

Instructions for the Program Assessment Rating Tool (excerpts)

GENERAL GUIDANCE: The Program Assessment Rating Tool (PART) is a series of questions designed to provide a consistent approach to rating programs across the Federal government. The PART is a diagnostic tool that relies on objective data to inform evidence-based judgments and to assess and evaluate programs across a wide range of issues related to performance. As an assessment of the program overall, the PART also examines factors that the program or agency may not directly control but which are within the influence of the program or agency. For example, if statutory provisions impede effectiveness, the agency can propose legislative changes. The questions are designed to reflect familiar concepts and incorporate existing practices that managers and program examiners utilize to assess program performance. The formalization of performance evaluation through this process is intended to develop defensible and consistent ratings of programs.

The questions are generally written in a *Yes/No* format and require the user to provide a brief narrative explanation of the answer, including any relevant evidence to substantiate the answer. Responses should be evidence based and not rely on impressions or generalities. The completed PART will be made available for public scrutiny and review and must be based on evidence. Unless otherwise noted, a *Yes* answer should be definite and reflect a high standard of performance. Hard evidence of performance may not be readily available for all programs. In these cases, assessments will rely more heavily on professional judgment. No one question in isolation will determine the performance of a program. In fact, some questions may not apply to every program, in which case *Not Applicable* is an appropriate answer.

This guidance document and the worksheets used to complete the assessments will be available on OMB's website at <http://www.omb.gov/part/> by May 5, 2003.

STANDARDS OF A YES: The PART holds programs to high standards. It is not sufficient for a program simply to comply with the letter of the law. Rather it must show it is achieving its purpose and that it is managed well. In other words, the performance of Federal programs should reflect the spirit of good government, not merely compliance with statute or adequacy. In general, the PART requires a high level of evidence and it will likely be more difficult to justify a *Yes* than a *No*. Sections I through III are scored in a *Yes/No* format. In Section IV, answers can be provided on a four-level scale (*Yes, Large Extent, Small Extent, and No*) to reflect partial achievement of goals and evidence of results. Answers should be based on the most recent credible evidence.

QUESTION WEIGHTING: As a default, individual questions within a section are assigned equal weighting; however, the user can alter the weight of the questions in order to most accurately emphasize the key factors of the program. To avoid manipulation of the total score, weights should be adjusted prior to responding to any of the questions. If a question is not relevant to the program, the user may rate the question as *Not Applicable*. In these cases, the user would not apply weighting to the question but must provide an explanation of this response.

RELATIONSHIP TO THE GOVERNMENT PERFORMANCE AND RESULTS ACT: While the existing Government Performance and Results Act (GPRA) performance measures may be a starting point, they may need to be revised significantly to reflect the PART guidance, in

particular its focus on outcomes. GPRA plans should be revised to include any new performance measures used in the PART, and unnecessary measures should be deleted from GPRA plans.

SELECTING PERFORMANCE MEASURES: The key to assessing program effectiveness is measuring the right things. The PART requires OMB and agencies to choose performance measures that meaningfully reflect the mission of the program, not merely ones for which there are data. The measures should reflect a sense of program priorities and therefore will likely be few in number. As a general approach, we expect these measures to reflect desired outcomes; however, there may be instances where a more narrow approach is more appropriate and output measures are preferable. Because of the importance of performance measures in completing the PART, it is crucial for OMB and agencies to agree on the appropriate measures early in the assessment process.

- The performance measurement process starts with the definition of the program's purpose or **strategic goals**. Strategic goals may be measurable (e.g., lives saved due to tornado warning systems) or they may be very difficult to measure. These goals may be reported in a GPRA strategic plan or they may be program-specific goals.
- To the greatest extent reasonable, the PART encourages agencies to use these strategic goals to develop specific, operational **performance goals**, which are a combination of **performance measures** and **targets**.
- **Performance measures** reflect specific **outcomes** or **outputs** such as increased years of life expectancy or increased tornado warning times.
- **Targets** refer to levels of those measures (e.g., 20 minutes of tornado warning time). While quantifiable measures are preferred, OMB recognizes that some measures and their targets may need to be qualitative and supported by peer review (e.g., expert panels or Inspectors General) or other means.

