforcement: Automation Modernization Program
Department of Homeland Security	Transportation Security Administration: Passenger & Baggage Screening Technologies
Department of Housing and Urban Development	Project-Based Rental Assistance
Department of Justice	Prison Construction
Department of Labor	Job Corps
Department of State	Capital Security Construction Program
Department of State	Non-Security Embassy Construction Program
Department of State	US Embassy Compound Security Upgrades
Department of the Interior	Bureau of Indian Affairs - Dam Safety and Dam Maintenance
Department of the Interior	Bureau of Indian Affairs - Indian Land Consolidation
Department of the Interior	Bureau of Indian Affairs - K-12 School Construction
Department of the Interior	Bureau of Reclamation - Hydropower
Department of the Interior	Bureau of Reclamation - Recreation and Concessions
Department of the Interior	Bureau of Reclamation - Rural Water Supply Projects
Department of the Interior	Bureau of Reclamation - Site Security
Department of the Interior	Bureau of Reclamation - Water Management - Project Planning and Construction
Department of the Interior	Bureau of Reclamation Water Management - Operation and Maintenance
Department of the Interior	Bureau of Reclamation: California Federal Bay-Delta (CALFED)
Department of the Interior	Department of the Interior - Central Utah Project
Department of the Interior	National Park Service - Facility Maintenance
Department of Transportation	Essential Air Service
Department of Transportation	FAA Facilities and Equipment
Department of Transportation	Maritime Administration Ship Disposal Program
Department of Transportation	Maritime Security Program
General Services Administration	Asset Management of General Services Administration-Owned Real Property

Table CA-4. Current CA Programs, FY08, concluded

Agency Name	PART Program Name
General Services Administration	General Services Administration - National Furniture Center
General Services Administration	General Services Administration - New Construction
General Services Administration	General Services Administration - Real Property Leasing
General Services Administration	General Services Administration - Vehicle Acquisition
General Services Administration	General Services Administration - Vehicle Leasing
International Assistance Programs	US Agency for International Development Administration and Capital Investment
National Aeronautics and Space Administration	Constellation Systems
National Aeronautics and Space Administration	Integrated Enterprise Management
National Aeronautics and Space Administration	International Space Station
National Aeronautics and Space Administration	NASA Innovative Partnerships
National Aeronautics and Space Administration	Space and Flight Support
National Aeronautics and Space Administration	Space Shuttle
National Archives and Records Administration	National Archives and Records Administration: Electronic Records Services
Office of National Drug Control Policy	Youth Anti-Drug Media Campaign
Smithsonian Institution	Smithsonian Institution Facilities Capital
Tennessee Valley Authority	Tennessee Valley Authority Power
Tennessee Valley Authority	Tennessee Valley Authority Resource Stewardship

Competitive Grant (CO)

Competitive Grant programs are defined as “Programs that provide funds to State, local and tribal governments, organizations, individuals and other entities through a competitive process, such as Health Centers at the Department of Health and Human Services (HHS).”⁵⁶

A. Guidance and Management Requirements

The provisions of OMB Circular A-110 do not apply to grants, contracts, or agreements between the Federal government and state and local governments covered by OMB Circular A-102. BFs are agreements between the Federal and State and local governments and then issued to designated grantees. Competitive grants must abide by OMB Circular A-110, and they involve agreements between the Federal government and higher education institutions, non-profits, and hospitals. A-110 was issued under the authority of the Chief Financial Officer’s Act of 1990 (31 U.S.C. 503) and E.O. 11541, revised in November of 1993, and amended on 9/30/99.⁵⁷

The subject of OMB Circular A-110 is “Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations.” Its purpose is to establish “standards for obtaining consistency and uniformity among Federal agencies in the administration of grants to and agreements with institutions of higher education, hospitals, and other non-profit organizations.” It is noted in the policy that the provisions of A-110 supersede any policies or requirements of conflicting statutes. The provisions of this policy may be applied by Federal Agencies to “commercial organizations, foreign governments, organizations under the jurisdiction of foreign governments, and international organizations.”

A-110 reads like a contract guide for doing business with higher education, hospitals, and other non-profit organizations or institutions. It applies to federal agencies working with the aforementioned entities or their sub-grantees. The guidance is full life-cycle, covering requirements and policies for: pre-award; post-award; financial and program management; property; procurement; reports and records; and grant close-out procedures.

⁵⁶ OMB, “Guide to the Program Assessment Rating Tool (PART),” January 2008, p. 85.

⁵⁷ OMB Circular A-110, “Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations.” See: http://www.whitehouse.gov/omb/circulars_aao/ for a current version of this circular.

The federal agency awarding the COs must prescribe the frequency with which performance reports are due—no more than quarterly and no less than annually. The performance reports must contain “brief information on each of the following:

- (1) A comparison of actual accomplishments with the goals and objectives established for the period, the findings of the investigator, or both. Whenever appropriate and the output of programs or projects can be readily quantified, such quantitative data should be related to cost data for computation of unit costs.
- (2) Reasons why established goals were not met, if appropriate.
- (3) Other pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.”⁵⁸

Upon reviewing OMB Circular A-110, the COs that are issued to or through institutions of Higher Education, hospitals, or non-profits can take several forms: “Grants and Cooperative Agreements, and Contracts.”⁵⁹

In each instance, the Federal awarding agency shall decide on the appropriate award instrument (i.e., grant, cooperative agreement, or contract). The Federal Grant and Cooperative Agreement Act (31 U.S.C. 6301-08) governs the use of grants, cooperative agreements and contracts. A grant or cooperative agreement shall be used only when the principal purpose of a transaction is to accomplish a public purpose of support or stimulation authorized by Federal statute. The statutory criterion for choosing between grants and cooperative agreements is that for the latter, “substantial involvement is expected between the executive agency and the State, local government, or other recipient when carrying out the activity contemplated in the agreement.” Contracts shall be used when the principal purpose is acquisition of property or services for the direct benefit or use of the Federal Government.

Section .11 continues that Federal Agencies that award grants, cooperative agreements, and contracts shall “notify the public of its intended funding priorities for discretionary grant programs, unless funding priorities are established by Federal statute.”

“Competition” may seem void in the OMB Circular thus far, but competitiveness must exist in how the monies are spent—in contracts, wages paid, procurement, property resale (once grant is completed—the government share must be repaid), and the grants cannot be used to restrain trade or hamper competition in the area of concern in anyway.⁶⁰

⁵⁸ OMB Circular A-110, Section 51.

⁵⁹ OMB Circular A-110, Section .11. Pre-Award Policies.

⁶⁰ See OMB Circular A-110, Sections -.23, -.34, -.43, and -.44.

B. CO Metrics and Stakeholder Representation

This section lists CO indicators identified by OMB as high quality, and provides brief discussion on the merits of these indicators from a “stakeholder” perspective. The performance report requirements above deem CO programs to include ‘accomplishments’ toward the goals of the grant, which are likely aimed at an established need—environmental, health, housing, technical advancement, homelessness, international assistance, refugee and reconstruction, and even trade innovations are just some of the needs we see reflected in the program list in the next section.

As with the BFs above, the metrics listed in Table CO-1 tend to reflect the actual stakeholder receiving benefits from the CO effort listed, showing the high degree to which the grants are driven by the “client” recipient. The way in which COs are administered—federal agencies awarding funds to deserving hospital, educational, or non-profit organizations—are often decentralized in execution but may be not in administration (this may vary by Agency). The world-wide array of grant recipients shows a true alliance and networked approach to problem solving between the Federal Agencies and the educational, health, and non-profit sectors.

Table CO-1. Quality Competitive Grant Effectiveness Measures

Agency	Program	Performance Measure	Measure type	Program Type
Department of Agriculture	Forest Service: Forest Legacy Program	Environmentally Important Acres of Forest Protected	Outcome	Competitive Grant
Department of Agriculture	Forest Service: Forest Legacy Program	Cost per acre of environmentally important forest protected	Efficiency	Competitive Grant
Department of Commerce	Economic Development Administration	Jobs created or retained in distressed communities as a result of EDA investments	Outcome	Competitive Grant
Department of Education	Gaining Early Awareness & Readiness for Undergraduate Programs (GEAR UP)	Percentage of program participants that enroll in college	Outcome	Competitive Grant
Department of Education	Troops-to-Teachers	Percentage of Troops-to-Teachers participants who remain in teaching for three or more years after placement in a teaching position in a high-need school	Outcome	Competitive Grant
Department of Health and Human Services	317 Immunization Program	The number of cases of vaccine-preventable diseases in the U.S	Outcome	Competitive Grant
Department of Health and Human Services	Domestic HIV/AIDS	Reduction in the number of new HIV infections in the U.S.	Outcome	Competitive Grant
Department of Health and Human Services	Agency for Toxic Substances and Disease Registry	Increase in the percentage of hazardous waste sites where human health risks and disease have been mitigated	Outcome	Competitive Grant
Department of State	Educational and Cultural Exchanges	Percentage of exchange participants who increase or change their understanding of the host country immediately following their program experience.	Outcome	Competitive Grant
Department of Education	Pell Grants/Student Aid Administration	At least 75 percent of Pell Grant funds will go to students below 150 percent of the poverty level	Outcome	??

Did these outcome metrics serve to answer the additional questions in the PART set aside for CO programs? Table CO-2 addresses this question.

Table CO-2. Key questions in PART for CO programs

PART Question	Exemplar metrics satisfactory?	Additional comment
4.3: Does the program demonstrate improved efficiencies or cost effectiveness in achieving program goals each year?	The stakeholder of each of the outcome indicators in Table CO-1 above were explicit.	The first two metrics from the Department of Agriculture show effectiveness and efficiency, respectively, an example of a good “pairing” of metrics.
4.4: Does the performance of this program compare favorably to other programs, including government, private, etc., with similar purpose and goals?	This was not evident from the exemplar measures. As was described in the text above however, competition is required in nearly all procurements and sub-award activities of A-110.	It is presumable that adequate benchmarking of adjacent efforts and sector needs was conducted before the priority for a grant was established
3.CO1: Are grants awarded based on a clear competitive process that includes a qualified assessment of merit?	This management question is not addressed by the metrics above, which largely come from compliance with Section 4 of the PART.	As described in the previous section, the requirements for competition are throughout this grants management process Circular A-110.
3.CO2: Does the program have oversight practices that provide sufficient knowledge of grantee activities?	The fidelity in the outcome metrics above would show the precision of this oversight.	The Troops to Teachers or Toxic Substance metrics, for example, show a high level of required oversight and analysis by the overseer.
3.CO3: Does the program collect grantee performance data on an annual basis and make it available to the public in a transparent and meaningful manner?	Several of the outcome metrics above indicate that the program effort requires persistent measurement. Quarterly or annual measures are required at a minimum by A-110.	Transparency/meaning is defined by the matching improvement in the sector for which the benefits were intended.

Characteristics in addition to the PART considerations that outcome measures of the CO program type should possess to help quantify benefit to stakeholders include:

Capturing the nature of the public good created by the hospital, university, and not-for-profit (as with the BF Grants above) could help to qualify the benefits for measurement purposes. Besides gaining a view of the array of public good created by the Grants, it could also serve to identify “knowledge sharing centers” in which grantees could share lessons learned about performance management, stakeholders served, as well as about how they were able to make money to defray costs.

C. Agency CO Programs in 2008

CO Programs, FY06-FY09

Spending Levels in FY06-FY09R: Figure CO-1 shows CO programs has represented about 2.5% of the total spending captured by the Federal PART programs in FY07-FY09r, down from 3.5% in FY06. Spending in the CO area hovers around \$50B annually for these 177 programs, see Table CO-4 below, in total, down from over \$75B in FY06.

FY08 Performance: Table CO-3 shows the performance of the CO programs in FY08 was the second lowest in comparison to all other program types, just above BFs. The variance in the performance scores across the four types of scores was the second highest of all program types, again, just below BFs.

These blanket statistics across all CO programs infer poor Program Purpose & Design, Planning, and Management mechanisms, as well as in the delivery of Actual Results. Table CO-3 shows that all score types for CO programs averages only 67% on a 100% scale.⁶¹ The relatively wide variance in successes in these factors—about 22% greater than the variance all programs as a group across these factors—also suggests a lack of consistency. Figure CO-2 shows CO Program ratings percentages as compared to the entire set of PART programs—the CO programs had lower percentages in the Effective and Moderately Effective categories than all programs combined.

⁶¹ These factors had different weights applied to the scores in these four areas to calculate a rating for each program. The weights for Program Purpose & Design, Planning, Management, and Actual Results, are 20%, 10%, 20%, and 50%, respectively. The Mean and Variance calculations DO NOT take these weights into account, as this can be politically motivated and may mask the true level of strength and program consistency across these four performance factors.

Table CO-3: CO Program Performance Summary

Area:	CO (177)
Mean PART Score*	69%
Score Variance**	8%
CO variance versus total variance	122%
Avg. Assessment Latency (years)	3.13

*Mean Score is the average score across all four sections of PART over all programs of that type

**Score Variance is the variance across scores in all four sections of PART over all programs of that type

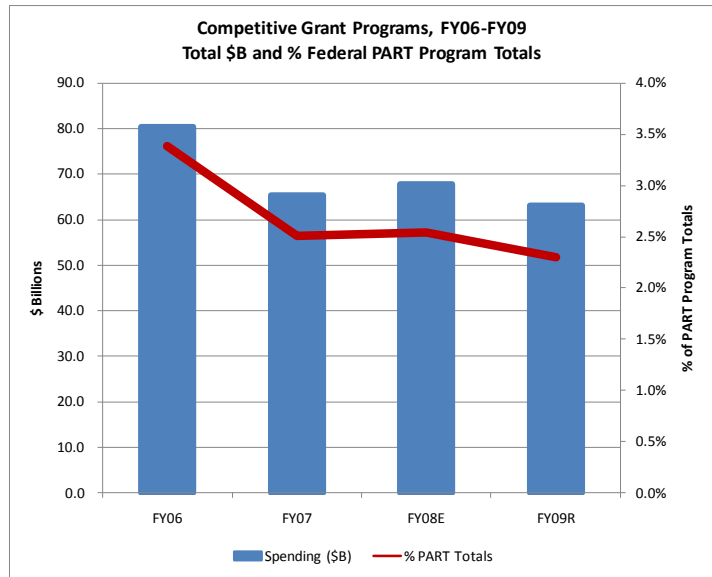


Figure CO-1: CO Program Spending Statistics, FY06-FY09R

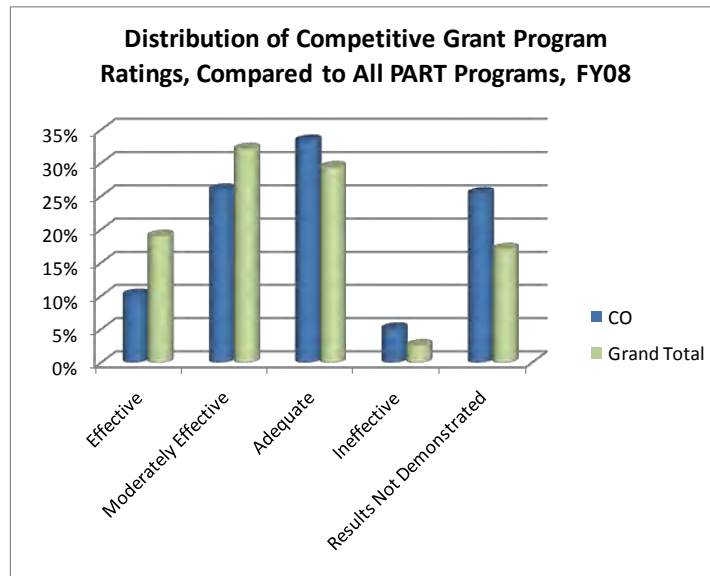


Figure CO-2: CO Program Ratings, Compared to All PART Programs

Current CO Programs, by Agency**Table CO-4. Current CO Programs, FY08**

Agency Name	PART Program Name
African Development Foundation	African Development Foundation
Appalachian Regional Commission	Appalachian Regional Commission
Delta Regional Authority	Delta Regional Authority
Department of Agriculture	Cochran Fellowship Program
Department of Agriculture	Farmland Protection Program
Department of Agriculture	Forest Service: Forest Legacy Program
Department of Agriculture	Mutual Self-Help Housing -- Technical Assistance Grants
Department of Agriculture	Rural Business Enterprise Grant Program
Department of Agriculture	Rural Business-Cooperative Service Value-Added Producer Grants
Department of Agriculture	USDA Food Aid Programs
Department of Agriculture	USDA Foreign Market Development Programs
Department of Commerce	Advanced Technology Program
Department of Commerce	Commerce Small Business Innovation Research Program
Department of Commerce	Economic Development Administration
Department of Commerce	Manufacturing Extension Partnership
Department of Commerce	Minority Business Development Agency
Department of Education	Advanced Placement
Department of Education	American Indian Vocational Rehabilitation Services
Department of Education	Assistive Technology Alternative Financing Program
Department of Education	B.J. Stupak Olympic scholarships
Department of Education	Charter Schools Grant
Department of Education	Child Care Access Means Parents in School
Department of Education	College Assistance Migrant Program
Department of Education	Comprehensive Regional Assistance Centers
Department of Education	Developing Hispanic-serving Institutions
Department of Education	Early Reading First

Table CO-4. Current CO Programs, FY08, continued

Agency Name	PART Program Name
Department of Education	Gaining Early Awareness and Readiness for Undergraduate Programs
Department of Education	Graduate Assistance in Areas of National Need
Department of Education	High School Equivalency Program
Department of Education	IDEA Special Education - Parent Information Centers
Department of Education	IDEA Special Education - Technical Assistance and Dissemination
Department of Education	IDEA Special Education Personnel Preparation Grants
Department of Education	IDEA Technology and Media Services
Department of Education	Impact Aid Construction
Department of Education	Independent Living for People with Disabilities
Department of Education	International Education Domestic Programs
Department of Education	Javits Fellowships
Department of Education	Magnet Schools
Department of Education	Mentoring Program
Department of Education	Migrant and Seasonal Farmworkers
Department of Education	National Institute for Literacy
Department of Education	National Writing Project
Department of Education	Parental Information and Resource Centers
Department of Education	Physical Education Program
Department of Education	Projects with Industry for People with Disabilities
Department of Education	Ready to Learn Television
Department of Education	Smaller Learning Communities
Department of Education	Strengthening Institutions
Department of Education	Teacher Quality Enhancement
Department of Education	Teaching American History
Department of Education	Training and Advisory Services
Department of Education	Transition to Teaching
Department of Education	Tribally Controlled Postsecondary Vocational and Technical Institutions
Department of Education	Troops-to-Teachers

Table CO-4. Current CO Programs, FY08, continued

Agency Name	PART Program Name
Department of Education	TRIO Educational Opportunity Centers
Department of Education	TRIO McNair Postbaccalaureate Achievement
Department of Education	TRIO Student Support Services
Department of Education	TRIO Talent Search
Department of Education	TRIO Upward Bound
Department of Education	Vocational Rehabilitation Demonstration and Training Programs
Department of Education	Vocational Rehabilitation Training
Department of Energy	University Nuclear Education Programs
Department of Health and Human Services	Access to Recovery
Department of Health and Human Services	Adolescent Family Life Program
Department of Health and Human Services	Adoption Opportunities
Department of Health and Human Services	Afghanistan Health Initiative
Department of Health and Human Services	Agency for Toxic Substances and Disease Registry
Department of Health and Human Services	Assets for Independence
Department of Health and Human Services	Birth Defects and Developmental Disabilities
Department of Health and Human Services	Black Lung Clinics
Department of Health and Human Services	CDC: Environmental Health
Department of Health and Human Services	CDC: Global Immunizations
Department of Health and Human Services	CDC: Infectious Diseases
Department of Health and Human Services	Childhood Immunization Program
Department of Health and Human Services	Childrens Mental Health Services

Table CO-4. Current CO Programs, FY08, continued

Agency Name	PART Program Name
Department of Health and Human Services	Chronic Disease Prevention
Department of Health and Human Services	Compassion Capital Fund
Department of Health and Human Services	Emergency Medical Services for Children
Department of Health and Human Services	Family Planning
Department of Health and Human Services	Head Start
Department of Health and Human Services	Health Care Facilities Construction and Other Miscellaneous Congressional Earmarks
Department of Health and Human Services	Health Centers
Department of Health and Human Services	Health Professions
Department of Health and Human Services	Healthy Community Access Program
Department of Health and Human Services	Healthy Start
Department of Health and Human Services	Human Trafficking
Department of Health and Human Services	Injury Prevention and Control
Department of Health and Human Services	Mental Health Programs of Regional and National Significance
Department of Health and Human Services	Mentoring Children of Prisoners
Department of Health and Human Services	Minority HIV/AIDS Initiative
Department of Health and Human Services	National Bone Marrow Donor Registry
Department of Health and Human Services	National Center for HIV/AIDS, Viral Hepatitis, Sexually Transmitted Diseases, and Tuberculosis Prevention