The PART encourages development of measures for outcomes because these are the ultimate results for the public. In certain instances, however, outputs may be appropriate.

- **Outcomes** describe the intended result that will occur from carrying out a program or activity. While performance measures should distinguish between outcomes and outputs, there should be a logical connection between them, with outputs supporting (i.e., leading to) outcomes in a logical fashion. For a tornado warning system, outcomes could be the number of lives saved and property damage averted.
- **Outputs** describe the level of activity that will be provided over a period of time, including a description of the characteristics (e.g., timeliness) established as standards for the activity. For example, an output could be the percentage of warnings that occur more than 20 minutes before a tornado forms.

The PART also distinguishes between **long-term** performance goals and **annual** performance goals.

- **Annual** performance goals are the measures and targets due to activity undertaken for a particular (generally near-term) year – e.g., an average of 20 minutes of tornado warning time in 2005.
- The type and adequacy of **long-term** performance goals will depend on the nature of the program.

- One type of long-term performance goal could be an annual performance goal in the future. For example, a program may have a goal of handling 15 million transactions in 2010 for the same cost of handling 10 million transactions in 2005. This type of goal can demonstrate increased expectations for cost efficiencies over time.
- Alternatively, a long-term performance goal could reflect the cumulative effect of annual activities. For example, an R&D program could have the goal of developing a vaccine (or eliminating a disease) in 10 years. This type of goal can indicate when the program's mission is accomplished or how it should evolve over time.

Finally, for some programs there may be interest in the outyear effects of an activity undertaken this year. For example, early childhood education services provided this year might be expected to reduce high-school dropout rates for attendees ten years from now. This type of outyear effect is very closely related to an annual goal, because it reflects the effects of activity undertaken this year. It clarifies the full effects of the early childhood education program, but it gives less insight into expectations for program managers over time. It is best to report this type of effect among the annual performance measures in the PART (e.g., this would be one of the effects of 2005 activity, though it would occur in 2015).

Because of the strong focus on strategic planning and performance measurement, certain questions in Sections II (Strategic Planning) and IV (Results) are linked. Building on the GPRA framework, establishing appropriate long-term measures and targets (Questions 2.1 and 2.2) lays the groundwork both for annual measures and targets (Questions 2.3 and 2.4) and for assessing program results relative to those targets (Questions 4.1 and 4.2). Specifically, a program cannot get full credit for meeting performance targets in Section IV, if the relevant questions in Section II indicate that the long-term or annual targets are not sound. Section IV scoring is on a 4-level (*Yes, Large Extent, Small Extent, and No*) scale so that partial achievement of performance goals can be captured.

Additional guidance on developing good performance measures will be posted on OMB's website at <http://www.omb.gov/part/> in the next few weeks.

SECTIONS OF THE PART: Each PART is divided into four sections. Each section includes a series of questions designed to elicit specific information for the evaluation.

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| 1. Program Purpose & Design | to assess whether the program's purpose and design are clear and sound. |
| 2. Strategic Planning | to assess whether the agency has established valid long-term and annual measures and targets for the program |
| 3. Program Management | to rate agency management of the program, including financial oversight and program improvement efforts |

4. Program Results/Accountability to rate program performance on measures and targets reviewed in the strategic planning section and through other evaluations

TYPES OF PROGRAMS: The Federal government conducts affairs through a variety of mechanisms. To make the questions as consistent and relevant as possible, we have outlined seven categories of Federal programs. These categories are designed to apply to both mandatory and discretionary programs.

1. Direct Federal Programs programs where services are provided primarily by employees of the Federal government. Examples include the Department of Commerce/National Weather Service and the Department of State/Visa and Consular Services.