Table CO-4. Current CO Programs, FY08, continued

Agency Name	PART Program Name
Department of Health and Human Services	National Health Service Corps
Department of Health and Human Services	National Institutes of Health: Extramural Research Facilities Construction
Department of Health and Human Services	National Institutes of Health: Research Training
Department of Health and Human Services	Nursing Education Loan Repayment and Scholarship Program
Department of Health and Human Services	Office of Minority Health
Department of Health and Human Services	Office on Women's Health
Department of Health and Human Services	Organ Transplantation
Department of Health and Human Services	Radiation and Exposure Screening and Education Program
Department of Health and Human Services	Refugee Transitional and Medical Services
Department of Health and Human Services	Runaway and Homeless Youth
Department of Health and Human Services	Rural Health Activities
Department of Health and Human Services	Shelter and Care for Unaccompanied Alien Children
Department of Health and Human Services	State Planning Grant Program
Department of Health and Human Services	Substance Abuse Drug Courts
Department of Health and Human Services	Substance Abuse Prevention Projects of Regional and National Significance
Department of Health and Human Services	Substance Abuse Treatment Programs of Regional and National Significance
Department of Health and Human Services	Telehealth Network Grant Program

Table CO-4. Current CO Programs, FY08, continued

Agency Name	PART Program Name
Department of Health and Human Services	Trauma-EMS Systems Program
Department of Health and Human Services	Traumatic Brain Injury
Department of Health and Human Services	Universal Newborn Hearing Screening and Intervention Program
Department of Homeland Security	Federal Emergency Management Agency - Mitigation Programs
Department of Homeland Security	Federal Emergency Management Agency: Grants and Training Office Assistance to Firefighters Grants
Department of Homeland Security	Federal Emergency Management Agency: Homeland Security Grants Programs
Department of Homeland Security	Federal Emergency Management Agency: Targeted Infrastructure Protection Grants
Department of Housing and Urban Development	Fair Housing Initiatives Program
Department of Housing and Urban Development	Family Self-Sufficiency Program
Department of Housing and Urban Development	Healthy Homes
Department of Housing and Urban Development	Homeless Assistance Grants (Competitive)
Department of Housing and Urban Development	Homeownership Voucher
Department of Housing and Urban Development	Housing Counseling
Department of Housing and Urban Development	Housing for Persons with Disabilities
Department of Housing and Urban Development	Housing for the Elderly
Department of Housing and Urban Development	Housing Vouchers
Department of Housing and Urban Development	HOPE VI (Severely Distressed Public Housing)
Department of Housing and Urban Development	Indian Community Development Block Grant Program

Table CO-4. Current CO Programs, FY08, continued

Agency Name	PART Program Name
Department of Housing and Urban Development	Lead Hazard Grants
Department of Housing and Urban Development	Resident Opportunities and Self Sufficiency
Department of Housing and Urban Development	Rural Housing and Economic Development
Department of Housing and Urban Development	Self-help Homeownership Opportunity Program (SHOP)
Department of Housing and Urban Development	University Partnership Grants: Historically Black Colleges and Universities
Department of Justice	Community Oriented Policing Services
Department of Justice	Drug Courts
Department of Justice	Weed and Seed
Department of Labor	Department of Labor - Bureau of International Labor Affairs
Department of Labor	Homeless Veterans Reintegration Program
Department of Labor	Work Incentive Grants
Department of Labor	Workforce Investment Act - Migrant and Seasonal Farmworkers
Department of Labor	Workforce Investment Act - Native American Programs
Department of Labor	Youthbuild
Department of State	Assistance to Developing Countries
Department of State	Assistance to Rebuilding Countries
Department of State	Assistance to Transforming Countries
Department of State	Economic Support Fund - Human Rights and Democracy Fund
Department of State	Economic Support Fund for Africa
Department of State	Economic Support Fund for the Western Hemisphere
Department of State	Global Educational and Cultural Exchanges
Department of State	Migration and Refugee Assistance -- Other Population, Refugee and Migration Programs
Department of State	President's Emergency Plan For AIDS Relief: Focus Countries
Department of State	President's Emergency Plan For AIDS Relief: Other Bilateral Programs

Table CO-4. Current CO Programs, FY08, concluded

Agency Name	PART Program Name
Department of State	Refugee Admissions to the US
Department of State	Support for East European Democracy/Freedom Support Act
Department of the Interior	Bureau of Reclamation - Water Reuse and Recycling
Department of the Interior	Fish and Wildlife Service - Fisheries
Department of the Treasury	Bank Enterprise Award
Department of the Treasury	Financial and Technical Assistance
Department of the Treasury	New Markets Tax Credit
Department of Transportation	FAA Grants-in-Aid for Airports
Department of Transportation	Federal Transit Administration New Starts
Environmental Protection Agency	Brownfields Revitalization
Environmental Protection Agency	Endocrine Disruptors
Environmental Protection Agency	EPA Environmental Education
Environmental Protection Agency	Pollution Prevention Program
International Assistance Programs	Africa Child Survival and Health
International Assistance Programs	Child Survival and Health - Population
International Assistance Programs	Child Survival and Health for Latin America and the Caribbean
International Assistance Programs	Development Assistance to Latin America and the Caribbean
International Assistance Programs	Food Aid for Emergencies and Development (Public Law 480 Title II)
International Assistance Programs	Inter-American Foundation
International Assistance Programs	Office of Transition Initiatives
International Assistance Programs	US Agency for International Development Climate Change Program
International Assistance Programs	USAID's Development Assistance for Sub-Saharan Africa
Millennium Challenge Corporation	Millennium Challenge Corporation
Office of National Drug Control Policy	Counterdrug Technology Transfer Program
Office of National Drug Control Policy	Drug-Free Communities Support Program
Trade and Development Agency	US Trade and Development Agency

Credit (CR)

CR programs are defined as “Programs that provide support through loans, loan guarantees and direct credit, such as the Export Import Bank’s Long Term Guarantees program.”⁶²

“Federal credit programs are created to accomplish a variety of social and economic goals. Agencies must implement budget policies and management practices that ensure the goals of credit programs are met while properly identifying and controlling costs. In addition, Federal receivables, whether from credit programs or other non-tax sources, must be serviced and collected in an efficient and effective manner to protect the value of the Federal Government's assets.”⁶³

CR programs include: Direct Loan programs; Loan guarantee or loan insurance programs in which the government bears a liability for repayment (for principal and or interest); and loans or other financial assets acquired by a federal agency due to an FDIC claim or default payment or commitment.⁶⁴

The notion of “stakeholder” is a wide circle of stakeholders—policy overseers, economic overseers, accounting overseers, and economically and socially profitable benefactors or lenders who are also potential economical and societal liabilities. Since a direct loan is considered the last option to consider, after loan guarantees, the relationship of, and the layers between, the government program and the lender or benefactor, while possibly less risky than a relationship between the loan program and the direct loan recipient, may also be more oblique and secondary.

The “usual” trade off is one of how much risk the government should absorb versus get the markets to absorb: should the government directly incur the risk, or be indirectly involved through a regulatory or oversight role and trust that, after given a basis of capital through loans, the capitalistic private sector has the market mechanisms to guide and absorb the risk factors faced by the lending organization in question. However, since the benefactors of these programs may face an inordinate amount of risk so that they cannot easily participate in ordinary loan markets, the uncertainty associated with the quality of the lender, and eventual loan repayment, is high. This

⁶² OMB, “Guide to the Program Assessment Rating Tool (PART),” January 2008, p. 85.

⁶³ OMB Circular A-129, “POLICIES FOR FEDERAL CREDIT PROGRAMS AND NON-TAX RECEIVABLES,” November 2000, para. 1, found at: <http://www.whitehouse.gov/omb/circulars/a129/a129rev.html#four>

⁶⁴ OMB Circular A-129, General Information, part 3. Coverage.

necessitates a high degree of surveillance and reporting that should come with these programs.⁶⁵

The taxpayer is also considered a stakeholder for federal CR programs. While stakeholder driven performance in its purest form would focus on the outcomes produced for the targeted program recipients, the fact that these programs are in place to fix market imperfections also leads our analysis to recognize that the reduction of social risk is an outcome produced by the execution of these CR programs, and the taxpayer is a stakeholder that can either gain or lose by the programs' successes.

Because the taxpayer is a key stakeholder for this program type, the numerous requirements on Agencies that administer CR Programs are important to review, because they, as a group, produce this critical secondary result, and, any one of them, alone, can cause the failure of the group⁶⁶.

A. Guidance and Management Requirements

CR Programs have a complex set of principles to follow. In the face of new regulation on the financial industry, it is unclear how much (if not all) of the CR programs would be affected. The new regulation is highlighted below, but this new regulation notwithstanding, CR programs must comply with OMB Circular A-129 guidelines for Federal Credit programs, showing the market imperfection that the program was initiated to remedy, and their course of action for implementing the remedy. They also need to abide by Treasury tax policy objectives for debt recovery and portfolio risk management, The Federal Credit Reform Act of 1990⁶⁷, and they must be consistent with the objectives of the functional or sectoral area they are trying to support, for example, the agriculture or energy sectors, or rural area development.

⁶⁵ See: OMB Circular A-129 for the high rigor in oversight and conditions required for the agency overseeing a program, and for the qualifications required for a loan benefactor.

⁶⁶ OMB Circular A-129, Appendix A, I. RESPONSIBILITIES OF DEPARTMENTS AND AGENCIES, 4. Departments and Agencies., subsection a., found at: <http://www.whitehouse.gov/omb/circulars/a129/a129rev.html#four>

⁶⁷ Title V of the Congressional Budget Act of 1990, found at: <http://www.usaid.gov/policy/ads/600/fcra.pdf>; The intent of the FRCA is fourfold: (1) measure more accurately the costs of Federal credit programs; (2) place the cost of credit programs on a budgetary basis equivalent to other Federal spending; (3) encourage the delivery of benefits in the form most appropriate to the needs of beneficiaries; and (4) improve the allocation of resources among credit programs and between credit and other spending programs.

Financial Regulatory Reform: A New Foundation. Rebuilding Financial Supervision and Regulation.⁶⁸ The text in Figure CR-1 is taken from a white paper dated 17 June 2009 and outlines additional supervisory, regulatory, and oversight roles and responsibilities of new and existing government organizations, as well as forums for possible penalty for unfair or poor financial firm practices.

(1) Promote Robust Supervision and Regulation of Financial Firms: to achieve clear accountability in financial oversight and supervision, the following is proposed:

- A new Financial Services Oversight Council of financial regulators to identify emerging systemic risks and improve interagency cooperation.
- New authority for the Federal Reserve to supervise all firms that could pose a threat to financial stability, even those that do not own banks.
- Stronger capital and other prudential standards for all financial firms, and even higher standards for large, interconnected firms.
- A new National Bank Supervisor to supervise all federally chartered banks.
- Elimination of the federal thrift charter and other loopholes that allowed some depository institutions to avoid bank holding company regulation by the Federal Reserve.
- The registration of advisers of hedge funds and other private pools of capital with the SEC.

(2) Establish comprehensive supervision of financial markets. Our major financial markets must be strong enough to withstand both system-wide stress and the failure of one or more large institutions. We propose:

- Enhanced regulation of securitization markets, including new requirements for market transparency, stronger regulation of credit rating agencies, and a requirement that issuers and originators retain a financial interest in securitized loans.
- Comprehensive regulation of all over-the-counter derivatives.
- New authority for the Federal Reserve to oversee payment, clearing, and settlement systems.

—continued

Figure CR-1. Outline and Summary of Proposed Financial Regulatory Reform

⁶⁸ Department of the Treasury, “Financial Regulatory Reform: A New Foundation. Rebuilding Financial Supervision and Regulation,” pp. 4-5, found at: <http://online.wsj.com/public/resources/documents/finregfinal06172009.pdf> .

(3) Protect consumers and investors from financial abuse. To rebuild trust in our markets, we need strong and consistent regulation and supervision of consumer financial services and investment markets. We should base this oversight not on speculation or abstract models, but on actual data about how people make financial decisions. We must promote transparency, simplicity, fairness, accountability, and access. We propose:

- A new Consumer Financial Protection Agency to protect consumers across the financial sector from unfair, deceptive, and abusive practices.
- Stronger regulations to improve the transparency, fairness, and appropriateness of consumer and investor products and services.
- A level playing field and higher standards for providers of consumer financial products and services, whether or not they are part of a bank.

(4) Provide the government with the tools it needs to manage financial crises. We need to be sure that the government has the tools it needs to manage crises, if and when they arise, so that we are not left with untenable choices between bailouts and financial collapse. We propose:

- A new regime to resolve nonbank financial institutions whose failure could have serious systemic effects.
- Revisions to the Federal Reserve's emergency lending authority to improve accountability.

(5) Raise international regulatory standards and improve international cooperation. The challenges we face are not just American challenges, they are global challenges. So, as we work to set high regulatory standards here in the United States, we must ask the world to do the same. We propose:

- International reforms to support our efforts at home, including strengthening the capital framework; improving oversight of global financial markets; coordinating supervision of internationally active firms; and enhancing crisis management tools.

Figure CR-1. Outline and Summary of Proposed Financial Regulatory Reform (concluded)

OMB Circular A-129⁶⁹

Appendix A of OMB Circular A-129 lists the relevant statutes that apply to Federal Agencies under compliance with this circular. It is evident from this list that the government has played a credit relief role for some time:

⁶⁹ OMB Circular A-129, Section II. BUDGET AND LEGISLATIVE POLICY FOR CREDIT PROGRAMS, subsection 4. Implementation, at: <http://www.whitehouse.gov/omb/circulars/a129/a129rev.html#four>

- Federal Credit Reform Act of 1990, 2 U.S.C. § 661
- Debt Collection Act of 1982/Debt Collection Improvement Act of 1996,
- 31 U.S.C. §§ 3701, 3711-3720E
- Federal Debt Collection Procedures Act of 1990
- Budget and Accounting Act of 1921
- Budget and Accounting Act of 1950
- Chief Financial Officers Act of 1990
- Cash Management Improvement Act Amendments of 1992

In A-129, OMB has key roles as policy-maker, compliance enforcer, and program approval body. The Office of Domestic Finance, in the Department of the Treasury, works with OMB to make policy and stand up or modify programs or their structure. They also manage collection and refund activities. Agencies have the opportunity to belong to the Federal Credit Policy Working Group, which is “an interagency forum that provides advice and assistance to the Office of Management and Budget (OMB) and Treasury in the formulation and implementation of credit policy.”

Managerially, Agencies must:⁷⁰

- Ensure all regulations and policies are designed and administered in compliance with A-129
- Unless exempted, the costs of CR programs covered by “the Federal Credit Reform Act of 1990 are budgeted for and controlled in accordance with the principles of that Act.”
- Make all efforts to “prevent future delinquencies by following appropriate screening standards and procedures for determination of creditworthiness”
- Ensure lenders “participating in guaranteed loan programs meet all applicable financial and programmatic requirements”
- Make “informed and cost effective decisions ... concerning portfolio management, including full consideration of contracting out for servicing or selling the portfolio”
- Use “the full range of available techniques ... [e.g., from the *Federal Claims Collection Standards* or *Treasury regulations*] ... as appropriate, to collect delinquent debts, including demand letters, administrative offset, salary offset,

⁷⁰ These bullets come from sections I4a, I4b, and II1a-e of OMB Circular A-129, Appendix A.

tax refund offset, private collection agencies, cross-servicing by Treasury, administrative wage garnishment, and litigation”

- Write off delinquent debts “as soon as they are determined to be uncollectible”
- Submit “timely and accurate financial management and performance data ... to OMB and the Department of the Treasury so that the Government's credit management and debt collection programs and policies can be evaluated.”
- Prepare needed and submit “legislation and testimony affecting credit programs for review under the OMB Circular No. A-19 legislative clearance process, and budget proposals for review under the Circular No. A-11 budget justification process”
- “Periodically evaluate Federal credit programs to assure their effectiveness in achieving program goals”
- Assure financial management systems are compliant with the Chief Financial Officers Act of 1990,
- Prepare “a Credit Management and Debt Collection Plan for effectively managing credit extension, account servicing, portfolio management and delinquent debt collection,” as a part of the Agency’s CFO Financial Management 5-Year Plan
- “Ensure that data in loan applications and documents for individuals are managed in accordance with the Privacy Act.”

There are many levels of Agency responsibilities in the above list, from policy-maker, to risk analyst, to financial market expert and portfolio manager, to systems manager, to collection agent.

The portion of OMB Circular A-11 that applies to CR programs may be considered “extensive.”⁷¹ Agencies must report on:

- Whether the CR program is intended to correct a capital market imperfection or subsidize borrowers or other beneficiaries;
- Why federal objectives cannot be achieved without Federal credit assistance;

⁷¹ OMB Circular A-11, Part 5, Section 185. Appendix B of A-11 provides a checklist for Credit programs: Checklist for Credit Program—for required legislation, testimony, and budget submissions. Appendix C of A-11 provides “Model Bill Language for Credit Programs,” should a program seek to issue a CR program, as each such program need to be authorized by “an Act” or legislation.

- Explanation of why a credit subsidy is the most efficient way of providing assistance, i.e., over “other forms of assistance such as grants or technical assistance”;
- Estimated benefits of the program or program change;
- Effects on private capital markets;
- Estimated subsidy level; and
- Administrative resource requirements.

Especially relevant to performance management for CR Programs is the following from A-129⁷² (*emphasis added*):

Every four years, or more often at the request of the OMB examiner with primary responsibility for the account, the agency's annual budget submission (required by *OMB Circular No. A-11, Section 15.2*) should include:

- (1) A plan for periodic, *results-oriented evaluations* of the effectiveness of the program, and the use of relevant program evaluations and/or other analyses of program effectiveness or causes of escalating program costs. A program evaluation is a formal assessment, through objective measurement and systematic analysis, addressing the manner and extent to which credit programs achieve intended objectives. This information should be contained in agencies' annual performance plans submitted to OMB. (For further detail on program evaluation, refer to the Government Performance and Results Act of 1993 (GPRA) and related guidance);
- (2) A review of the *changes in financial markets and the status of borrowers and beneficiaries to verify that continuation* of the credit program is required to meet Federal objectives, to update its justification, and to recommend changes in its design and operation to improve efficiency and effectiveness; and
- (3) Proposed changes to correct those cases where existing legislation, regulations, or program policies are not in conformity with the policies of this Section II. When an agency does not deem a change in existing legislation, regulations, or program policies to be desirable, it will provide a justification for retaining the non-conformance. [These are handled under OMB Circular A-19]

Federal Credit Reform Act of 1990.⁷³

The provisions of this Act apply to the costs of the CR programs themselves. Section V of the Congressional budget Act of 1990 has a four part purpose:⁷⁴

1. Measure more accurately the costs of Federal CR programs;

⁷² OMB Circular A-129, Appendix A, Section II4c.

⁷³ See: (<http://www.usaid.gov/policy/ads/600/fcra.pdf>)

⁷⁴ OMB Circular A-11, page 15-3, states, “The Act prescribes a special budget treatment for direct loans and loan guarantees that measures their subsidy cost, rather than their cash flows. For most credit programs, Congress must provide budget authority equal to the subsidy cost in annual appropriations acts before the program can make direct loans or loan guarantees.”

2. Place the cost of CR programs on a budgetary basis equivalent to other Federal spending;
3. Encourage the delivery of benefits in the form most appropriate to the needs of beneficiaries; and
4. Improve the allocation of resources among CR programs and between CR and other spending programs.

In this Act provision, there are many responsibilities of the OMB and the Congressional Budget Office to establish cost baselines for CR programs. The Treasury also has a large oversight role in the transactional cost accounting, collection, and payment methods used, how to handle deposit insurance provisions and payments, etc. One section in particular is interesting in that it requires full accountability for the loans overseen:

“505(a): AUTHORIZATION OF APPROPRIATIONS FOR COSTS.--There are authorized to be appropriated to each Federal agency authorized to make direct loan obligations or loan guarantee commitments, such sums as may be necessary to pay the cost associated with such direct loan obligations or loan guarantee commitments.”

OMB Circular A-129 therefore attempts to limit this liability through other means of loan assistance as a first resort, that is, through proper screening of lenders and borrowers, options available to the agency to sell off portions of the portfolio, proper treatment of delinquent debts⁷⁵, including their write-off as soon as possible, and “timely and accurate financial management and performance data ... submitted to OMB and the Department of the Treasury so that ... programs and policies can be evaluated.”⁷⁶

The CR sector is faced with the traditional market flaws of the insurance industry in general: moral hazard and adverse selection. “The moral hazard problem arises when being covered by insurance against some event actually increases the expected value of the loss.”⁷⁷ This is relevant because private sector providers (lenders) that are “backed” by the government under the auspices of a valid CR program for a well-intended set of stakeholders can use this public sentiment and “cause” to illegally collect damages or assume more risk than actuarially justifiable (a.k.a. cheat the system). Government involvement acts as ‘insurance’ for their mistakes and causes risk-taking behavior on the part of lenders.

⁷⁵ As specified in “Federal Claims Collection Standards and Treasury regulations, as appropriate, to collect delinquent debts, including demand letters, administrative offset, salary offset, tax refund offset, private collection agencies, cross-servicing by Treasury, administrative wage garnishment, and litigation.” OMB Circular A-129, Appendix A, Section I.4.a(6).

⁷⁶ Aforementioned citation: OMB Circular A-129, Appendix A, Section I.4.a.

⁷⁷ Walter Nicholson, *Microeconomic Theory: The Principles and Extensions*, 3rd Edition, New York: CBS College Publishing, (1985), p. 217.

“Adverse selection occurs in situations where individuals are in a position to assess the risks they face in a situation better than the insurance provider can.”⁷⁸ In this case, high-risk individuals may be intended or more likely to participate in these CR programs than low-risk individuals who do not need the programs. This serves to negate any possibility of effective risk-pooling and solvency in the market for which the public benefit is intended.

The insurance industry generally handles these market asymmetries by “risk pooling,”⁷⁹ or having an insured group of persons or assets over which the low costs of some offset the high costs of others. When, for example, the costs are generally affiliated with age, there is an implicit social contract⁸⁰ among people who recognize the uncertainties in the human being life-cycle—“when I get old I or someone I love may need this insurance, therefore I will pay it now.” But with the CR programs, there is no lifecycle that all of us must have to endure, and individuals or corporations that have good loan standings generally are not in this market to offset those with need for assistance. Indeed, it was observed by some in the latest demise of the financial sector that the problem was the fact that bad loans could be repackaged and passed to the next bank, without the prior banks having any accountability or repercussions for the soundness of the loan.⁸¹

⁷⁸ Walter Nicholson, *Microeconomic Theory: The Principles and Extensions*, 3rd Edition, New York: CBS College Publishing, (1985), pp. 217-218.

⁷⁹ See the following article for a good definition of risk pooling and discussion of why it does and does not work: HealthInsurance.info, “How Does Insurance Reduce Risk?,” found at: <http://www.healthinsurance.info/HIRISK.HTM>. Key to their point for the Credit industry and Credit oversight programs in general is: “In order for risk pooling to work, the individual risks that are pooled must be independent. “Independent” risks go up and down at different times, not together. When risks go up and down at different times, they tend to cancel each other out. If they go up and down together, the do not cancel out.”

⁸⁰ Mueller, Dennis C. *Public Choice III*, New York: Cambridge University Press, (2003), , pp. 597-598. Mueller explains how Rawls’ seminal political philosophy book, *A Theory of Justice* (1971), appeals to multiple social sciences in his development of a theory in which it is “the process or context in which decisions are made as much as, if not more than, on the outcomes of this process.” If nature deals attributes of persons and their states in life randomly, Rawls’ idea is to “establish a set of just institutions in which collective decisions making can take place” through a “veil of ignorance” where the institutions have been designed by individuals who have not considered their personal state or stake. While “no presumption is made that these institutions or the decisions emerging from them will in any sense maximize the social good,” societal trust that the institutions are fair and good for any individual in the society makes the society more cohesive.

⁸¹ Testimony of Robert E. Litan, Senate Committee on Homeland Security and Governmental Affairs, “Where Were The Watchdogs? Systemic Risk and the Breakdown of Financial Governance,” March 4, 2009 In this highly relevant article, states that “Markets are the best institution ever invented for allocating private sector resources, but they only work when they are governed by the right

B. CR Metrics and Stakeholder Representation

As in the previous sections, Table CR-1 below shows performance metric examples from the CR programs recognized by OMB as quality examples. There are two especially good examples in this table—both from the Small Business Administration—that marry Outcome and Efficiency metrics to communicate overall health of the program and how it is serving the respective stakeholders. The first metric about rural telecommunications access, uses increases in rural subscriptions to infer both quality and cost effectiveness.

The efficacy of centralization versus decentralization is not measured in these outcomes, but it seems apparent that these programs are administered locally while the policy for qualification is determined centrally, a combination that may most efficiently allow the minimization of non-deserving individuals receiving and deserving individuals not receiving benefits.

The degree of networked stakeholder participation is not overtly reflected in these measures, but again, if the presumption of local administration is correct, the reliance on network of providers and consumer groups required for the implementation of rural broadband development, disaster relief programs, or client-driven community development⁸² would be extensive across private sector providers as well as advocacy groups.

Importantly, the three metric sets in Table CR-1 (telecommunications, 504 development programs, and disaster relief) decently describe or allude to compliance with OMB circular A-129, that is, that the program is:

- (a) [correcting] a capital market imperfection , and/or
- (b) Subsidizing borrowers or other beneficiaries (who should be identified, or encourage certain activities) in ways for which the corrections could not be achieved without Federal credit assistance.

rules: to ensure there is sufficient information for market participants to understand the risks and rewards of what they are buying, and to make sure they have their own money at risk, or “skin in the game.” (page 2)

⁸² U.S. Small Business Administration, SBA Program Office, “CDC/504 Program,” found at: <http://www.sba.gov/services/financialassistance/sbaloantopics/cdc504/index.html> for the following description: “A Certified Development Company is a nonprofit corporation set up to contribute to the economic development of its community. CDCs work with the SBA and private-sector lenders to provide financing to small businesses. There are about 270 CDCs nationwide, with each covering a specific geographic area.

Table CR-1. Quality Credit Program Effectiveness Measures

Agency	Program	Performance Measure	Measure type	Program Type
Department of Agriculture	Rural Utilities Service: Telecommunications Program	Percentage of rural telecommunications subscribers receiving new or improved service	Outcome	Credit
Small Business Administration	Section 504 Certified Development Company guaranteed loan program	Estimated number of jobs created or retained	Outcome	Credit
Small Business Administration	Section 504 Certified Development Company guaranteed loan program	Cost to originate each loan	Efficiency	Credit
Small Business Administration	Disaster Loan Program	Percent of businesses still operational 12 months after final Economic Injury Disaster Loan (EIDL) disbursement	Outcome	Credit
Small Business Administration	Disaster Loan Program	Percent of loans that receive initial disbursement of proceeds within 5 days of loan closing.	Efficiency	Credit

Did these outcome metrics serve to answer the additional questions in the PART set aside for CR programs? Table CR-2 addresses this question.

Table CR-2. Adequacy of CR Metrics to Answer Key PART Questions

PART Question	Exemplar metrics satisfactory?	Additional comment
4.3: Does the program demonstrate improved efficiencies or cost effectiveness in achieving program goals each year?	The stakeholder of each of the outcome indicators in Table CR-1 above were explicit.	The first and the next two pairs of metrics from the Department of Agriculture and Small Business Administration, respectively, pair effectiveness and efficiency metrics concepts well.
4.4: Does the performance of this program compare favorably to other programs, including government, private, etc., with similar purpose and goals?	This was not evident from the exemplar measures, but it is presumed that other non-government programs are not purposeful or available, thereby making the comparability notion less relevant.	It is presumable that adequate benchmarking of adjacent efforts and sector needs was conducted under the processes of OMB Circular A-129 and the FCRA or 1990 before the priority for a credit program was issued.
3.CR1: Is the program managed on an ongoing basis to assure credit quality remains sound.	The metrics do not speak directly to this requirement.	A-129 requires that “Lenders and borrowers who participate in Federal credit programs should have a substantial stake in full repayment in accordance with the loan contract.” This includes a repayment plan on the part of lenders, collateral from borrowers, and periodic assessments for “whether the private sector has become able to bear a greater share of the risk.” ⁸³
3.CR2: Do the program’s credit models adequately provide reliable [predictions].	Not reflected here is the required estimation model for all costs, defaults, and deviations from loan contracts, the full amount for which the Agency must be appropriated. ⁸⁴	

Characteristics in addition to the PART considerations that outcome measures of the CR program type should possess to help quantify benefit to stakeholders include:

Using the principles of A-11 and A-129, our research has found that at least two concepts should be captured in the CR program outcome metrics:

⁸³ OMB Circular A-129, II. BUDGET AND LEGISLATIVE POLICY FOR CREDIT PROGRAMS, 2. Form of Assistance, Section a. under the second set of references--Statutory Federal Credit Reform Act of 1990; 2 U.S.C. § 661 Chief Financial Officers Act of 1990; Guidance OMB Circular No. A-11; SFFAS 2, OMB Circular No. A-34

⁸⁴ Ibid.

- The type and estimated value of market risks avoided through the CR program or remediation (e.g., elimination of market imperfection, gains from early loan write offs or lessening of loan guarantees, etc.)
- Levels of solvency or credit worthiness of the portfolio of institutions or borrowers receiving public funds or loan guarantees. These can be separated by assistance type: credit subsidies, loan guarantees, and actual loans.

C. Agency Programs in 2008

Spending Levels in FY06-FY09R: Figure CR-2 shows CR programs has represented just over 1% of the total spending captured by the Federal PART programs in FY07-FY09r, down from nearly 2.5% in FY06. Spending in the CR area hovers around \$30B annually for these 39 programs, see Table CR-4 below, in total, down from over \$60B in FY06.

FY08 Performance: Table CR-3 shows the performance of the CR programs in FY08 was on par with the average of all other program types. The variance in the performance scores across the four types of scores was just below that of all program types, and the length of time since a program was last reviewed was, on average, the lowest of all program types.

These blanket statistics across all CR programs infer comparatively “decent” Program Purpose & Design, Planning, and Management mechanisms, as well as Actual Results. Table CR-3 shows that all score types for CR programs averages 74% on a 100% scale.⁸⁵ The relatively low variance in successes in these factors—about 16% less than the variance all programs as a group across these factors—suggest consistency in program management and results delivery. Figure CR-3 shows CR Program ratings percentages as compared to the entire set of PART programs—the CR programs had a larger proportion of their programs in the Moderately Effective category, countered by a smaller proportion in the Effective category than all programs combined.

⁸⁵ These factors had different weights applied to the scores in these four areas to calculate a rating for each program. The weights for Program Purpose & Design, Planning, Management, and Actual Results, are 20%, 10%, 20%, and 50%, respectively. The Mean and Variance calculations DO NOT take these weights into account, as this can be politically motivated and may mask the true level of strength and program consistency across these four performance factors.

Table CR-3: CR Program Performance Summary

Area:	CR (39)
Mean PART Score*	74%
Score Variance**	6%
CR Variance versus Total Variance	84%
Avg. Assessment Latency (years)	2.59

*Mean Score is the average score across all four sections of PART over all programs of that type.

**Score Variance is the variance across scores in all four sections of PART over all programs of that type.

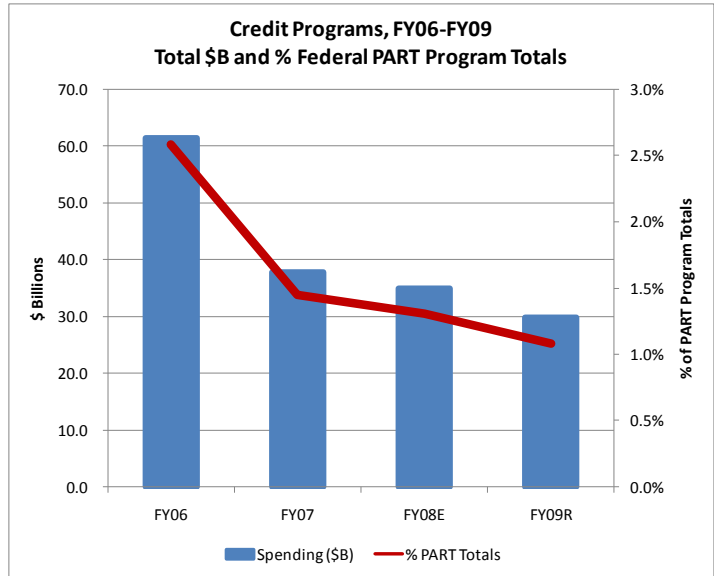


Figure CR-2. CR Program Spending Statistics, FY06-FY09R

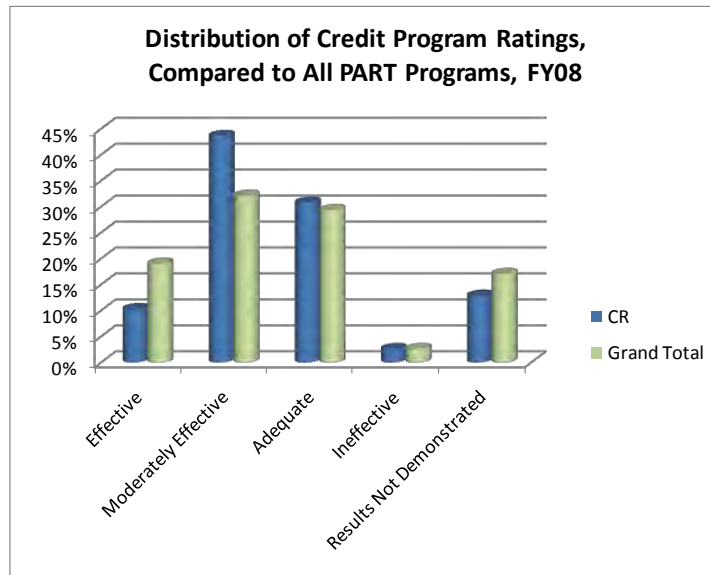


Figure CR-3. CR Program Ratings, Compared to All PART Programs

Current CR Programs, by Agency**Table CR-4. Current CR Programs, FY08**

Agency Name	PART Program Name
Department of Agriculture	Agricultural Credit Insurance Fund - Guaranteed Loans
Department of Agriculture	Agricultural Credit Insurance Fund Direct Loans
Department of Agriculture	Agricultural Export Credit Guarantee Programs
Department of Agriculture	Community Facilities Program
Department of Agriculture	Intermediary Relending Program
Department of Agriculture	Multi-Family Housing Programs
Department of Agriculture	Rural Business and Industry Guaranteed Loan Program
Department of Agriculture	Rural Development Broadband Loan and Loan Guarantee Program
Department of Agriculture	Rural Distance Learning and Telemedicine Loan and Grant Program
Department of Agriculture	Rural Electric Utility Loans and Guarantees
Department of Agriculture	Rural Telecommunications Loan Programs
Department of Agriculture	Rural Water and Wastewater Grants and Loans
Department of Agriculture	Single Family Housing Direct Loans
Department of Agriculture	Single Family Housing Loan Guarantees
Department of Education	Federal Family Education Loans
Department of Education	Federal Perkins Loans
Department of Education	Historically Black College and University Capital Financing
Department of Education	William D. Ford Direct Student Loans
Department of Housing and Urban Development	FHA Multi-Family Mortgage Insurance
Department of Housing and Urban Development	FHA Single-Family Mortgage Insurance
Department of Housing and Urban Development	Government National Mortgage Association
Department of Housing and Urban Development	Indian Housing Loan Guarantees
Department of Housing and Urban Development	Section 108 Community Development Loan Guarantee Program

Table CR-4. Current CR Programs, FY08, concluded

Agency Name	PART Program Name
Department of Housing and Urban Development	Tribal Housing Activities Loan Guarantees
Department of the Interior	Bureau of Indian Affairs - Economic Development Guaranteed Loans
Department of the Treasury	Debt Restructuring for Heavily Indebted Poor Countries
Department of the Treasury	Tropical Forest Conservation Act
Department of Transportation	Maritime Administration Guaranteed Loan Program (Title XI)
Department of Transportation	Transportation Infrastructure Finance and Innovation
Department of Veterans Affairs	Veterans Home Loans
Export-Import Bank of the United States	Export Import Bank
International Assistance Programs	Development Credit Authority
International Assistance Programs	Overseas Private Investment Corporation - Finance
International Assistance Programs	Overseas Private Investment Corporation - Insurance
National Credit Union Administration	Credit Union Loan and Technical Assistance Grant Program
Small Business Administration	Disaster Loan Program
Small Business Administration	Section 504 Certified Development Company Guaranteed Loan Program
Small Business Administration	Section 7(a) Guaranteed Loan Program
Small Business Administration	Small Business Investment Companies Debentures

Direct Federal (DF)

DF programs are defined as “Programs where services are provided primarily by employees of the Federal Government, like the State Department’s Visa and Consular Services program.”⁸⁶

Roughly 85% of FY2008 spending consisted of DF programs. Most Agencies or organizations listed in Tables 3 and 4 receive or manage DF dollars. The few who do not are understandable—for example, the Consumer Protection Agency and the National Science Foundation. But a few who do not manage DF dollars are also surprising—Housing and Urban Development (HUD), for example, which manages all types of programs except DF and R&D.

Section A below describes OMB Circulars and other regulations that apply to DF programs. This is likely not an exhaustive list—if readers of this survey find other guidance pertaining to DF programs, please provide feedback to the authors!

A. Guidance and Management Requirements

OMB Circular A-11, Preparation, Submission and Execution of the Budget⁸⁷

This Circular is an orientation and instruction for the budget process, applies to all programs with some special sections for non-DF programs. The first section gives an overview of the budget, budget laws, and forms of communication with Congress and the public, such as FOIA and determinations of disclosure of budgetary information. The next section is about preparation and submission of budget estimates, including policies and requirements, cost and compensation factors, the form of the budget submission, budget justification materials, financial management standards and e – government, MAX data and the passback process, baseline estimates of budget authority, outlays, and receipts, and program financials. The third part details “Selected Actions Following Transmittal of the Budget,” which includes supplementals, amendments, deferrals, Presidential rescissions, and other investment transactions. Part four includes actual instructions to execute the budget, from apportionment and reappropriation, appropriations, the monitor of federal outlays, unvouchered

⁸⁶ OMB, “Guide to the Program Assessment Rating Tool (PART),” January 2008, p. 86.

⁸⁷ OMB Circular A-11, “Preparation, Submission and Execution of the Budget,” can be found at: http://www.whitehouse.gov/omb/circulars/a11/current_year/a11_toc.html

expenditures, Antideficiency Act violations, and controls of funds. Part 5 is in reference to CR programs.

Of special relevance to performance management in this Circular is Part 6, of which the content is at the heart of this paper. It describes how to prepare and submit strategic plans, annual performance plans, and program performance reports. The foundation of GPRA and the reference to the Agency performance budget and to OMB's PART is in the 2008 issuance of A-11.

Part 7 is the section that pertains to CA and System Acquisition programs and is an instruction and reporting format for "Planning, Budgeting, Acquisition, and Management of Capital Assets." (See the CA section above).

OMB Circular A-25, User Charges⁸⁸

The Circular's purpose statement summarizes its contents well:

"The Circular establishes Federal policy regarding fees assessed for Government services and for sale or use of Government goods or resources. It provides information on the scope and types of activities subject to user charges and on the basis upon which user charges are to be set. Finally, it provides guidance for agency implementation of charges and the disposition of collections."

The circular was revised in 1993 from a version issued in 1959. The applicability of this circular appears to be to the sale or usage fee for any government resource that is not already regulated by another statute. That is, "[t]he provisions of this Circular *cover all Federal activities that convey special benefits to recipients beyond those accruing to the general public ... [t]he provisions of the Circular shall be applied by agencies in their assessment of user charges under the IOAA [Independent Offices Appropriations Act of 1952].*"⁸⁹ (emphasis added)

The objectives of the circular are to:

- a. ensure that each service, sale, or use of Government goods or resources provided by an agency to specific recipients be self-sustaining;
- b. promote efficient allocation of the Nation's resources by establishing charges for special benefits provided to the recipient that are at least as great as costs to the Government of providing the special benefits; and
- c. allow the private sector to compete with the Government without disadvantage in supplying comparable services, resources, or goods where appropriate."⁹⁰

⁸⁸ OMB Circular A-25, "User Charges," revised in 1993 from 1959; found at: <http://www.whitehouse.gov/omb/circulars/ao25/ao25.html>

⁸⁹ From OMB Circular A-25, sections 4a and 4b.

⁹⁰ OMB Circular A-25, section 5.

Two items are of interest in these objectives:

- Item b. is much like PART question 4.RG1 of the PART: “Were programmatic goals (and benefits) achieved at the least incremental societal cost and did the program maximize net benefits?”⁹¹
- Item c. contains language much like that which applied to COs—that is, that the grant in and of itself was not to create an unfair advantage for the grantee in the competitive sector in which it existed.

Of special relevance to performance management in this Circular is Section 6, which describes how ‘special benefits’ are defined, and how to place a value on a “service (or privilege) [that] provides special benefits to an identifiable recipient beyond those that accrue to the general public,” i.e., the benefits that were *exclusively issued* to the stakeholder in question, or non-pure public goods. This section continues that “a charge will be imposed (to recover the full cost to the Federal Government for providing the special benefit, or the market price).”

Section 6a. describes ‘special benefits’ as those that

- (a) enable beneficiaries to “obtain more immediate or substantial gains or values (which may or may not be measurable in monetary terms) than those that accrue to the general public,” (patents, insurance, guarantees, licenses, use of public lands were given as examples);
- (b) “provides business stability or contributes to public confidence in the business activity of the beneficiary (e.g., insuring deposits in commercial banks); or
- (c) [are] performed at the request of or for the convenience of the recipient, and is beyond the services regularly received by other members of the same industry or group or by the general public (e.g., receiving a passport, visa, airman's certificate, or a Custom's inspection after regular duty hours).”