2. Competitive Grant Programs programs that distribute funds to State, local and tribal governments, organizations, individuals and other entities through a competitive process. Examples include Department of Housing and Urban Development/Housing Vouchers and Department of Health and Human Services/Health Centers.
3. Block/Formula Grant Programs programs that distribute funds to State, local and tribal governments and other entities by formula or block grant. Examples include the Department of Energy/Weatherization Assistance and the Department of Health and Human Services/Ryan White program.
4. Regulatory Based Programs programs that employ regulatory action to achieve program and agency goals. These programs issue significant regulations, as defined by section 3 of Executive Order 12866, which are subject to OMB review. More specifically, a regulatory program accomplishes its mission through rulemaking that implements, interprets or prescribes law or policy, or describes procedure or practice requirements. An example is the Department of Agriculture/Food Safety and Inspection Service.
5. Capital Assets and Service Acquisition Programs programs where the primary vehicle for accomplishing program goals is the development and acquisition of capital assets (such as land, structures, equipment, and intellectual property) or the purchase of services (such as maintenance, and information technology) from a commercial source. Examples include the Department of Defense/Shipbuilding and the Department of Energy/Bonneville Power Administration.
6. Credit Programs programs that provide support through loans, loan guarantees and direct credit. An example is the Export-Import Bank/Long Term Guarantees program.
7. Research and Development (R&D) Programs programs that focus on the creation of knowledge or on the application of that knowledge toward the creation of systems, methods, materials, or technologies. Examples include the Department of Energy/Solar Energy and National Aeronautics and Space Administration/Mars Exploration programs.

There is a separate PART form for each of the seven types of Federal programs, though most of the questions are common across the seven forms. The vast majority of Federal programs fit into

one of the seven categories of programs for which there is a PART. However, some programs use more than one mechanism to achieve their goals (e.g., grants and credit). Even in these cases, using one PART is likely to be sufficient. To enable this for R&D programs, which can use one of the other program types (e.g., competitive grants) as a means of funding R&D, the R&D PART has been designed to enable R&D programs that are based on competitive grants to answer questions from the Competitive Grants instrument. Similarly, R&D programs that construct or operate equipment or facilities will answer some questions from the Capital Assets and Service Acquisition PART. There may be other cases in which drawing questions from two different PARTs – i.e., creation of a “mixed” form – yields a more informative assessment. In those instances, we suggest that you choose the PART that most closely reflects the core functions of the program as a base, and then, if necessary, add selected questions from another PART. *The OMB examiner should consult with a member of the OMB Performance Evaluation Team, if considering this approach.*

For brand new programs for which it is impractical to expect results, it is possible to complete only Sections 1 through III of the PART. However, performance measures, targets and related information should still be provided (and scored) in Section IV for new programs where practical.

Question-specific instructions are attached to help explain the purpose of each question and general standards for evaluation. The individual PART worksheets also contain this guidance as well as instructions on the technical aspects of using the worksheets. These instructions will not cover every case, and it is up to the user to bring relevant information to bear in answering each question that will contribute to the program's assessment.

BUDGET DATA: This year's PARTs have a new worksheet tab labeled “Account Info” for budget account information and funding levels. In the “program funding level” row, analysts should enter the total resources available to the program for the prior year (2003) and current year (2004). Budget year (2005) estimates should be left blank at this time. The levels entered should be in terms that are meaningful to the program. For example, most programs may be able to represent the program funding level with budget authority (BA). Other programs may be better represented with outlays, obligations, or a total program level that includes fees.

The worksheet has the capability to collect the obligations and BA for each account that funds the program. For programs funded by a single account, there would be just one row of information. For programs funded by multiple accounts, there would be a row for each account. At this time, it is suggested that the accounts that fund the program be listed; however, a breakout of funding by account is not necessary.

I. PROGRAM PURPOSE & DESIGN

This section examines the clarity of program purpose and soundness of program design. It looks at factors including those the program, agency, or Administration may not directly control but which are within their influence, such as legislation and market factors. Programs should generally be designed to address a market failure – either an efficiency matter, such as a public good or externality, or a distributional objective, such as assisting low-income families – in the least costly or most efficient manner. A clear understanding of program purpose is essential to setting program goals, measures, and targets; maintaining focus; and managing the program. Potential source documents and evidence for answering questions in this section include authorizing legislation, agency strategic plans, annual performance plans, and other agency reports.