Section 6c. discusses exceptions to the Circular, such as cases in which collection of the fees is more costly than the value obtainable. Section 6d. discusses in great detail how to use government (full) costs and market prices to benchmark values or fees to be charged, a factor of great relevance to the “Return on Government Investment” (ROGI) concepts developed by this MITRE research team.

⁹¹ PART Guidance, p. 6o.

OMB Circular A-76, Performance of Commercial Activities⁹²

This circular underscores the “longstanding policy of the federal government ...to rely on the private sector for needed commercial services.” It uses the “forces of competition” with commercial activities to “ensure that the American people receive maximum value for their tax dollars.” While somewhat of an arduous list to get through, the Policy specifications below are interesting from a cost and benefit measurement standpoint for performance managers and worth reading to appreciate the level of scrutiny each government activity should formally go through to ensure the fair and efficient allocation of public resources. Each agency must⁹³:

- Identify all activities performed by government personnel as either commercial or inherently governmental, document annually the activities performed by commercial entities vice government personnel, and ensure that government personnel perform the activities that are inherently governmental
- Use a streamlined or standard FAR-compliant competition (procurement integrity, ethical rules) to determine if government personnel should perform a commercial activity⁹⁴. The 2008 update, among other provisions, prohibits the conversion of government activities with ten or more FTE to commercial unless a 10% cost savings can be achieved, holding level and quality of outputs constant.
- Designate an “assistant secretary or equivalent level official” to implement this circular, to have the role of a “competitive sourcing official (CSO).” This CSO may delegate “responsibilities to senior-level officials in the agency.” These individuals will have performance standards to monitor their accountability via their annual performance evaluations.
- Oversight shall be “Centralize[d] ... to facilitate fairness in streamlined and standard competitions and promote trust in the process.” Agencies shall maintain a resource process “to effectively apply a clear, transparent, and consistent competition process based on lessons learned and best practices.” SHARE A-76! enables Agencies to post best practices and lessons learned from their “streamlined or standard competition process.”⁹⁵

⁹² OMB Circular A-76, “Performance of Commercial Activities,” is found at:

http://www.whitehouse.gov/omb/circulars/ao76/a76_incl_tech_correction.pdf

⁹³ OMB Circular A-76, “Performance of Commercial Activities,” Section 4.

⁹⁴ OMB Memorandum M-08-11, “Competitive Sourcing Requirements in Division D of Public Law 110-161,” (February 20, 2008), number 4 updates the inherently governmental provision of A-76. Found at: <http://www.whitehouse.gov/omb/assets/omb/memoranda/fy2008/mo8-11.pdf>

⁹⁵ See “SHARE A-76!” a collaboration site found at: <http://sharea76.fedworx.org/sharea76/Home.aspx>.

- Develop “government cost estimates for standard and streamlined competitions” using the COMPARE costing software. “Agencies shall not use agency budgetary estimates to develop government cost estimates in a streamlined or standard competition.”
- Assist adversely affected federal employees, including preference for veterans' status.
- The CSO must receive approval from OMB for any deviation to this Circular. However, Agencies are encouraged to “use this deviation procedure to explore innovative alternatives to standard or streamlined competitions, including public-private partnerships, public-public partnerships, and high performing organizations.”⁹⁶ Indeed, there are some cases for which a “streamlined or standard competition is not required,” e.g., for new or innovative requirements.⁹⁷
- “The CSO shall identify savings resulting from completed streamlined and standard competitions in accordance with OMB Circular No. A-11.” These savings need to be traceable to an annual reporting requirement (June 30 of each year) for inventories of agency activities, as shown in Figure A1 from A-76 below.⁹⁸

Fiscal Year XXXX Annual Inventory Summary									
AGENCY:	COMMERCIAL ACTIVITY INVENTORY					Inherently Governmental Inventory			
	FAIR Act	Uniformed Services	Foreign Nationals	Other	TOTAL	Inherently Governmental*	Uniformed Services	Foreign Nationals	TOTAL
Agency Component A									
Agency Component B									
AGENCY TOTAL									

*Minus uniformed services personnel and foreign nationals

Figure A1.

Figure DF-1: Activity Annual Summary Report for Agencies in A-76 (Figure A1)

⁹⁶ OMB Circular A-76, section 5c.

⁹⁷ OMB Circular A-76, section 5d.

⁹⁸ OMB Circular A-76, Page A-1. An “inherently governmental activity is an activity that is so intimately related to the public interest as to mandate performance by government personnel.” There are additional definitions of what inherently governmental means in Appendix A.

Of special relevance to performance management in this Circular is Appendix B, PUBLIC-PRIVATE COMPETITION. In section A, preliminary work must be done prior to the “public announcement (start date) of a streamlined or standard competition:” (i) Scope: determination of the “activities and full time equivalent (FTE) positions to be competed;” (ii) Grouping: research the “appropriate grouping of activities as business units (e.g., consistent with market and industry structures);” and (iii) Workload Data and Systems: “assess the availability of workload data, work units, quantifiable outputs of activities or processes, agency or industry performance standards, and other similar data. Establish data collection systems as necessary.”

If an agency has done this set of activities for its programs, it has answered many questions for the PART and for any performance management framework.

OMB Circular A-122, Cost Principles for Non-Profit Organizations⁹⁹

“This Circular establishes principles for determining costs of grants, contracts and other agreements with non-profit organizations.” If a subcontract is made to other entities, the applicable OMB Circulars will apply:

- Commercial organizations—A-11 and A-76
- College or University—Circular A-21
- State, local, or federally-recognized Indian tribal government—Circular A-87
- Attachment C indicates that FFRDCs are not considered under this Circular.

Unique about these cost principles is the fact that the profit motivation has been presumed away, and therefore a strict understanding of what incurs as a cost is important. Attachment A discusses the cost principles—total cost definitions (direct and indirect, and their respective rates), allowability of costs, notions of “reason” in cost estimation, cost allocation methods and rules, how to apply credits, bear or incur interest, and account for exemptions.

Of special relevance to performance management in this Circular is the two mentions of performance in a results-driven sense: (i) only advertising costs for recruitment of staff required for the performance of the obligations of the Federal award are allowable; and (2) Incentive compensation is allowed for “employees based on cost reduction, or [for] efficient performance” awards if the “overall compensation is determined to be reasonable.”

⁹⁹ OMB Circular A-122, “Cost Principles for Non-Profit Organizations;” found at: http://nascsp.org/documents/DenesTobie_Fiscal101A-122circularrevisions6-9-04.pdf

OMB Circular A-123, Management Accountability and Control.¹⁰⁰

“OMB Circular No. A-123 defines management's responsibility for internal control in Federal agencies.” This Circular implements the Federal Managers’ Financial Integrity Act of 1982, and was re-energized by the “new internal control requirements for publicly-traded companies contained in the Sarbanes-Oxley Act of 2002.”¹⁰¹

A-123 guides Federal managers for improvement of “accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on internal control,” through “reliable financial reporting, and compliance with applicable laws and regulations.”¹⁰²

Of special relevance to performance management in this Circular are the first of the responsibilities and actions required by Federal Agencies (emphasis added), which stresses results-oriented management as the first consideration:

Agencies and individual Federal managers must take systematic and proactive measures to (i) **develop and implement appropriate, cost-effective internal control for results-oriented management;** (ii) assess the adequacy of internal control in Federal programs and operations; (iii) separately assess and document internal control over financial reporting consistent with the process defined in Appendix A (iv) identify needed improvements; (v) take corresponding corrective action; and (vi) report annually on internal control through management assurance statements.¹⁰³

Interestingly, when searching for any evidence of how A-123 compliance has helped Agencies, our research found a reference to the PART question 3.2 on ExpectMore.gov: 3.2 Are Federal managers and program partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) held accountable for cost, schedule, and performance results?

The answer relied on compliance with A-123 for the necessary controls to answer affirmatively to this question.¹⁰⁴

¹⁰⁰ OMB Circular A-123, “Management Accountability and Control,” Dec 2004, can be found at: http://www.whitehouse.gov/omb/circulars/a123/a123_rev.pdf

¹⁰¹ This explanation is provided in the Memorandum atop the Circular from the Controller, Linda M. Springer, and the provisions in the circular were expected to be implemented by Agencies in 2006.

¹⁰² See OMB Circular A-123, Section 1. Purpose and Section 3. Policy for these citations.

¹⁰³ OMB Circular A-123, Section 4. Actions.

¹⁰⁴ See the example from OMB, “Detailed Information on the General Services Administration Charge Card Services Assessment,” Found at: <https://www.whitehouse.gov/omb/expectmore/detail/10000242.2006.html>

The Federal Acquisition Regulation (FAR):¹⁰⁵ The FAR does not distinguish the types of programs to which it applies. In its “Purpose” statement, it states that it is applicable to all executive agencies: “Federal Acquisition Regulations System is established for the codification and publication of uniform policies and procedures for acquisition by all executive agencies.” Dollar thresholds for applicability range from \$2,000 to multi-million levels.

The essence of the FAR can be understood from the guiding principles of the FAR in section 1.102: customer delivery, use of commercial products and services, competition, cost-effectiveness, ethical decision-making, and the achievement of policy objectives.

1.102 Statement of guiding principles for the Federal Acquisition System

(a) The vision for the Federal Acquisition System is to deliver on a timely basis the best value product or service to the customer, while maintaining the public’s trust and fulfilling public policy objectives. Participants in the acquisition process should work together as a team and should be empowered to make decisions within their area of responsibility.

(b) The Federal Acquisition System will—

- (1) Satisfy the customer in terms of cost, quality, and timeliness of the delivered product or service by, for example—
 - (i) Maximizing the use of commercial products and services;
 - (ii) Using contractors who have a track record of successful past performance or who demonstrate a current superior ability to perform; and
 - (iii) Promoting competition;
- (2) Minimize administrative operating costs;
- (3) Conduct business with integrity, fairness, and openness; and
- (4) Fulfill public policy objectives.

¹⁰⁵ Federal Acquisition Regulation (FAR) can be found at:
<http://www.acquisition.gov/far/current/html/Subpart%201.1.html#wp1130776> .

B. DF Metrics and Stakeholder Representation

OMB provides exemplar metrics on ExpectMore.gov that serve not only as examples of public goods delivered but as cases in point of outcomes and efficiencies sought for.

The DF programs involve the actual delivery of public goods and services to stakeholders, as is shown by the numerous metrics below in Table DF-1. From trademark latency periods, to high crime rate reduction, to pollutants reduced, to chemical waste risk reduction, to benefits to the aged delivered, the metrics below show the ability to track “returns” to stakeholders.

The degree of centralization is not exposed in the metrics, in terms of either the administration, the delivery mechanisms, or the policies for eligibility. However, the allusions to local areas (of crime or of chemical waste sites, for example) suggest a consideration for the efficient mix of decentralization mechanisms. Indeed, along with this local delivery would come a necessary degree of networked stakeholder participation. The degree to which the programs are client- or need-driven surely feels more apparent with the DF goods and services, as they are being hands on delivered, that is, vice approached from a research or regulatory perspective.

Table DF-1. Quality Direct Federal Program Effectiveness Measures

Agency	Program	Performance Measure	Measure type	Program Type
Department of Commerce	Patent and Trademark Office	Average patent/trademark pendency	Outcome	Direct Federal
Department of Commerce	Patent and Trademark Office	Cost per patent disposed; cost per trademark registered	Efficiency	Direct Federal
Department of Commerce	Bureau of Census: American Community Survey (ACS)	Cost per household	Efficiency	Direct Federal
Department of Justice	ATF Firearms Programs: Integrated Violence Reduction Strategy	Percent of high-crime cities nationwide with a reduction in violent firearms crime	Outcome	Direct Federal
Department of Justice	U. S. Marshals Service: Apprehension of Fugitives	Percent of total Federal fugitives apprehended or cleared	Outcome	Direct Federal
Environmental Protection Agency	Civil Enforcement	Pounds of pollutants reduced (characterized as to risk and exposure)	Outcome	Direct Federal
Environmental Protection Agency	Civil Enforcement	Pounds of pollutants reduced (in thousands) per FTE	Efficiency	Direct Federal
Environmental Protection Agency	New Chemicals	Cumulative reduction of releases of industrial hazardous chemicals to the environment and in industrial wastes in millions of pounds.	Outcome	Direct Federal
Environmental Protection Agency	New Chemicals	Review costs per chemical (for EPA and industry)	Efficiency	Direct Federal
Environmental Protection Agency	Existing Chemicals	Percent cumulative reduction of chronic human health risk from environmental releases of industrial chemicals in commerce since 2001	Outcome	Direct Federal
Environmental Protection Agency	Existing Chemicals	Cost and time to establish acute exposure chemical guidelines value per chemical	Efficiency	Direct Federal
Environmental Protection Agency	Pesticides	Percent reduction in review time for registration of conventional pesticides.	Efficiency	Direct Federal
Social Security Administration	Supplemental Security Income for the Aged (SSI Aged)	SSI Aged Claims processed per work-year	Efficiency	Direct Federal

There are no additional questions for DF programs in the PART—their questions are the standard set for all programs. As such, whether the metrics in Table DF-1 serve to adequately answer two questions are of primary interest to this study. The comments in Table DF-2 indicate that program efficiencies and effectiveness are relatively easy to measure for DF programs—specific goods and services are delivered and this can be tracked. While the exemplar metrics in Table DF-1 did not allude to widespread benchmarking practices, as noted by the comments below, there are numerous requirements for these practices in the circulars and laws for DF programs.

Table DF-2. Adequacy of DF Metrics to Answer Key PART Questions.

PART Question	Exemplar metrics satisfactory?	Additional comment
4.3: Does the program demonstrate improved efficiencies or cost effectiveness in achieving program goals each year?	The stakeholder of each of the outcome and efficiency indicators in Table DF-1 above were explicit. Each metric had the ability to track some feature of outcome efficiencies (more for less) or cost effectiveness.	<ul style="list-style-type: none"> - The first two Department of Commerce metrics pair effectiveness and efficiency metrics concepts well. - The EPA’s “Pounds of pollutants reduced (in thousands) per FTE” metric shows effectiveness and efficiency in the same metric, if one can disaggregate the metric’s numerator and denominator.
4.4: Does the performance of this program compare favorably to other programs, including government, private, etc., with similar purpose and goals?	This was not evident from the exemplar measures, but it is presumed that Federal programs partner with State, Local, and non-profit efforts for effective and efficient program delivery. The notion of program comparability notion is certainly relevant.	It is presumable that adequate benchmarking of adjacent efforts and sector needs was conducted under the processes of OMB Circular A-76, A-123, and A-11 before the program funds would be authorized.

Characteristics in addition to the PART considerations that outcome measures of the DF program type should possess to help quantify benefit to stakeholders include:

The outcome metrics for DF programs should make apparent the stakeholder and management results stressed in the FAR, planned for in A-11, and enforced through the controls of A-123, A-25, A-122, and A-76: *customer delivery, use of commercial products and services, degree of competition, cost-effectiveness, ethical decision-making, and the achievement of policy objectives.*

C. Agency DF Programs in 2008

Spending Levels in FY06-FY09R: Figure DF-2 shows that DF programs represented just over 66% of Executive Agency spending in FY06 to nearly 69% of the total spending captured by the Federal PART programs in FYs 2007-2009r. Spending in the DF area increased from just under \$1.6T in FY06 to around \$1.8T in FYs 2007 and 2008, to nearly \$1.9T in FY09r. Due to the scale of spending in this type of program, even though total Federal spending may have increased, a 2.5% increase requires large reductions in other program types.

FY08 Performance: Table DF-3 shows the performance of the DF programs in FY08 was on par with the average of all other program types—this is understandable, as the DF type is over 2/3 of all programs. The variance in the performance scores across the four types of scores was slightly below that of all program types, showing some other types may pull up the average. The length of time since a program was last reviewed was, on average, the second lowest of all program types.

These blanket statistics across all DF programs infer comparatively “decent” Program Purpose & Design, Planning, and Management mechanisms, as well as Actual Results. Table DF-3 shows that all score types for DF programs averages 77% on a 100% scale.¹⁰⁶ The relatively low variance in successes in these factors—about 15% less than the variance all programs as a group across these factors—suggest consistency in program management and results delivery. Figure DF-3 shows DF Program ratings percentages as compared to the entire set of PART programs—the DF programs had a larger proportion of their programs in the Moderately Effective category, countered by a smaller proportion in the Effective category than all programs combined. Table DF-4 lists the DF programs by Agency.

¹⁰⁶ These factors had different weights applied to the scores in these four areas to calculate a rating for each program. The weights for Program Purpose & Design, Planning, Management, and Actual Results, are 20%, 10%, 20%, and 50%, respectively. The Mean and Variance calculations DO NOT take these weights into account, as this can be politically motivated and may mask the true level of strength and program consistency across these four performance factors.

Table DF-3: DF Program Performance Summary

Area:	DF (366)
Mean PART Score*	77%
Score Variance**	6%
DF Variance versus Total Variance	85%
Avg. Assessment Latency (years)	2.70

*Mean Score is the average score across all four sections of PART over all programs of that type.

**Score Variance is the variance across scores in all four sections of PART over all programs of that type.

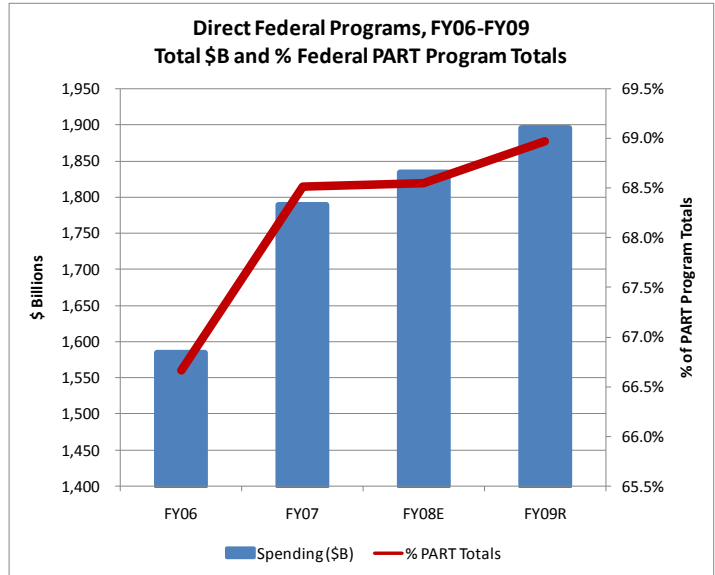


Figure DF-2: DF Program Spending Statistics, FY06-FY09R

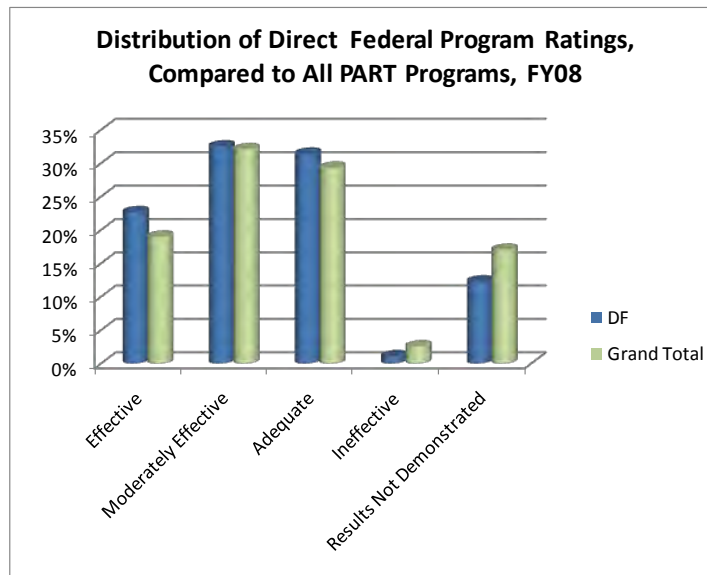


Figure DF-3: DF Program Ratings, Compared to All PART Programs

Current DF Programs, by Agency

Table DF-4: Current DF Programs, FY08

Agency Name	PART Program Name
Broadcasting Board of Governors	Audience Development for US International Broadcasting
Broadcasting Board of Governors	Broadcasting in Arabic
Broadcasting Board of Governors	Broadcasting to Africa
Broadcasting Board of Governors	Broadcasting to East Asia and Eurasia
Broadcasting Board of Governors	Broadcasting to Latin America
Broadcasting Board of Governors	Broadcasting to Near East Asia and South Asia
Broadcasting Board of Governors	Engineering and Technical Services for US International Broadcasting
Broadcasting Board of Governors	Programming Support for US International Broadcasting
Commission on Civil Rights	Commission on Civil Rights
Commodity Futures Trading Commission	Enforcement of Commodity Futures and Options Markets
Corporation for National and Community Service	AmeriCorps Volunteers in Service to America
Corps of Engineers-Civil Works	Corps of Engineers: Emergency Management
Corps of Engineers-Civil Works	Corps of Engineers: Environmental Stewardship
Corps of Engineers-Civil Works	Corps of Engineers: Recreation Management
Corps of Engineers-Civil Works	Corps of Engineers: Water Storage for Water Supply
Corps of Engineers-Civil Works	Formerly Utilized Sites Remedial Action Program
Corps of Engineers-Civil Works	Inland Waterways Navigation
Court Services and Offender Supervision Agency for the District	District of Columbia: Community Supervision Program
Court Services and Offender Supervision Agency for the District	District of Columbia: Pretrial Services Agency
Department of Agriculture	Agricultural Commodity Grading and Certification Programs
Department of Agriculture	Agricultural Crops Counter Cyclical Payments
Department of Agriculture	Agricultural Marketing Loan Payments
Department of Agriculture	Agriculture Marketing Service - Research and Promotion Programs

Table DF-4: Current DF Programs, FY08, continued

Agency Name	PART Program Name
Department of Agriculture	Commodity Purchase Services (Section 32)
Department of Agriculture	Conservation Operations
Department of Agriculture	Conservation Reserve Program
Department of Agriculture	Conservation Security Program
Department of Agriculture	Dairy Payment Program
Department of Agriculture	Dairy Price Support Program
Department of Agriculture	Direct Crop Payments
Department of Agriculture	Emergency Conservation Program
Department of Agriculture	Emergency Watershed Protection Program
Department of Agriculture	Environmental Quality Incentives Program
Department of Agriculture	Export Enhancement/Dairy Export Incentive Program
Department of Agriculture	Federal Crop Insurance
Department of Agriculture	Federal Grain Inspection Services
Department of Agriculture	Forest Service: Energy Resource Needs
Department of Agriculture	Forest Service: Invasive Species Program
Department of Agriculture	Forest Service: Land Acquisition
Department of Agriculture	Forest Service: Recreation
Department of Agriculture	Forest Service: Watershed
Department of Agriculture	Market News and Marketing Services
Department of Agriculture	National Agricultural Statistics Service
Department of Agriculture	Non-Insured Crop Assistance Program
Department of Agriculture	Perishable Agricultural Commodities Act
Department of Agriculture	Pesticide Data Program
Department of Agriculture	Resource Conservation and Development
Department of Agriculture	Trade Adjustment Assistance for Farmers
Department of Agriculture	USDA Wildland Fire Management
Department of Agriculture	Watershed Protection and Flood Prevention
Department of Agriculture	Wetlands Reserve Program
Department of Agriculture	Wildlife Habitat Incentives Program
Department of Commerce	Bureau of Economic Analysis

Table DF-4: Current DF Programs, FY08, continued

Agency Name	PART Program Name
Department of Commerce	Census Bureau: Current Demographic Statistics
Department of Commerce	Census Bureau: Current Economic Statistics and Census of Governments
Department of Commerce	Census Bureau: Decennial Census
Department of Commerce	Census Bureau: Economic Census
Department of Commerce	Census Bureau: Intercensal Demographic Estimates
Department of Commerce	Census Bureau: Survey Sample Redesign
Department of Commerce	Hydrology
Department of Commerce	International Trade Administration: Manufacturing and Services
Department of Commerce	International Trade Administration: Market Access and Compliance
Department of Commerce	International Trade Administration: U.S. and Foreign Commercial Service
Department of Commerce	National Oceanic & Atmospheric Administration: Tsunami Monitoring, Forecasting, and Warning Program
Department of Commerce	National Oceanic & Atmospheric Administration: Marine and Aviation Operations
Department of Commerce	National Oceanic & Atmospheric Administration: Navigation Services
Department of Commerce	National Telecommunications and Information Administration
Department of Commerce	U.S. Patent and Trademark Office - Patents
Department of Commerce	U.S. Patent and Trademark Office - Trademarks
Department of Commerce	United State Patent and Trademark Office - Intellectual Property Protection Activities
Department of Defense--Military	Air Force Aircraft and Weapons Readiness
Department of Defense--Military	Air Force Base Operations & Support
Department of Defense--Military	Air Force Combat-Related Readiness
Department of Defense--Military	Air Force Depot Maintenance
Department of Defense--Military	Army Air Readiness
Department of Defense--Military	Army Base Operations & Support
Department of Defense--Military	Army Depot Maintenance

Table DF-4: Current DF Programs, FY08, continued

Agency Name	PART Program Name
Department of Defense--Military	Army Land Forces Readiness
Department of Defense--Military	Chemical Demilitarization
Department of Defense--Military	Defense Air Transportation System
Department of Defense--Military	Defense Civilian Education and Training
Department of Defense--Military	Defense Commissary Agency
Department of Defense--Military	Defense Contract Audit Agency
Department of Defense--Military	Defense Contract Management Agency
Department of Defense--Military	Defense Health Care
Department of Defense--Military	Defense Housing
Department of Defense--Military	Department of Defense Depot Maintenance: Ship
Department of Defense--Military	Department of Defense Education Activity
Department of Defense--Military	Department of Defense Facilities Sustainment, Restoration, Modernization, and Demolition
Department of Defense--Military	Department of Defense Recruiting
Department of Defense--Military	Department of Defense Training and Education Programs - Accession Training
Department of Defense--Military	Department of Defense Training and Education Programs - Basic Skills and Advanced Training
Department of Defense--Military	Department of Defense Training and Education Programs -- Voluntary Training
Department of Defense--Military	Depot Maintenance - Naval Aviation
Department of Defense--Military	DoD Unmanned Aircraft Systems (UAS)
Department of Defense--Military	Junior Reserve Officer Training Corps
Department of Defense--Military	Marine Corps Base Operations & Support
Department of Defense--Military	Marine Corps Depot Maintenance
Department of Defense--Military	Marine Corps Ground Forces Readiness
Department of Defense--Military	Military Force Management
Department of Defense--Military	Navy Base Operations & Support
Department of Defense--Military	Navy Ship Readiness
Department of Defense--Military	Navy/Marine Corps Air Readiness
Department of Defense--Military	Strategic Offensive Capabilities

Table DF-4: Current DF Programs, FY08, continued

Agency Name	PART Program Name
Department of Defense--Military	Test & Evaluation Programs
Department of Education	IDEA Special Education Grants to States
Department of Education	Improving Teacher Quality State Grants
Department of Energy	Energy Information Administration
Department of Energy	Environmental and Post-Retirement Liabilities
Department of Energy	Federal Energy Management Program
Department of Energy	National Nuclear Security Administration: International Nuclear Materials Protection and Cooperation
Department of Energy	National Nuclear Security Administration: Nonproliferation and International Security
Department of Energy	National Nuclear Security Administration: Safeguards and Security
Department of Energy	National Nuclear Security Administration: Global Threat Reduction Initiative Program
Department of Energy	National Nuclear Security Administration: Nuclear Weapons Incident Response Program
Department of Energy	National Nuclear Security Administration: Secure Transportation Asset (STA)
Department of Energy	Southeastern Power Administration
Department of Energy	Strategic Petroleum Reserve
Department of Health and Human Services	Bioterrorism: Biosurveillance
Department of Health and Human Services	Bioterrorism: Centers for Disease Control and Prevention Intramural Activities
Department of Health and Human Services	CDC: Division of Global Migration and Quarantine
Department of Health and Human Services	Commissioned Corps:Readiness and Response Program
Department of Health and Human Services	Free Clinics Medical Malpractice Coverage
Department of Health and Human Services	Health Care Fraud and Abuse Control
Department of Health and Human Services	Indian Health Service Federally-Administered Activities

Table DF-4: Current DF Programs, FY08, continued

Agency Name	PART Program Name
Department of Health and Human Services	Medicare
Department of Health and Human Services	National Practitioner and Health Care Integrity/Protection Data Banks
Department of Health and Human Services	Office of Disease Prevention and Health Promotion
Department of Health and Human Services	Office of Medicare Hearings and Appeals
Department of Health and Human Services	Office of the National Coordinator for Health Information Technology
Department of Health and Human Services	United States-Mexico Border Health Commission
Department of Homeland Security	Border Security and Control between Ports of Entry
Department of Homeland Security	Coast Guard Fisheries Enforcement
Department of Homeland Security	Coast Guard Migrant Interdiction Program
Department of Homeland Security	Coast Guard: Defense Readiness
Department of Homeland Security	Coast Guard: Drug Interdiction
Department of Homeland Security	Coast Guard: Polar Icebreaking Program
Department of Homeland Security	Coast Guard: Ports, Waterways, and Coastal Security
Department of Homeland Security	Coast Guard: Search and Rescue
Department of Homeland Security	Coast Guard: Waterways Management
Department of Homeland Security	Customs and Border Protection: Automation Modernization
Department of Homeland Security	Customs and Border Protection: Border Security Inspections and Trade Facilitation
Department of Homeland Security	Customs and Border Protection: CBP Air and Marine
Department of Homeland Security	Federal Emergency Management Agency: Grants and Training Office National Exercise Program
Department of Homeland Security	Federal Emergency Management Agency: Grants and Training Office Technical Assistance Program
Department of Homeland Security	Federal Emergency Management Agency: Grants and Training Office Training Program
Department of Homeland Security	Federal Emergency Management Agency: U.S. Fire Administration

Table DF-4: Current DF Programs, FY08, continued

Agency Name	PART Program Name
Department of Homeland Security	Federal Emergency Management Agency: Disaster Recovery
Department of Homeland Security	Federal Emergency Management Agency: Disaster Response
Department of Homeland Security	Federal Emergency Management Agency: National Security
Department of Homeland Security	Federal Emergency Management Agency: Readiness
Department of Homeland Security	Federal Law Enforcement Training Center
Department of Homeland Security	Federal Protective Service
Department of Homeland Security	Homeland Security Operations and Analysis: Classified Programs
Department of Homeland Security	Homeland Security Operations Center
Department of Homeland Security	Immigration and Customs Enforcement: Detention and Removal
Department of Homeland Security	Immigration and Customs Enforcement: Office of Investigations
Department of Homeland Security	Immigration Services
Department of Homeland Security	National Protection & Programs Division: Cyber Security
Department of Homeland Security	National Protection & Programs Division: Infrastructure Protection
Department of Homeland Security	National Protection & Programs Division: National Communications Service
Department of Homeland Security	National Protection & Programs Division: US-VISIT Exit and Entry System for Visitors
Department of Homeland Security	Office of Health Affairs: Medical Coordination
Department of Homeland Security	Science and Technology: Chemical and Biological
Department of Homeland Security	Science and Technology: Command, Control and Interoperability
Department of Homeland Security	Science and Technology: SAFETY ACT
Department of Homeland Security	Secret Service: Domestic Protectees
Department of Homeland Security	Secret Service: Financial and Infrastructure Investigations
Department of Homeland Security	Secret Service: Foreign Protectees and Foreign Missions
Department of Homeland Security	Secret Service: Protective Intelligence

Table DF-4: Current DF Programs, FY08, continued

Agency Name	PART Program Name
Department of Homeland Security	Transportation Security Administration: Federal Air Marshal Service
Department of Homeland Security	Transportation Security Administration: Flight Crew Training
Department of Homeland Security	Transportation Security Administration: Surface Transportation Security
Department of Homeland Security	Transportation Security Administration: Transportation Security Officer Workforce
Department of Homeland Security	Transportation Security Administration: Transportation Security Support
Department of Justice	Arson and Explosives Program
Department of Justice	Bureau of Justice Statistics
Department of Justice	Criminal Enterprises
Department of Justice	Criminal Justice Services
Department of Justice	Cybercrime
Department of Justice	Department of Justice General Legal Activities
Department of Justice	Drug Enforcement Administration
Department of Justice	FBI Counterintelligence Program
Department of Justice	FBI Counterterrorism Program
Department of Justice	FBI Intelligence
Department of Justice	Federal Detention Activities
Department of Justice	Firearms Programs -- Integrated Violence Reduction Strategy
Department of Justice	Immigration Adjudication
Department of Justice	Justice Prisoner and Alien Transportation System
Department of Justice	Prisons Operations
Department of Justice	Radiation Exposure Compensation
Department of Justice	United States Trustees
Department of Justice	US Attorneys
Department of Justice	US Marshals Service - Apprehension of Fugitives
Department of Justice	US Marshals Service- Protection of the Judicial Process
Department of Justice	Vaccine Injury Compensation Program

Table DF-4: Current DF Programs, FY08, continued

Agency Name	PART Program Name
Department of Justice	White Collar Crime
Department of Labor	Black Lung Benefits Program
Department of Labor	Bureau of Labor Statistics
Department of Labor	Department of Labor - Women's Bureau
Department of Labor	Department of Labor: Office of the Solicitor
Department of Labor	Energy Employees Occupational Illness Compensation Program
Department of Labor	Federal Employees Compensation Act
Department of Labor	H-1B Work Visa for Specialty Occupations - Labor Condition Application Program
Department of Labor	Job Training Apprenticeship
Department of Labor	Longshore and Harbor Workers' Compensation Program
Department of Labor	Office of Disability Employment Policy
Department of Labor	Pension Benefit Guaranty Corporation
Department of Labor	Permanent Labor Certification Program
Department of Labor	Senior Community Service Employment Program
Department of Labor	Trade Adjustment Assistance
Department of State	Andean Counterdrug Initiative
Department of State	Anti-Terrorism Assistance
Department of State	Contribution to the United Nations Children's Fund and Other Programs
Department of State	Contributions For International Peacekeeping Activities
Department of State	Contributions to International Organizations
Department of State	Export Control Assistance
Department of State	Foreign Service Institute
Department of State	Humanitarian Demining
Department of State	Interagency Cooperative Administrative Support Services
Department of State	International Boundary and Water Commission
Department of State	International Information Programs
Department of State	International Narcotics Control and Law Enforcement Programs, Africa/Asia

Table DF-4: Current DF Programs, FY08, continued

Agency Name	PART Program Name
Department of State	International Narcotics Control and Law Enforcement Programs, South Asia
Department of State	International Narcotics Control and Law Enforcement Programs, Western Hemisphere
Department of State	Military Assistance to New NATO and NATO Aspirant Nations
Department of State	Nonproliferation and Disarmament Fund
Department of State	Nonproliferation of Weapons of Mass Destruction Expertise
Department of State	Organization for Security and Cooperation in Europe Programs
Department of State	Public Diplomacy
Department of State	Security Assistance for Near East Asia
Department of State	Security Assistance for the Western Hemisphere
Department of State	Security Assistance to Sub-Saharan Africa
Department of State	South Asia Military Assistance
Department of State	State/PKO Global Peace Operations Initiative
Department of State	Terrorist Interdiction Program
Department of State	Visa and Consular Services
Department of State	Worldwide Security Upgrades
Department of the Interior	Bureau of Indian Affairs - Forestry Management
Department of the Interior	Bureau of Indian Affairs - Housing Improvement
Department of the Interior	Bureau of Indian Affairs - Human Services
Department of the Interior	Bureau of Indian Affairs - K-12 School Operations
Department of the Interior	Bureau of Indian Affairs - Law Enforcement
Department of the Interior	Bureau of Indian Affairs - Natural Resource Programs
Department of the Interior	Bureau of Indian Affairs - Operation and Maintenance of Irrigation Projects
Department of the Interior	Bureau of Indian Affairs - Operation and Maintenance of Roads
Department of the Interior	Bureau of Indian Affairs - Realty and Trust
Department of the Interior	Bureau of Indian Affairs - Tribal Courts

Table DF-4: Current DF Programs, FY08, continued

Agency Name	PART Program Name
Department of the Interior	Bureau of Land Management - Energy and Minerals Management
Department of the Interior	Bureau of Land Management - Realty and Ownership Management
Department of the Interior	Bureau of Land Management - Recreation Management
Department of the Interior	Bureau of Land Management - Resource Management
Department of the Interior	Bureau of Land Management - Southern Nevada Land Sales
Department of the Interior	Bureau of Reclamation - Safety of Dams Program
Department of the Interior	Bureau of Reclamation -- Water Management & Environmental Mitigation
Department of the Interior	Bureau of Reclamation: Central Valley Project Improvement Act
Department of the Interior	Department of the Interior - Land and Water Conservation Fund Land Acquisition
Department of the Interior	Department of the Interior - Wildland Fire Management
Department of the Interior	Fish and Wildlife Service - Habitat Conservation
Department of the Interior	Fish and Wildlife Service - Migratory Bird Management and Conservation
Department of the Interior	Fish and Wildlife Service - National Wildlife Refuge System
Department of the Interior	Minerals Management Service - Minerals Revenue Management
Department of the Interior	Minerals Management Service - Outer Continental Shelf Minerals Evaluation and Leasing
Department of the Interior	National Park Service - Concessions Management
Department of the Interior	National Park Service - Cultural Resource Stewardship
Department of the Interior	National Park Service - Natural Resource Stewardship
Department of the Interior	National Park Service - Park Police
Department of the Interior	National Park Service - Technical Assistance
Department of the Interior	National Park Service - Visitor Services
Department of the Treasury	Administering the Public Debt
Department of the Treasury	Bank Secrecy Act Analysis
Department of the Treasury	Bank Secrecy Act Data Collection, Retrieval and Sharing

Table DF-4: Current DF Programs, FY08, continued

Agency Name	PART Program Name
Department of the Treasury	Bureau of Engraving and Printing: Protection and Accountability
Department of the Treasury	Economic and Trade Sanctions Program - Office of Foreign Assets Control
Department of the Treasury	Financial Management Service Collections
Department of the Treasury	Financial Management Service Debt Collection
Department of the Treasury	Financial Management Service Government-wide Accounting
Department of the Treasury	Financial Management Service Payments
Department of the Treasury	Internal Revenue Service Criminal Investigations
Department of the Treasury	Internal Revenue Service Earned Income Tax Credit Compliance
Department of the Treasury	Internal Revenue Service Examinations
Department of the Treasury	Internal Revenue Service Health Care Tax Credit Administration
Department of the Treasury	Internal Revenue Service Retirement Savings Regulatory Program
Department of the Treasury	Internal Revenue Service Submission Processing
Department of the Treasury	Internal Revenue Service Taxpayer Advocate Service
Department of the Treasury	Internal Revenue Service Taxpayer Service
Department of the Treasury	New Currency Manufacturing
Department of the Treasury	Treasury Technical Assistance
Department of the Treasury	U.S. Mint: Coin Production
Department of the Treasury	U.S. Mint: Numismatic Program
Department of the Treasury	U.S. Mint: Protection Program
Department of Transportation	Amtrak
Department of Transportation	Bureau of Transportation Statistics
Department of Transportation	FAA Air Traffic Organization - Technical Operations
Department of Transportation	FAA Air Traffic Organization - Terminal Programs
Department of Transportation	FAA Air Traffic Services
Department of Transportation	Federal Motor Carrier Safety Administration - Operations and Programs
Department of Transportation	Maritime Administration - Merchant Marine Academy

Table DF-4: Current DF Programs, FY08, continued

Agency Name	PART Program Name
Department of Transportation	Maritime Administration Ocean Freight Differential
Department of Transportation	Saint Lawrence Seaway Development Corporation - Operations and Maintenance
Department of Transportation	Transportation RD
Department of Veterans Affairs	Department of Veterans Affairs- General Administration
Department of Veterans Affairs	Montgomery GI Bill- Veterans Education Benefits
Department of Veterans Affairs	Veterans Burial Benefits
Department of Veterans Affairs	Veterans Disability Compensation
Department of Veterans Affairs	Veterans Life Insurance
Department of Veterans Affairs	Veterans Medical Care
Department of Veterans Affairs	Veterans Pension
Department of Veterans Affairs	Vocational Rehabilitation and Employment Program
District of Columbia	District of Columbia Courts
District of Columbia	Public Defender Service for the District of Columbia
Environmental Protection Agency	Chesapeake Bay Program
Environmental Protection Agency	Drinking Water Protection Program
Environmental Protection Agency	EPA Chemical Risk Review and Reduction
Environmental Protection Agency	EPA Climate Change Programs
Environmental Protection Agency	EPA Enforcement of Environmental Laws (Civil)
Environmental Protection Agency	EPA Enforcement of Environmental Laws (Criminal)
Environmental Protection Agency	EPA Great Lakes Program
Environmental Protection Agency	EPA Indoor Air Quality
Environmental Protection Agency	EPA Radiation Protection Program
Environmental Protection Agency	EPA Support for Cleanup of Federal Facilities
Environmental Protection Agency	Pesticide Registration
Environmental Protection Agency	Pesticide Reregistration
Environmental Protection Agency	Superfund Remedial Action
Environmental Protection Agency	Superfund Removal

Table DF-4: Current DF Programs, FY08, continued

Agency Name	PART Program Name
Equal Employment Opportunity Commission	Equal Employment Opportunity Commission
Federal Deposit Insurance Corporation	The Deposit Insurance Fund
Federal Housing Finance Board	Federal Housing Finance Board
Federal Mediation and Conciliation Service	Federal Mediation and Conciliation Service
Federal Trade Commission	Trade Regulation
General Services Administration	General Services Administration - Assisted Acquisition Services (AAS) Portfolio
General Services Administration	General Services Administration - General Supplies and Services (GSS) Portfolio
General Services Administration	General Services Administration - Personal Property Management
General Services Administration	General Services Administration - Real Property Disposal
General Services Administration	General Services Administration - Transportation Management
General Services Administration	General Services Administration - Travel Management
General Services Administration	General Services Administration - USA Services
General Services Administration	General Services Administration Charge Card Services
General Services Administration	GSA Integrated Technology Services Portfolio
International Assistance Programs	International Disaster Assistance
National Aeronautics and Space Administration	NASA Education Program
National Archives and Records Administration	National Archives and Records Administration: Records Services Program
National Credit Union Administration	Share Insurance Fund
Office of Personnel Management	Center for Talent Services - HR Products and Services for Federal Agencies
Office of Personnel Management	Federal Employees Group Life Insurance
Office of Personnel Management	Federal Employees Health Benefits
Office of Personnel Management	Federal Employees Retirement
Office of Personnel Management	Federal Personnel Background Investigations

Table DF-4: Current DF Programs, FY08, concluded

Agency Name	PART Program Name
Office of Personnel Management	Inspector General Oversight of Federal Health Benefits Program
Office of Personnel Management	Leadership Capacity
Office of Personnel Management	Merit System Compliance
Peace Corps	Peace Corps: International Volunteerism
Railroad Retirement Board	Rail Industry Pension Fund
Railroad Retirement Board	Railroad Unemployment Insurance Trust Fund
Securities and Exchange Commission	Examining Compliance with Securities Laws
Securities and Exchange Commission	Securities and Exchange Commission - Enforcement
Small Business Administration	8(a) Business Development Program
Small Business Administration	Historically Underutilized Business Zone - HUBZone
Small Business Administration	Small Business Surety Bonds
Small Business Administration	Women's Business Centers
Smithsonian Institution	Smithsonian Institution Operations and Maintenance
Social Security Administration	Social Security Disability Insurance
Social Security Administration	Social Security Old-Age and Survivors Insurance
Social Security Administration	Supplemental Security Income
Tennessee Valley Authority	Tennessee Valley Authority - NOx Emissions Reduction
United States Interagency Council on Homelessness	U.S. Interagency Council on Homelessness

Regulatory (RG)

RG programs are defined as “Programs that accomplish their mission through rulemaking that implements, interprets or prescribes law or policy, or describes procedure or practice requirements, such as the U.S. Environmental Protection Agency’s Mobile Source Air Pollution Standards and Certification program.”¹⁰⁷

RG programs are sometimes funded by the community that is being regulated—a fee that they pay for the oversight and risk-abatement guidelines provided by the Federal government for the social good. When one reviews the list of programs in Table RG-4 below, we see an array of programs that preserve the social good in our natural resources, societal institutions (such as banking), and facets of our way of life that need to be regulated for fairness or safety reasons, such as the Federal Communications Commission or Nuclear Regulatory Commission’s programs, and these are just examples.