Options for answers are *Yes*, *No* or *Not Applicable*. Design flaws in the underlying legislation can and should be considered and supported by evidence, and are grounds for a *No*. *Not Applicable* answers are likely to be rare, particularly for items 1.1-1.4, as these questions should apply to virtually all programs. (For R&D programs, most of the questions in this section help address program “relevance,” one of the three fundamental issues of the R&D Investment Criteria (see Attachment E of this BPM).)

1.1 *Is the program purpose clear?*

Purpose of the question: to determine whether the program has a focused and well-defined mission. Determining this purpose is critical to determination of useful performance measures and targets.

Elements of a *Yes* answer: a *Yes* answer would require a clear and unambiguous mission. Considerations can include whether the program purpose can be stated succinctly. A *No* answer would be appropriate if the program has multiple conflicting purposes.

Evidence/Data: evidence can include a statement of the purpose and supporting objectives from the program’s authorizing legislation, program documentation or mission statement.

1.2 *Does the program address a specific and existing problem, interest, or need?*

Purpose of the question: to determine whether the program addresses a specific problem, interest, or need that can be clearly defined and that currently exists.

Elements of a *Yes* answer: A *Yes* answer would require the existence of a relevant and clearly defined interest, problem or need that the program is designed to address. A *Yes* answer would also require that the program purpose is still relevant to current conditions (i.e., that the problem the program was created to address still exists). Considerations could include, for example, whether the program addresses a specific market failure. A *No* should be given if there is no clear need for the program.

Evidence/Data: evidence should describe the problem, interest or need that the program is designed to address and include relevant documentation. An example could be the number and

income levels of uninsured individuals for a program that provides care to those without health insurance.

1.3 Is the program designed so that it is not redundant or duplicative of any other Federal, State, local or private effort?

Purpose of the question: to determine whether the program is designed to fill a unique role or whether it instead unnecessarily duplicates or even competes with other Federal or non-federal programs.

Elements of a *Yes* answer: a *Yes* answer would require that the program does not excessively overlap with other Federal or non-federal efforts, including the efforts of State and local governments or the private and non-profit sectors. A consideration can include whether the program serves a population not served by other programs.

A *No* answer should be given when there is more than one program that addresses the same problem, interest, or need, regardless of the size or history of the respective programs. For programs that partially overlap with others, a *No* should be given when major aspects of the program, such as its purpose, targeted beneficiaries, or mechanisms, are duplicative. If there are two programs that significantly overlap and one is large and another is small, both programs should receive a *No* for this question.

Similar programs might be justified in receiving a *Yes* if a strong case can be made that fixed costs are low and competition is beneficial (e.g., perhaps multiple laboratories) or if more than one service delivery mechanism is appropriate (e.g., block grants for base activities and competitive grants for demonstration projects). Also, the standard of evidence to receive a *Yes* should be higher where Federal programs overlap with each other than where a Federal program overlaps with private, local, or State programs. For example, two Federal programs to address training would face a high standard to receive a *Yes* to this question; in contrast, a *Yes* could be provided to a Federal program to address indigent medical care across the nation, even though there are many local and private programs that also address indigent medical care. The key would be whether the gaps in the non-Federal provision are large enough to warrant a Federal program and whether the Federal program is well designed to mesh with non-Federal efforts and responsibilities.

For credit programs, a *Yes* answer would require evidence of the market failure/absence or unwillingness of private-sector participation and an overview of the market, including all international, Federal, local, and private-sector participants.

For R&D programs, some degree of duplication is permissible, if it is well justified and coordinated. A *Yes* answer would require justification that the program provides value beyond that of any similar efforts at the agency, efforts at other agencies, or efforts funded by State and local government, private and non-profit sectors, or other counties. Justification first requires due diligence in identifying similar past or present efforts.

Evidence/Data: evidence should identify duplicative programs and their total expenditures and/or a description of efforts supported by those programs that address a similar problem in a similar way as the program being evaluated.

1.4. Is the program design free of major flaws that would limit the program's effectiveness or efficiency?

Purpose of the question: to determine whether there are major design flaws in the program that limit its efficiency.