Before a program can become a RG program with the powers required to enforce their desired outcome, a business case of the value of the regulation, vice other options to achieve the same outcome, must be examined. As well, considerations for the practical and financial feasibility of regulating an activity (vice outlawing it altogether, or trusting market failures will be resolved) must be adequately considered.

The guidelines for how RG programs must show the societal need and best value approach toward this need are detailed in Section A below.

¹⁰⁷ OMB, “Guide to the Program Assessment Rating Tool (PART),” January 2008, pp. 86-87.

A. Guidance and Management Requirements

OMB Circular A-4, Regulatory Analysis

This Circular assists analysts in RG agencies “by defining good regulatory analysis ... and standardizing the way benefits and costs of Federal regulatory actions are measured and reported.”¹⁰⁸ It was revised in 2003, from 2000 and 1996 editions. The Introduction gives a terrific explanation for the purpose of a RG analysis:

“Regulatory analysis is a tool regulatory agencies use to anticipate and evaluate the likely consequences of rules. It provides a formal way of organizing the evidence on the key effects—good and bad—of the various alternatives that should be considered in developing regulations. The motivation is to (1) learn if the benefits of an action are likely to justify the costs or (2) discover which of various possible alternatives would be the most cost-effective.”

The Introduction also considers Benefit-Cost analysis as a method of choice for comparing RG alternatives:

“Benefit-cost analysis is a primary tool used for regulatory analysis. Where all benefits and costs can be quantified and expressed in monetary units, benefit-cost analysis provides decision makers with a clear indication of the most efficient alternative, that is, the alternative that generates the largest net benefits to society (ignoring distributional effects). This is useful information for decision makers and the public to receive, even when economic efficiency is not the only or the overriding public policy objective.”

Indeed the MITRE research recommends that this philosophy should be expanded to all Federal programs, not simply RG programs.

Of particular interest to performance management is how this circular recommends how to parameterize “Market Failure or Other Social Purpose” of the regulation intended.

They list “major types of market failure” to include:

“externality, market power, and inadequate or asymmetric information. Correcting market failures is a reason for regulation, but it is not the only reason. Other possible justifications include improving the functioning of government, removing distributional unfairness, or promoting privacy and personal freedom.”¹⁰⁹

The MITRE research team is developing a “Return on Government Investment” analysis process that includes consideration of social goods and bads that are non-monetary in nature.

¹⁰⁸ OMB Circular A-4, “Regulatory Analysis,” A. Introduction, found at: <http://www.whitehouse.gov/omb/circulars/aoo4/a-4.pdf>.

¹⁰⁹ OMB Circular A-4, p. 3.

Executive Order 12866¹¹⁰ (Regulatory Flexibility Act and SBREFA)

This EO requires agencies to conduct a RG analysis for economically significant RG actions.¹¹¹ EO 13422 was amended in February 2002 by E.O. 13258 and then also issued in 2007 to improve “the way the Federal government does business with respect to guidance documents – by increasing their quality, transparency, accountability, and coordination.”¹¹² We see there has been movement toward stakeholder-driven, open government for some time now.

The essence of the amended Executive Order 12866 is “to reform and make more efficient the regulatory process.” The EO:

- applies to the “planning and coordination ... of both new and existing regulations”
- “[R]eaffirm[s] the primacy of Federal agencies in the regulatory decision-making process”
- “[R]estore[s] the integrity and legitimacy of regulatory review and oversight”
- “[M]ake[s] the process more accessible and open to the public.”¹¹³

The first section discusses the RG philosophy and principles of regulation. The philosophy is that agencies should promulgate “alternative regulatory approaches, agencies should select those approaches that maximize net benefits (including potential economic, environmental, public health and safety, and other advantages; distributive impacts; and equity), unless a statute requires another regulatory approach.”¹¹⁴

Of particular interest to performance management in this section is the requirement that all benefits and costs of the RG alternatives should be considered and “understood to include both quantifiable measures (to the fullest extent that these can be usefully estimated) and qualitative measures of costs and benefits that are difficult to quantify, but nevertheless essential to consider.”¹¹⁵

¹¹⁰ See EO 12866, “Regulatory Planning and Review,” found at:
<http://www.whitehouse.gov/omb/infoereg/eo12866.pdf>.

¹¹¹ Also found in OMB Circular A-4, “Regulatory Analysis,” A. Introduction.

¹¹² See OMB, M-07-13, “Implementation of Executive Order 13422 (amending Executive Order 12866) and the OMB Bulletin on Good Guidance Practices,” found at:
<http://www.whitehouse.gov/omb/memoranda/fy2007/m07-13.pdf>.

¹¹³ EO 12866, “Regulatory Planning and Review,” can also be found at:
http://www.whitehouse.gov/omb/assets/omb/infoereg/eo12866/eo12866_amended_01-2007.pdf, page 1.

¹¹⁴ *Ibid.*, Section 1(a).

¹¹⁵ *Ibid.*, Section 1(a).

There are twelve “principles of regulation” listed in this EO that are along the lines of OMB Circular A-4 and of detailed interest to performance management efforts for RG programs.¹¹⁶ Namely, agencies should:

- List the market failure being addressed by the regulation
- Consider the sufficiency, insufficiency, or malice of existing regulations to solve the problem at hand
- Conduct an alternatives analysis, to include direct regulation, or other “incentives to encourage the desired behavior”
- Set RG priorities by considering “the degree and nature of the risks posed by various substances or activities” within the context of the problem identified and their jurisdiction for resolution
- Design regulations that are approved as the best solution to be “the most cost-effective manner to achieve the regulatory objective.” Cost parameters should include: “incentives for innovation, consistency, predictability, the costs of enforcement and compliance (to the government, regulated entities, and the public), flexibility, distributive impacts, and equity.”
- Recognize that “some costs and benefits are difficult to quantify,” and yet adopt regulations “only upon a reasoned determination that the benefits of the intended regulation justify its costs.”
- Select the RG alternative based on the “best reasonably obtainable scientific, technical, economic, and other information concerning the need for, and consequences of, the intended regulation or guidance document.”
- “[S]pecify performance objectives, rather than specifying the behavior or manner of compliance that regulated entities must adopt.”
- “[S]eek views of appropriate State, local, and tribal officials before imposing regulatory requirements that might significantly or uniquely affect those governmental entities.” Harmonization across various layers of government is recommended.
- Coordinate with other agencies to minimize “inconsistent, incompatible, or duplicative ... regulations and guidance documents ... of other Federal agencies.”
- “[T]ailor ... regulations and guidance documents to impose the least burden on society, including individuals, businesses of differing sizes, and other entities,”

¹¹⁶ Ibid., Section 2.

while achieving the regulatory objectives and accounting for the “costs of cumulative regulations.”

- “[D]raft its regulations and guidance documents to be simple and easy to understand, ... [to minimize] the potential for uncertainty and litigation arising from such uncertainty.”

Section 4 of E.O. 12866 provides guidance for planning mechanisms of Agencies with RG oversight roles and responsibilities. This guidance includes outreach to other agencies, agenda-setting, development of a RG plan that considers/is consistent with Presidential Priorities laid out in the Unified Regulatory Agenda,¹¹⁷ as well as guidelines for working with the Office of Information and Regulatory Affairs (OIRA) working groups. The OIRA also put out a best practice guide for Economic Analysis under E.O. 12866.¹¹⁸

Sections 5 and 6 discuss the details of reviewing existing and passing new regulations through the OIRA process, including the roles and responsibilities of the Agency and OIRA staff. Proceeding sections include additional guidance on the documentation and possible judicial review formalities of regulations.

Unfunded Mandates Reform Act

The intent of this Act is:

To curb the practice of imposing unfunded Federal mandates on States and local governments; to strengthen the partnership between the Federal Government and State, local and tribal governments; to end the imposition, in the absence of full consideration by Congress, of Federal mandates on State, local, and tribal governments without adequate funding, in a manner that may displace other essential governmental priorities; and to ensure that the Federal Government pays the costs incurred by those governments in complying with certain requirements under Federal statutes and regulations, and for other purposes.¹¹⁹

Of particular interest to performance management is section 423 of this Act which states that any Congressional Committees proposing Federal mandate must report on considerations of cost and benefit for the proposed regulation:

“(2) a qualitative, and if practicable, a quantitative assessment of costs and benefits anticipated from the Federal mandates (including the effects on health and safety and the protection of the natural

¹¹⁷ See the Unified Agenda at: <http://www.gpoaccess.gov/ua/index.html>. This agenda is “published twice a year (usually in April and October) in the Federal Register (FR), summarizes the rules and proposed rules that each Federal agency expects to issue during the next year.”

¹¹⁸ OMB, “Economic Analysis of Federal Regulations Under Executive Order 12866,” January 11, 1996, at http://www.whitehouse.gov/omb/inforeg_riaguide/.

¹¹⁹ The Unfunded Mandates Reform Act can be found at: <http://www.sba.gov/advo/laws/unfund.pdf>.

environment); and (3) a statement of the degree to which a Federal mandate affects both the public and private sectors and the extent to which Federal payment of public sector costs or the modification or termination of the Federal mandate as provided under section 425(a)(2) would affect the competitive balance between State, local, or tribal governments and the private sector including a description of the actions, if any, taken by the committee to avoid any adverse impact on the private sector or the competitive balance between the public sector and the private sector.”¹²⁰

B. RG Metrics and Stakeholder Representation

OMB provides guidance to PART program subjects, but likely the best guidance for programs is examples from programs similar to their own. The examples in Table RG-2 below are of several types—from food safety to elimination of acid rain. As would be expected, RG program metrics often communicate the elimination of something “bad.”

To what degree are RG programs stakeholder-driven? By the concepts of decentralization, networked stakeholder participation, and client-driven programs, our analysis shows that the outcomes desired (and measured) by the regulation and RG body are usually centralized at an Agency level, at least from a policy perspective. An understanding of the common “good” that needs to result, that the private market is unable to create or sustain, is established in the rigorous analysis justifying the need for the regulation. The administration may be geographically dispersed, and may rely on State or local initiatives. This ability to mix centralized and decentralized hierarchical management structures suggests RG programs can be flexibly organized to be responsive to stakeholder-driven needs.

The implementation of RG programs may be federated by roles, responsibilities, demographic differentiators (wealth, geography, occupation, etc.), and require far-reaching and networked stakeholder participation for compliance to be complete and verifiable at the local or grassroots level. For example, nuclear power plant safety is not only monitored and regulated from a centralized level, it is also constantly watched and kept current by varied local interests.

Because some regulations are funded by issuing fees on the portion of the communities that cause the harm, negative externality, or pose the risks, our analysis finds that these programs are client-driven, because the offender are identifiable and stakeholders can hold those responsible for the externality accountable. Economic theory would predict that the fees charged for a supplier to participate as a possibly negative force in a market will be actuarially equivalent to expected value of the loss incurred.¹²¹ Another

¹²⁰ *Ibid.*, Section 423.

¹²¹ Harold D. Skipper, *RISK MANAGEMENT AND INSURANCE: PERSPECTIVES IN A GLOBAL ECONOMY*, Massachusetts: Blackwell Publishing, (2007) p. 34.

interesting fact about RG programs funded by private sector fees is they consist of “no-year” monies—because they are funded by the group over which they regulate, they may or may not receive additional appropriations. These no-year monies can be extended to future years.

Table RG-1. Quality RG Program Effectiveness Measures

Agency	Program	Performance Measure	Measure type	Program Type
Department of Agriculture	APHIS: Animal and Plant Health Monitoring	Percent of known pest introductions (those that cause severe economic and ecological damage) detected before they spread from original area of colonization	Outcome	Regulatory
Department of Agriculture	Food Safety and Inspection Service	Reduction in prevalence of foodborne illness from meat, poultry, and egg products	Outcome	Regulatory
Department of Health and Human Services	Food and Drug Administration	Increase consumer understanding of diet-disease relationship, and in particular, the relationships between dietary fats and the risk of coronary heart disease, the leading cause of death in the U.S.	Outcome	Regulatory
Department of Transportation	Federal Railroad Administration (FRA): Railroad Safety Program	By FY 2008, reduce the ratio of indirect spending on safety activities to 27% from 30% in FY 2003	Efficiency	Regulatory
Environmental Protection Agency	Acid Rain	Percent reduction in number of chronically acidic waterbodies in acid-sensitive regions	Outcome	Regulatory

Table RG-2 assesses whether the metrics in Table RG-1 serve to adequately answer the questions posed by the PART. On the whole, this research finds that for RG programs, the management considerations and processes (how it is done) are nearly as important as the results, as regulations *legislate* to alter behavior and the marketplace to achieve results and social goals. It is our observation that the sheer abundance of additional questions in the PART required for RG programs exemplifies this point.

Table RG-2. Adequacy of RG Metrics to Answer Key PART Questions

PART Question	Exemplar metrics satisfactory?	Additional comment
4.3: Does the program demonstrate improved efficiencies or cost effectiveness in achieving program goals each year?	The stakeholder of each of the outcome and efficiency indicator in Table RG-1 above were explicit.	Only in one case did we need to look at the program name to see for which stakeholder the cost savings would be realized. .
4.4: Does the performance of this program compare favorably to other programs, including government, private, etc., with similar purpose and goals?	This was not evident from the exemplar measures, but it is presumed that regulatory programs have requisite local government and industry partners that assist in guiding effective and efficient program delivery.	It is presumable that adequate benchmarking of adjacent efforts and sector needs was conducted under the processes of OMB Circular A-4 and E.O. 12866 before the program funds would be authorized.
2.RG1: Are all regulations issued by the program/agency necessary to meet the stated goals of the program, and do all regulations clearly indicate how the rules contribute to achievement of the goals?	Regulatory need was not captured in these outcome measures. This would come from a different section of the PART.	OMB Circular A-4 and E.O. 12866 require that regulations receive an ‘affirmative’ on this before they can progress or stay intact.
3.RG1: Did the program seek and take into account the views of all affected parties (e.g., consumers; large and small businesses; State, local and tribal governments; beneficiaries; and the general public) when developing significant regulations?	Successful answers to these management efficacy questions will not be satisfactorily answered by outcome and results metrics.	However, links to program PART reports for Regulatory programs can be found at: http://www.whitehouse.gov/omb/expectmore/topic/Regulatory-based_Program.html .
3.RG2: Did the program prepare adequate regulatory impact analyses if required by Executive Order 12866, regulatory flexibility analyses if required by the Regulatory Flexibility Act and SBREFA, and cost-benefit analyses if required under the Unfunded Mandates Reform Act; and did those analyses comply with OMB guidelines?		If you click on the program name, you will see a summary of the PART assessment, but there is no access to their A-4 or EO 12866 documentation. Each RG program has a “Link” to their webpage available, many of which have public outreach links on their sites and all are very informational about the nature and many aspects of their program.
3.RG3: Does the program systematically review its current regulations to ensure consistency among all regulations in accomplishing program goals?		
3.RG4: Are the regulations designed to achieve program goals, to the extent practicable, by maximizing the net benefits of its regulatory activity?		
4.RG1: Were programmatic goals (and benefits) achieved at the least incremental societal cost and did the program maximize net benefits?		

Characteristics in addition to the PART considerations that outcome measures of the RG program type should possess to help quantify benefit to stakeholders include:

The PART fails to ask the RG programs for outcome metrics that articulate the relevant market failure and quantify the impact that the program had on this failure. The PART does ask RG programs to assess whether the benefits of a regulation will justify the costs, and the alternatives analysis (A-4) is thorough. While the A-4 analysis may articulate and record the “state of the market failure is X,” or a matching “the market failure avoided will be Y,” there needs to be an accounting of how the program in question addressed or resolved these issues in the outcome metric developed.

C. Agency Programs in 2008

Spending Levels in FY06-FY09R: Figure RG-1 shows RG programs represent 1% of the total spending captured by the Federal PART programs. Spending in the RG Program area has, however, nearly doubled in the FY06 to FY09r timeframe, from just over \$15B to slightly over \$30B for the 74 programs, see Table RG-4 below, in total.

FY08 Performance: Table RG-3 shows the performance of the RG programs in FY08 was a margin below the average performance of all other program types. The variance in the performance scores across the four types of RG scores was slightly above that of all program types by about 4%. The length of time since a program was last reviewed was, on average, equal to the average for all program types at 3.04 years.

These blanket statistics across all RG programs infer comparatively “decent” Program Purpose & Design, Planning, and Management mechanisms, as well as Actual Results when compared to the population average. Table RG-3 shows that all score types for RG programs averages 75% on a 100% scale.¹²² The average variance in successes in these factors—about 4% more than the variance all programs as a group across these factors—suggest “on par” consistency in program management and results delivery. However, Figure RG-2 shows RG Program ratings percentages as compared to the entire set of PART programs—the RG programs had a relatively larger proportion of their programs in the top and bottom categories, countered by a relatively lower percentage of their programs in the middle three categories than all PART programs combined.

¹²² These factors had different weights applied to the scores in these four areas to calculate a rating for each program. The weights for Program Purpose & Design, Planning, Management, and Actual Results, are 20%, 10%, 20%, and 50%, respectively. The Mean and Variance calculations DO NOT take these weights into account, as this can be politically motivated and may mask the true level of strength and program consistency across these four performance factors.

Table RG-3: RG Program Performance Summary

Area:	RG (74)
Mean PART Score*	75%
Score Variance**	7%
RG Variance versus Total Variance	104%
Avg. Assessment Latency (years)	3.04

*Mean Score is the average score across all four sections of PART over all programs of that type.

**Score Variance is the variance across scores in all four sections of PART over all programs of that type.

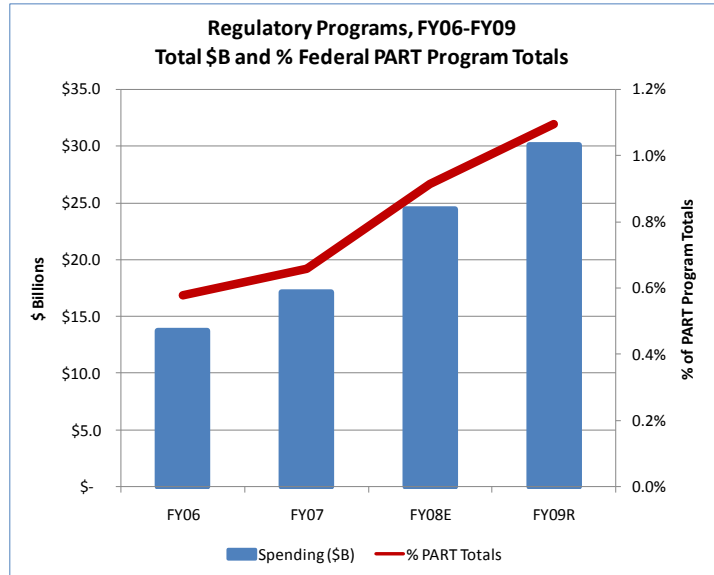


Figure RG-1. RG Program Spending Statistics, FY06-FY09R

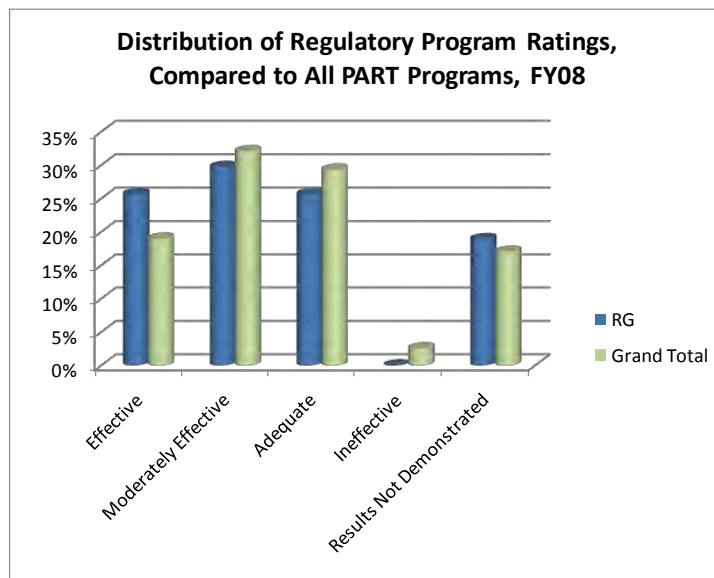


Figure RG-2. RG Program Ratings, Compared to All PART Programs

Table RG-4: Current RG Programs, FY08

Agency Name	PART Program Name
Consumer Product Safety Commission	Consumer Product Safety Commission
Corps of Engineers-Civil Works	Corps of Engineers: Regulatory Program
Department of Agriculture	Animal Welfare
Department of Agriculture	Emergency Pest and Disease Management Programs
Department of Agriculture	Food Safety and Inspection Service
Department of Agriculture	On-going Pest and Disease Management Program
Department of Agriculture	Packers and Stockyards
Department of Agriculture	Pest and Disease Exclusion
Department of Agriculture	Plant and Animal Health Monitoring Programs
Department of Commerce	Bureau of Industry and Security
Department of Commerce	International Trade Administration: Import Administration
Department of Commerce	National Marine Fisheries Service
Department of Commerce	National Oceanic & Atmospheric Administration: Protected Areas
Department of Health and Human Services	Food and Drug Administration
Department of Health and Human Services	Health and Human Services - Office for Civil Rights
Department of Homeland Security	Coast Guard Marine Environmental Protection
Department of Homeland Security	Coast Guard: Marine Safety
Department of Homeland Security	Transportation Security Administration: Air Cargo Security Programs
Department of Homeland Security	Transportation Security Administration: Aviation Regulation and Enforcement
Department of Homeland Security	Transportation Security Administration: Transportation Vetting and Credentialing
Department of Housing and Urban Development	Manufactured Housing and Standards
Department of Housing and Urban Development	Office of Federal Housing Enterprise Oversight

Table RG-4: Current RG Programs, FY08, continued

Agency Name	PART Program Name
Department of Labor	Employee Benefits Security Administration
Department of Labor	Mine Safety and Health Administration
Department of Labor	Occupational Safety and Health Administration
Department of Labor	Office of Federal Contract Compliance
Department of Labor	Office of Labor-Management Standards
Department of Labor	Prevailing Wage Determination Program
Department of Labor	Wage and Hour Enforcement and Compliance Program
Department of the Interior	Bureau of Land Management - Mining Law Administration
Department of the Interior	Fish and Wildlife Service - Endangered Species
Department of the Interior	Fish and Wildlife Service - Wildlife and Sport Fish Restoration
Department of the Interior	Minerals Management Service - Outer Continental Shelf Minerals Regulation and Compliance
Department of the Interior	Office of Surface Mining - Federal Managed Regulation of Surface Coal Mining and Abandoned Mine Land Reclamation
Department of the Interior	Office of Surface Mining - State Managed Regulation of Surface Coal Mining
Department of the Treasury	Alcohol and Tobacco Tax and Trade Bureau Collect the Revenue Program
Department of the Treasury	Alcohol and Tobacco Tax and Trade Bureau Protect the Public Program
Department of the Treasury	Bank Secrecy Act Administration
Department of the Treasury	National Bank Supervision
Department of the Treasury	Thrift Institution and Savings Association Supervision
Department of Transportation	Department of Transportation Pipeline Safety
Department of Transportation	FAA Aviation Safety
Department of Transportation	Hazardous Materials Transportation Safety
Department of Transportation	National Highway Traffic Safety Administration - Operations and Research
Department of Transportation	Railroad Safety Program
Environmental Protection Agency	EPA Acid Rain Program

Table RG-4: Current RG Programs, FY08, continued

Agency Name	PART Program Name
Environmental Protection Agency	EPA Oil Spill Control
Environmental Protection Agency	EPA's Recycling, Waste Minimization, and Waste Management Program
Environmental Protection Agency	Mobile Source Air Pollution Standards and Certification
Environmental Protection Agency	National Ambient Air Quality Standards and Regional Haze Programs
Environmental Protection Agency	Resource Conservation and Recovery Act Corrective Action
Environmental Protection Agency	Stratospheric Ozone Protection
Environmental Protection Agency	Surface Water Protection
Environmental Protection Agency	Toxic Air Pollutants - Regulations and Federal Support
Federal Communications Commission	Auctions of Licenses for Electromagnetic Spectrum
Federal Communications Commission	Federal Communications Commission - Salaries and Expenses
Federal Communications Commission	Telecommunications Relay Service
Federal Communications Commission	Universal Service Fund for Low Income Customers
Federal Communications Commission	Universal Service Fund for Rural Health Care Providers
Federal Deposit Insurance Corporation	Federal Deposit and Insurance Corporation: Regulation and Examination
Federal Election Commission	Federal Election Laws - Compliance and Enforcement
General Services Administration	General Services Administration - Office of Governmentwide Policy
National Credit Union Administration	Regulation of Federal Credit Unions
Nuclear Regulatory Commission	Decommissioning and Low Level Waste
Nuclear Regulatory Commission	Fuel Facilities Licensing & Inspection
Nuclear Regulatory Commission	High-Level Waste Repository
Nuclear Regulatory Commission	Nuclear Materials Users Licensing & Inspection
Nuclear Regulatory Commission	Reactor Inspection and Performance Assessment
Nuclear Regulatory Commission	Reactor Licensing
Nuclear Regulatory Commission	Spent Fuel Storage and Transportation Licensing and Inspection
Office of Personnel Management	Human Capital Program

Table RG-4: Current RG Programs, FY08, concluded

Agency Name	PART Program Name
Securities and Exchange Commission	Regulation of Securities Trading and Market Participants
Securities and Exchange Commission	Regulation of the Investment Management Industry
Securities and Exchange Commission	Securities and Exchange Commission - Full Disclosure Program (Corporate Review)

Research and Development (RD)

RD programs are defined as “Programs that focus on knowledge creation or its application to the creation of systems, methods, materials, or technologies, such as DOE’s Solar Energy and NASA’s Solar System Exploration programs.”¹²³

A. Guidance and Management Requirements

There are two key documents that aid the management of Federal R&D programs, the Administration RD Priorities and the PART Guidance.

Administration RD Priorities:

The most current Obama Administration R&D Priorities were issued in August of 2009.¹²⁴ The priorities, or “practical challenges” as they are referred, include job creation, energy, reduction of health care costs, and technological innovation for national security:

- “Applying science and technology strategies to drive economic recovery, job creation, and economic growth;
- Promoting innovative energy technologies to reduce dependence on energy imports and mitigate the impact of climate change while creating green jobs and new businesses;
- Applying biomedical science and information technology to help Americans live longer, healthier lives while reducing health care costs; and
- Assuring we have the technologies needed to protect our troops, citizens, and national interests, including those needed to verify arms control and nonproliferation agreements essential to our security.”

Interestingly, a precursor to the priorities summarized in this August 2009 Memorandum summarized in the article “Holdren Lays Out Obama Administration’s R&D Priorities”¹²⁵ inferred a slightly different set of priorities. Holdren’s talk emphasized innovations within “NASA, NOAA, climate change, energy, environment,

¹²³ OMB, “Guide to the Program Assessment Rating Tool (PART),” January 2008, p. 87

¹²⁴ OMB M-09-27, “Science and Technology Priorities for the FY 2011 Budget,” August 4, 2009. See: <http://www.whitehouse.gov/omb/assets/omb/memoranda/fy2009/m09-27.pdf>.

¹²⁵ Doug Messieron, “Holdren Lays Out Obama Administration’s R&D Priorities,” May 16, 2009.

and STEM education.”¹²⁶ The previous OMB Memoranda was entitled “Updated Administration Research and Development Priorities.”¹²⁷

The Office of Science and Technology Policy (OSTP) manages the R&D program oversight for the Federal government. The periodic memoranda help to guide Agency budget priorities by emphasizing special Presidential priorities, inter-Agency priorities (e.g., biometrics), as well as a re-emphasis of the high qualifications required for all R&D programs. In their descriptions of the priorities and areas of focus, there are embedded examples of outcomes (and sometimes stakeholders) and expected benefits.

PART Guidance: PART Guidance provides detailed expectations about RD programs.

“The R&D criteria address not only planning, management, and prospective assessment but also retrospective assessment. Retrospective review of whether investments were well-directed, efficient, and productive is essential for validating program design and instilling confidence that future investments will be wisely invested. Retrospective reviews should address continuing program relevance, quality, and successful performance to date.”¹²⁸

The three sets of criteria are summarized below.

Relevance: “R&D investments must have clear plans, must be relevant to national priorities, agency missions, relevant fields, and ‘customer’ needs, and must justify their claim on taxpayer resources.” There are five areas of guidance under this criterion:

- Programs must have complete plans, with clear goals and priorities.
- Programs must articulate the potential public benefits of the program
- Programs must document their relevance to specific Presidential priorities to receive special consideration.
- Program relevance to the needs of the Nation, of fields of Science & Technology, and of program “customers” must be assessed through prospective external review.
- Program relevance to the needs of the Nation, of fields of S&T, and of program “customers” must be assessed periodically through retrospective external review.

¹²⁶ Doug Messieron, “Holdren Lays Out Obama Administration’s R&D Priorities,” May 16, 2009.

¹²⁷ OMB, M-07-22, “FY 2009 Administration Research and Development Budget Priorities,” August 14, 2007.

See: <http://www.whitehouse.gov/omb/assets/omb/memoranda/fy2007/m07-22.pdf>.

¹²⁸ See PART Guidance Appendix C: Research and Development Program Investment Criteria, 2008, pp. 72-78.

Quality: “Programs should maximize the quality of the R&D they fund through the use of a clearly stated, defensible method for awarding a significant majority of their funding. A customary method for promoting R&D quality is the use of a competitive, merit-based process.” There are two areas of guidance under this criterion:

- Programs allocating funds through means other than a competitive, merit-based process must justify funding methods and document how quality is maintained.
- Program quality must be assessed periodically through retrospective expert review.

Performance: “Metrics should be defined not only to encourage individual program performance [towards high priority, multi-year R&D objectives] but also to promote, as appropriate, broader goals, such as innovation, cooperation, education, and dissemination of knowledge, applications, or tools.” There are three areas of guidance under this criterion:

- Programs may be required to track and report relevant program inputs annually.
- Programs must define appropriate output and outcome measures, schedules, and decision points.
- Program performance must be retrospectively documented annually.

In addition to the requirements above, it is important to recognize that the costs and benefits of RD programs are difficult to model, because time is a critical factor, as is uncertainty. Successful RD programs change the way a scientific field approaches their problems, possibly resulting in great innovations for society as a whole. Public investment in innovation can increase the production possibilities for society in the future. Because of the uncertainties with RD programs, however, it is important to keep abreast of the program’s progress.

B. R&D Metrics and Stakeholder Representation

OMB provides special guidance to PART R&D programs. Appendix C in the PART Guidance provides investment criteria for R&D programs—relevance, quality, and performance—and these provide ample guidance on desired outcomes from R&D programs as well as considerations for stakeholders. As in the sections above, another source of guidance for programs is examples from programs similar to their own.

The metrics in Table RD-1 measure outcomes in terms of energy creation and the cost efficiencies thereof of various types of energy creation, improvements in energy storage mechanisms, vaccination developments for deadly disease, exploration/study successes in Mars climate change, spacecraft development efficiencies, and the qualitative value of nanotechnology advancements. The notion of the stakeholder, other than industry segments or scientific disciplines are not apparent, but the notion of ‘spillover’ of research findings that change the everyday lives of citizens is a public good that is rarely accounted for in most value calculations.

To what degree are RD programs stakeholder-driven? The policy aspects of R&D programs are centralized and the administrative aspects of R&D oversight is centralized at a Federal Agency level. Networked stakeholder participation likely takes place at a scientific execution level, but may or may not be centralized at an Agency level. While R&D programs are not administered by States or localities, the largely centralized set of programs does network with research communities, and places importance on coordination of findings.¹²⁹ As for RD programs being client-driven, Appendix C of the PART states that time-dependent milestones toward a defined outcome or goal must be clear.

¹²⁹ This is surmised from the PART Guidance question “2.6: Are independent evaluations of sufficient scope and quality conducted on a regular basis or as needed to support program improvements and evaluate effectiveness and relevance to the problem, interest, or need?” and the guidance for R&D programs to “For R&D programs, this question is central to prospective planning to address all of the R&D investment criteria.”

Table RD-1. Quality RD Program Effectiveness Measures

Agency	Program	Performance Measure	Measure type	Program Type
Department of Energy	Distributed Energy Resources	Number of technologies developed with a 25% increase in energy efficiency, with NOx emissions less than .15 lbs per MWh and equivalent or 10% reduction in cost to comparable technologies	Outcome	R&D
Department of Energy	Geothermal Technology Program	Cost of "binary power" from geothermal resources, in cents per kilowatt-hour	Outcome	R&D
Department of Energy	Geothermal Technology Program	Cost of drilling geothermal wells based on program estimates, in dollars per foot (\$/ft)	Outcome	R&D
Department of Energy	Geothermal Technology Program	Cost of "flash power" from geothermal resources, in cents per kilowatt-hour	Outcome	R&D
Department of Energy	Hydrogen Technology Program	Energy density of hydrogen storage systems using solid state storage technologies, in weight percent	Outcome	R&D
Department of Health and Human Services	HIV/AIDS Research	By 2010, develop a HIV/AIDS vaccine	Outcome	R&D
National Aeronautics and Space Administration	Mars Exploration	Progress in characterizing the present climate of Mars and determining how it has evolved over time	Outcome	R&D
National Aeronautics and Space Administration	Mars Exploration	Cumulative and annual percentage baseline cost overrun on spacecraft under development	Efficiency	R&D
National Science Foundation	Nanoscale Science and Engineering	As qualitatively evaluated by external experts, the successful development of a knowledge base for systematic control of matter at the nanoscale	Efficiency	R&D

Table RD-2 assesses whether the metrics in Table RD-1 serve to adequately answer the questions posed by the PART. On the whole, the exemplar measures gave little to no inclinations of serving as evidence for the additional PART questions for RD programs. However, the metrics did portray an array of ideas and areas of science that were included in the RD program area, and one could visualize the "public value" that would transpire.

Table RD-2: Adequacy of RD Metrics to Answer Key PART Questions

PART Question	Exemplar metrics satisfactory?	Additional comment
4.3: Does the program demonstrate improved efficiencies or cost effectiveness in achieving program goals each year?	Cost effectiveness was considered an outcome measure (vice an efficiency measure) in several cases.	There were perhaps other outcomes related to these cost effectiveness metrics that could have made the metric appear more like an outcome, such as “the geological impact of drilling was minimized to below current minimum industry standards.” .
4.4: Does the performance of this program compare favorably to other programs, including government, private, etc., with similar purpose and goals?	This was not evident from the exemplar measures.	It is presumable that adequate benchmarking of adjacent efforts and sector needs was conducted under the requirements for external review in Part C of the PART.
2.RD1: If applicable, does the program assess and compare the potential benefits of efforts within the program and (if relevant) to other efforts in other programs that have similar goals?	This was not evident from the exemplar measures, but the simple cost measures are surely comparable to alternative technological methods.	As above, comparisons were likely conducted under the requirements for external review in Part C of the PART.
2.RD2: Does the program use a prioritization process to guide budget requests and funding decisions?	The answer to this question would not be evident from outcome metrics.	The PART summaries for RD programs on expectmore.gov make a statement about whether the program has a process for prioritizing resources.
3.RD1: For R&D programs other than competitive grants programs, does the program allocate funds and use management processes that maintain program quality?	The answer to this question would not be evident from outcome metrics.	Generally, the existence of a prioritization process and the level of quality management (2.RD2 and 3.RD1) are discussed together in the expectmore.gov summary. If they are not both successful, they will be addressed separately in the improvement plan, also on this page.

Characteristics in addition to the PART considerations that outcome measures of the RD program type should possess to help quantify benefit to stakeholders include:

An accounting of the presidential priorities or other area of social value should be at the forefront of RD outcome metrics. This will help the program “keep their eye on the ball,” in terms of the nature of value that is expected to transpire. Because RD programs are somewhat nebulous, keeping them on a meaningful azimuth is also a

“scope creep” risk mitigator, yet, may also enable programs to meaningfully capture additional, unintended results created.

C. Agency Programs in 2008

Spending Levels in FY06-FY09R: Figure RD-1 displays RD programs accounting for between 2 and 3 percent of the total spending captured by the Federal PART programs. Spending in the RD area is nearly \$70B annually for these 113 programs, see Table RD-4 below, in total.

FY08 Performance: Table RD-3 shows the average performance of the RD programs in FY08 was among the two highest of all seven types, at 81% on a 100 point scale. The variance of the scores across the four types of performance was the lowest of all program types, about one-third less than the variance of all programs.¹³⁰ The length of time since a program was last reviewed was, on average, the longest of all program types, at 3.35 years.

These blanket statistics across all RD programs infer comparatively “well-managed” Program Purpose & Design, Planning, and Management mechanisms, as well as Actual Results when compared to the population average. Figure RD-2 shows RD Program ratings percentages as compared to the entire set of PART programs—the RD programs had a significantly higher percentage of programs in Effective and Moderately Effective categories, and a corresponding lower proportion of the programs in the lowest three rating categories, Adequate, Ineffective, and Results Not Demonstrated.

¹³⁰ These factors had different weights applied to the scores in these four areas to calculate a rating for each program. The Mean and Variance calculations DO NOT take these weights into account, as this can be politically motivated and may mask the true level of strength and program consistency across these four performance factors.

Table RD-3: RD Program Performance Summary

Area:	RD (113)
Mean PART Score*	81%
Score Variance**	5%
RD Variance versus Total Variance	67%
Avg. Assessment Latency (years)	3.35

*Mean Score is the average score across all four sections of PART over all programs of that type.

**Score Variance is the variance across scores in all four sections of PART over all programs of that type.

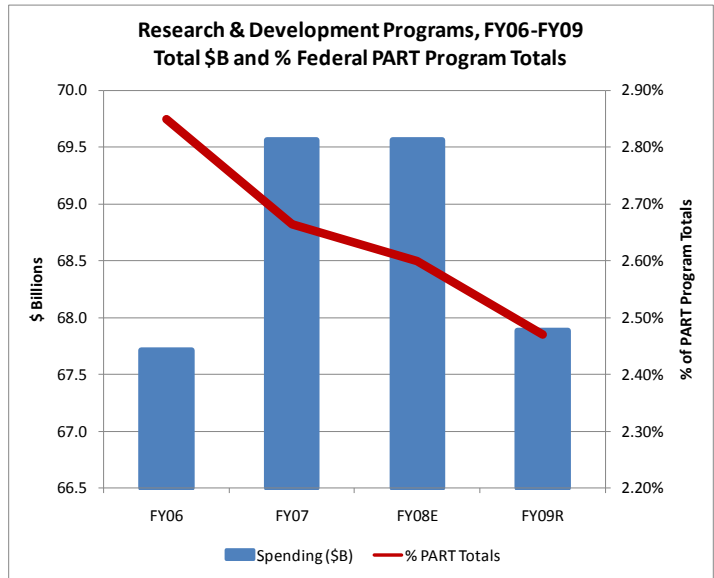


Figure RD-1: RD Program Spending Statistics, FY06-FY09R

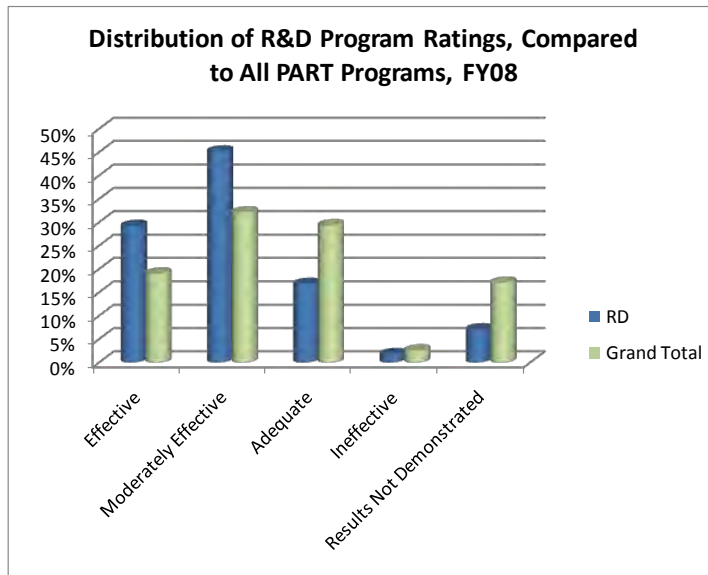


Figure RD-2: RD Program Ratings, Compared to All PART Programs

Current RD Programs, by Agency

Table RD-4: Current RD Programs, FY08

Agency Name	PART Program Name
Department of Agriculture	Economic Research Service
Department of Agriculture	Grants for Economic Opportunities and Quality of Life for Rural America
Department of Agriculture	Grants for Nutrition and Health
Department of Agriculture	In-House Research for Natural Resource Base and Environment
Department of Agriculture	In-House Research for Nutrition and Health
Department of Agriculture	Natural Resource Base & Environment (Grants)
Department of Agriculture	Protection and Safety of Agricultural Food Supply (Grants)
Department of Agriculture	Research on Protection and Safety of Agricultural Food Supply
Department of Agriculture	Research/Extension Grants: Economic Opportunities for Producers
Department of Agriculture	USDA Research: Economic Opportunities for Producers
Department of Commerce	National Institute of Standards and Technology Laboratories
Department of Commerce	National Oceanic & Atmospheric Administration: Climate Program
Department of Commerce	National Oceanic & Atmospheric Administration: Ecosystem Research
Department of Defense--Military	Defense Advanced Technology Development Program
Department of Defense--Military	Defense Applied Research Program
Department of Defense--Military	Defense Basic Research
Department of Defense--Military	Defense Small Business Innovation Research/Technology Transfer
Department of Education	IDEA Special Education - Research and Innovation
Department of Education	Institute of Education Sciences Research
Department of Education	National Assessment for Educational Progress
Department of Education	National Center for Education Statistics
Department of Education	National Institute on Disability and Rehabilitation Research

Table RD-4: Current RD Programs, FY08, continued

Agency Name	PART Program Name
Department of Energy	Advanced Fuel Cycle Initiative
Department of Energy	Advanced Scientific Computing Research
Department of Energy	Basic Energy Sciences
Department of Energy	Biological and Environmental Research
Department of Energy	Biomass and Biorefinery Systems
Department of Energy	Building Technologies
Department of Energy	Coal Energy Technology
Department of Energy	Distributed Energy Resources
Department of Energy	Electric System Research and Development
Department of Energy	Fusion Energy Sciences
Department of Energy	Generation IV Nuclear Energy Systems Initiative
Department of Energy	Geothermal Technology
Department of Energy	High Energy Physics
Department of Energy	Hydrogen Technology
Department of Energy	Industrial Technologies Program
Department of Energy	National Nuclear Security Administration: Advanced Simulation and Computing (ASC)
Department of Energy	National Nuclear Security Administration: Engineering Campaign
Department of Energy	National Nuclear Security Administration: Naval Reactors
Department of Energy	National Nuclear Security Administration: Nonproliferation and Verification Research and Development
Department of Energy	National Nuclear Security Administration: Pit Manufacturing and Certification Campaign
Department of Energy	National Nuclear Security Administration: Readiness Campaign
Department of Energy	National Nuclear Security Administration: Science Campaign
Department of Energy	Natural Gas Technology
Department of Energy	Nuclear Physics
Department of Energy	Nuclear Power 2010
Department of Energy	Oil Technology

Table RD-4: Current RD Programs, FY08, continued

Agency Name	PART Program Name
Department of Energy	Solar Energy
Department of Energy	Vehicle Technologies
Department of Energy	Wind Energy
Department of Health and Human Services	CDC: Occupational Safety and Health
Department of Health and Human Services	Hansen's Disease Services Programs
Department of Health and Human Services	Health - Data Collection and Dissemination
Department of Health and Human Services	Health Care Patient Safety
Department of Health and Human Services	Health Information Technology Research (AHRQ)
Department of Health and Human Services	HIV/AIDS Research
Department of Health and Human Services	National Center for Health Statistics
Department of Health and Human Services	National Institutes of Health - Extramural Research Programs
Department of Health and Human Services	National Institutes of Health - Intramural Research
Department of Health and Human Services	Pharmaceutical Outcomes
Department of Homeland Security	Science and Technology: Rapid Prototyping of Countermeasures
Department of Homeland Security	Science and Technology: Chemical and Explosive Countermeasures
Department of Homeland Security	Science and Technology: Emerging Homeland Security Threat Detection
Department of Homeland Security	Science and Technology: Homeland Security University Fellowships
Department of Homeland Security	Science and Technology: Standards Development for Homeland Security Technology
Department of Homeland Security	Science and Technology: Threat and Vulnerability, Testing and Assessment

Table RD-4: Current RD Programs, FY08, continued

Agency Name	PART Program Name
Department of Justice	National Institute of Justice
Department of the Interior	Bureau of Reclamation - Science and Technology Program
Department of the Interior	Minerals Management Service - Outer Continental Shelf Environmental Studies
Department of the Interior	US Geological Survey - Biological Information Management and Delivery
Department of the Interior	US Geological Survey - Biological Research and Monitoring
Department of the Interior	US Geological Survey - Coastal and Marine Geology
Department of the Interior	US Geological Survey - Energy Resource Assessments
Department of the Interior	US Geological Survey - Geographic Research, Investigations, and Remote Sensing
Department of the Interior	US Geological Survey - Geologic Hazard Assessments
Department of the Interior	US Geological Survey - Mineral Resource Assessments
Department of the Interior	US Geological Survey - National Cooperative Geological Mapping
Department of the Interior	US Geological Survey - Water Information Collection and Dissemination
Department of the Interior	US Geological Survey - Water Resources Research
Department of Transportation	FAA Research, Engineering & Development
Department of Transportation	Highway Research and Development/Intelligent Transportation Systems
Department of Transportation	Railroad Research and Development
Department of Transportation	Transit Research
Department of Veterans Affairs	Veterans Health Research and Development
Environmental Protection Agency	Drinking Water Research
Environmental Protection Agency	EPA Ecological Research
Environmental Protection Agency	EPA Human Health Research
Environmental Protection Agency	EPA Pesticides and Toxics Research
Environmental Protection Agency	Global Change Research
Environmental Protection Agency	Human Health Risk Assessment Program
Environmental Protection Agency	Land Protection and Restoration Research

Table RD-4: Current RD Programs, FY08, concluded

Agency Name	PART Program Name
Environmental Protection Agency	National Ambient Air Quality Standards Research
Environmental Protection Agency	Pollution Prevention and New Technologies Research
Environmental Protection Agency	Water Quality Research
National Aeronautics and Space Administration	NASA Advanced Capabilities in Space Exploration
National Aeronautics and Space Administration	NASA Aeronautics Technology
National Aeronautics and Space Administration	NASA Astronomy and Astrophysics Research
National Aeronautics and Space Administration	NASA Earth Science
National Aeronautics and Space Administration	NASA Earth-Sun System Research
National Aeronautics and Space Administration	Solar System Exploration
National Science Foundation	Capability Enhancement of Researchers, Institutions, and Small Businesses
National Science Foundation	Construction and Operations of Research Facilities
National Science Foundation	Federally Funded Research and Development Centers
National Science Foundation	Fundamental Science and Engineering Research
National Science Foundation	Investment in Research Infrastructure and Instrumentation
National Science Foundation	K-12 Math and Science Education
National Science Foundation	Polar Research Tools, Facilities and Logistics
National Science Foundation	Science and Engineering Centers Programs
National Science Foundation	Support for Individual Researchers
National Science Foundation	Support for Research Institutions
National Science Foundation	Support for Small Research Collaborations
Office of National Drug Control Policy	Counterdrug Research & Development

Summary and Conclusions

Agencies differ widely by the composition of the programs in their portfolios that aim to achieve their missions and goals. Moreover, each program type may have a unique set of requirements that affect the way the program is managed, and possibly the way in which performance is managed.

Signs of stakeholder-driven performance in public programs were looked at from three perspectives: management centralization, networked stakeholder participation, and client-driven involvement in program design or execution, are all features that were discussed in this paper—from their theoretical importance to their relevance to each program type. These characteristics are indicative of what is referred to as the New Public Management paradigm, a public good delivery approach which is very communicative with the citizens served. We saw how stakeholder involvement varied by program type, even in the way that the stakeholder may have been portrayed in some of the actual performance measures used.

This paper provides the reader with an array of resources that will help their performance measurement and management efforts in many ways:

- Public economic principles that provide the theoretical foundation for the differences between Federal program types were detailed
- An understanding of the array of Federal programs, across numerous Agencies and other organizations entitled to manage federal funds was provided
- Best practices of how to identify stakeholders and incorporate them into performance management and performance measurement processes was developed so the reader could picture how one might identify stakeholders differently for different types of goods.
- A summary of guidance resources and references applicable to each program type was provided. These requirements generally provide many of the critical features of a program that should be tracked in a performance management framework. Simply by following the guidance, much of the needed information will be gathered.
- An assessment of the degree to which the ‘exemplar’ metrics answer key questions for the PART is provided. More importantly, pointed comments about what is missing from the observed metrics is discussed for each program type. It is hopeful that this insight provides helpful insight for program managers of all program types.

- A time series of funding and performance characteristics by program type, from 2006-2009. This record provides a contextual baseline for foundational understanding of a customer's program environment.

The MITRE Corporation is considering maintaining this information on a website and making assessments such as these available for customer support and use. Although the PART is being revised for use in FY2009 and FY2010, the program types have unique factors that are differentially regulated from other program types. These requirements must be taken into account in the performance management of single or multiple program types.

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Acronyms

AAS	Assisted Acquisition Services
ASC	Advanced Simulation and Computing
BF	Block/Formula Grant program category
CA	Capital Assets program category
CALFED	California Federal Bay-Delta
CO	Competitive Grant program category
CR	Credit program category
CSO	competitive sourcing official
DF	Direct Federal program category
DoD	Department of Defense
DOE	Department of Energy's
DSW	Directed Stockpile Work
EPA	Environmental Protection Agency
FAR	Federal Acquisition Regulation
FCI	Facility Condition Index
FTE	Full Time Equivalent
GEAR UP	Gaining Early Awareness & Readiness for Undergraduate Programs
GPRA	Government Performance and Results Act of 1993
HDP	U.S. Humanitarian Demining Program
HHS	Department of Health and Human Services
ICF	Inertial Confinement Fusion Ignition and High Yield Campaign
OMB	Office of Management and Budget
OSTP	Office of Science and Technology Policy
PART	Program Assessment and Rating Tool
PATH	Projects for Assistance in Transition from Homelessness
RD	Research and Development program category

UNCLASSIFIED

RG	Regulatory program category
ROGI	Return on Government Investment
SHOP	Self-help Homeownership Opportunity Program
SPIF	Stakeholder-Driven Performance Improvement Framework
STA	Secure Transportation Asset
TANF	Temporary Assistance for Needy Families
TEFAP	The Emergency Food Assistance Program
UAS	Unmanned Aircraft Systems
WIC	Women, Infants, and Children

Appendix A: 2008 PART Questions

The Summary would not be complete without a listing of the PART questions, a robust set of questions that, it is envisioned, any well-managed program should be able to answer with solid documentation. Most questions are Yes/No questions. The PART Guidance document gives instructions for what determines a Yes, No, or Not Applicable answer. Full documentation and/or data is required to support all answers.

The questions that are critical to our research—those that produce stake-holder driven, outcome-based performance management indicators, are highlighted in italics below. Of particular interest is when government best practice examples, and non-government examples, exemplify these question types. Additionally required questions for particular program types were discussed in each Program-Specific section in the previous document , as appropriate.¹³¹

Section I. Program Purpose and Design

- 1.1: Is the program purpose clear?
- *1.2: Does the program address a specific and existing problem, interest, or need?
- 1.3: Is the program designed so that it is not redundant or duplicative of any other Federal, State, local or private effort?
- 1.4: Is the program design free of major flaws that would limit the program's effectiveness or efficiency?
- *1.5: Is the program design effectively targeted so that resources will address the program's purpose directly and will reach intended beneficiaries?

Section II. Strategic Planning

- *2.1: Does the program have a limited number of specific long-term performance measures that focus on outcomes and meaningfully reflect the purpose of the program?
- 2.2: Does the program have ambitious targets and timeframes for its long-term measures?
- *2.3: Does the program have a limited number of specific annual performance measures that can demonstrate progress toward achieving the program's long-term goals?
- *2.4: Does the program have baselines and ambitious targets for its annual measures?

¹³¹ These Questions are taken from: OMB, "Guide to the Program Assessment Rating Tool (PART)," January 2008, pp. 17-61.

*2.5: Do all partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) commit to and work toward the annual and/or long-term goals of the program?

2.6: Are independent evaluations of sufficient scope and quality conducted on a regular basis or as needed to support program improvements and evaluate effectiveness and relevance to the problem, interest, or need?

*2.7: Are Budget requests explicitly tied to accomplishment of the annual and long-term performance goals, and are the resource needs presented in a complete and transparent manner in the program's budget?

2.8: Has the program taken meaningful steps to correct its strategic planning deficiencies?

Specific Strategic Planning Questions by Program Type

2.RG1: Are all regulations issued by the program/agency necessary to meet the stated goals of the program, and do all regulations clearly indicate how the rules contribute to achievement of the goals? (Regulatory)

2.CA1: Has the agency/program conducted a recent, meaningful, credible analysis of alternatives that includes trade-offs between cost, schedule, risk, and performance goals, and used the results to guide the resulting activity? (Capital Assets and Service Acquisition)

2.RD1: If applicable, does the program assess and compare the potential benefits of efforts within the program and (if relevant) to other efforts in other programs that have similar goals? (R&D)

2.RD2: Does the program use a prioritization process to guide budget requests and funding decisions? (R&D)

Section III. Program Management

- *3.1: Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance?
- *3.2: Are Federal managers and program partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) held accountable for cost, schedule and performance results?
- *3.3: Are funds (Federal and partners') obligated in a timely manner, spent for the intended purpose, and accurately reported?
- 3.4: Does the program have procedures (e.g., competitive sourcing/cost comparisons, IT improvements, appropriate incentives) to measure and achieve efficiencies and cost effectiveness in program execution?
- 3.5: Does the program collaborate and coordinate effectively with related programs?
- 3.6: Does the program use strong financial management practices?
- 3.7: Has the program taken meaningful steps to address its management deficiencies?

Specific Program Management Questions by Program Type

- 3.CO1: Are grants awarded based on a clear competitive process that includes a qualified assessment of merit? (Competitive Grants)
- 3.CO2: Does the program have oversight practices that provide sufficient knowledge of grantee activities? (Competitive Grants)
- 3.CO3: Does the program collect grantee performance data on an annual basis and make it available to the public in a transparent and meaningful manner? (Competitive Grants)
- 3.BF1: Does the program have oversight practices that provide sufficient knowledge of grantee activities? (Block/Formula Grant)
- 3.BF2: Does the program collect grantee performance data on an annual basis and make it available to the public in a transparent and meaningful manner? (Block/Formula Grant)
- 3.RG1: Did the program seek and take into account the views of all affected parties (e.g., consumers; large and small businesses; State, local and tribal governments; beneficiaries; and the general public) when developing significant regulations? (Regulatory)
- 3.RG2: Did the program prepare adequate regulatory impact analyses if required by Executive Order 12866, regulatory flexibility analyses if required by the Regulatory Flexibility Act and SBREFA, and cost-benefit analyses if required under the Unfunded Mandates Reform Act; and did those analyses comply with OMB guidelines? (Regulatory)
- 3.RG3: Does the program systematically review its current regulations to ensure consistency among all regulations in accomplishing program goals? (Regulatory)

- 3.RG4: Are the regulations designed to achieve program goals, to the extent practicable, by maximizing the net benefits of its regulatory activity? (Regulatory)
- 3.CA1: Is the program managed by maintaining clearly defined deliverables, capability/performance characteristics, and appropriate, credible cost and schedule goals? (Capital Assets and Service Acquisition)
- 3.CR1: Is the program managed on an ongoing basis to assure credit quality remains sound, collections and disbursements are timely, and reporting requirements are fulfilled? (Credit)
- 3.CR2: Do the program's credit models adequately provide reliable, consistent, accurate and transparent estimates of costs and the risk to the Government? (Credit)
- 3.RD1: For R&D programs other than competitive grants programs, does the program allocate funds and use management processes that maintain program quality? (R&D)

Section IV. Program Results/Accountability

- *4.1: Has the program demonstrated adequate progress in achieving its long-term performance goals?
- *4.2: Does the program (including program partners) achieve its annual performance goals?
- *4.3: Does the program demonstrate improved efficiencies or cost effectiveness in achieving program goals each year?
- *4.4: Does the performance of this program compare favorably to other programs, including government, private, etc., with similar purpose and goals?
- *4.5: Do independent evaluations of sufficient scope and quality indicate that the program is effective and achieving results?

Specific Results Questions by Program Type

- 4.RG1: Were programmatic goals (and benefits) achieved at the least incremental societal cost and did the program maximize net benefits? (Regulatory)
- 4.CA1: Were program goals achieved within budgeted costs and established schedules? (Capital Assets and Service Acquisition)

Appendix B: Fifteen Program Types Listed in GSA's *The Catalog of Federal Domestic Assistance*¹³²

- A Formula Grants - Allocations of money to States or their subdivisions in accordance with distribution formulas prescribed by law or administrative regulation, for activities of a continuing nature not confined to a specific project.
- B Project Grants - The funding, for fixed or known periods, of specific projects. Project grants can include fellowships, scholarships, research grants, training grants, traineeships, experimental and demonstration grants, evaluation grants, planning grants, technical assistance grants, survey grants, and construction grants.
- C Direct Payments for Specified Use - Financial assistance from the Federal government provided directly to individuals, private firms, and other private institutions to encourage or subsidize a particular activity by conditioning the receipt of the assistance on a particular performance by the recipient. This does not include solicited contracts for the procurement of goods and services for the Federal government.
- D Direct Payments with Unrestricted Use - Financial assistance from the Federal government provided directly to beneficiaries who satisfy Federal eligibility requirements with no restrictions being imposed on the recipient as to how the money is spent. Included are payments under retirement, pension, and compensatory programs.
- E Direct Loans - Financial assistance provided through the lending of Federal monies for a specific period of time, with a reasonable expectation of repayment. Such loans may or may not require the payment of interest.
- F Guaranteed/Insured Loans - Programs in which the Federal government makes an arrangement to identify a lender against part or all of any defaults by those responsible for repayment of loans.
- G Insurance - Financial assistance provided to assure reimbursement for losses sustained under specified conditions. Coverage may be provided directly by the Federal government or through private carriers and may or may not involve the payment of premiums.
- H Sale, Exchange, or Donation of Property and Goods - Programs which provide for the sale, exchange, or donation of Federal real property, personal property, commodities, and other goods including land, buildings, equipment, food and drugs. This does not include the loan of, use of, or access to Federal facilities or property.
- I Use of Property, Facilities, and Equipment - Programs which provide for the loan of, use of, or access to Federal facilities or property wherein the federally owned facilities or property do not remain in the possession of the recipient of the assistance.
- J Provision of Specialized Services - Programs that provide Federal personnel directly to perform certain tasks for the benefit of communities or individuals. These services may be performed in conjunction with nonfederal personnel, but they involve more than consultation, advice, or counseling.

¹³² See: <http://www.cfda.gov/>

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- K Advisory Services and Counseling - Programs which provide Federal specialists to consult, advise, or counsel communities or individuals to include conferences, workshops, or personal contacts. This may involve the use of published information, but only in a secondary capacity.
- L Dissemination of Technical Information - Programs that provide for the publication and distribution of information or data of a specialized or technical nature frequently through clearinghouses or libraries. This does not include conventional public information services designed for general public consumption.
- M Training - Programs that provide instructional activities conducted directly by a Federal agency for individuals not employed by the Federal government.
- N Investigation of Complaints - Federal administrative agency activities that are initiated in response to requests, either formal or informal, to examine or investigate claims of violations of Federal statutes, policies, or procedure. The origination of such claims must come from outside the Federal government.
- O Federal Employment - Programs that reflect the Governmentwide responsibilities of the Office of Personnel Management in the recruitment and hiring of Federal civilian agency personnel.