Elements of a Yes answer: The program should be free from major design flaws that prevent it from meeting its defined objectives and performance goals. To receive a *Yes*, there should be no strong evidence that another approach or mechanism would be more efficient/effective to achieve the intended purpose. A consideration could be whether the government would get the same or better outcome by expending fewer total resources through a different mechanism. For example, there may be evidence that a regulatory program to ensure public safety would be more effective than a grant program. Analysis should consider whether the program structure continues to make sense given changing conditions in the field (e.g., changing threat levels or social conditions). Other considerations could include whether the program extends its impact by leveraging funds and contributions from other parties.

In the case of block-grant and credit programs, the assessment should also consider how well funds are targeted to meet the program purpose and whether funds are protected against supplantation or substitution.

For credit programs, a consideration can include the extent to which a large number of borrowers would otherwise not have access to financial resources. Also consider whether the program costs are adequate, but not excessive, to achieve the policy goals. For example, a *Yes* answer could mean that the program effectively uses market mechanisms to reduce government risk and thus minimize program costs.

Regulatory programs should receive a *No* if the statute underlying the regulations is not designed to maximize net benefits.

Evidence/Data: Evidence demonstrating efficient design can include cost effectiveness studies comparing alternative mechanisms (e.g., regulations or grants) with the current form of the problem (say, direct federal provision). Evidence on the relative benefits and costs of the activity are also useful.

1.5 Is the program design effectively targeted, so that resources will reach intended beneficiaries and/or otherwise address the program's purpose directly?

Purpose of the question: to determine whether the program is designed so that program resources will reach the intended beneficiaries efficiently and to avoid unintended subsidies.

Elements of a Yes answer: a *Yes* answer would require that a program demonstrates that the right beneficiaries are being targeted, activities that would have occurred without the program

are not subsidized (or receive only warranted levels of subsidies), and program funds are targeted effectively to meet program purposes.

Acceleration of activities due to Federal funding can be grounds for a *Yes*, but there should be evidence that the acceleration warrants the subsidy. Acceleration of an activity that increases profits for a business -- that the firm would or could have undertaken eventually without the subsidy -- would not generally qualify for a *Yes*, unless there are significant external (i.e., social) benefits from the activity.

For R&D programs, a *Yes* answer would require identification of relevance to specific national needs, agency missions, fields of science or technology, or other “customer” needs. A customer may be another program at the same or another agency, an interagency initiative or partnership, or a firm or other organization from another sector or country.

Evidence/Data: Evidence should show that the program 1) is designed to reach the highest practicable percentage of target beneficiaries and 2) that it is designed to have the smallest practicable share of funds going to unintended beneficiaries. Regarding item 1), a small program may only be able to reach a small number of beneficiaries, but it should be well targeted on some merit basis. On item 2), programs not designed to avoid unwarranted shares of funding going to beneficiaries who do not need or merit the funding should receive a *No* answer. Programs that are designed in a way that is likely to result in significant levels of erroneous payments should receive a *No*.

II. STRATEGIC PLANNING

This section focuses on program planning, priority setting, and resource allocation. Key elements include an assessment of whether the program has a limited number of performance measures with ambitious -- yet achievable -- targets, to ensure planning, management, and budgeting are strategic and focused. Potential source documents and evidence for answering questions include strategic planning documents, agency performance plans and reports, reports and submissions from program partners, evaluation plans, budget submissions and other program documents.

Options for answers are *Yes*, *No* or *Not Applicable*. While it is recognized that some programs may have great difficulty developing quantitative performance goals, programs are strongly encouraged to have some meaningful and appropriate methods for demonstrating results. OMB and agencies should work together to develop approaches for programs where it is difficult to develop quantitative measures, and where qualitative, expert-review, or other measures are more appropriate. (For R&D programs, most of the questions in this section help address the *prospective* aspects of the R&D Investment Criteria (see Attachment E of this BPM); the emphasis is on prospective aspects of program performance, except as noted.)

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?

Purpose of the question: to determine if the program has long-term performance measures to guide program management and budgeting and promote results and accountability. This question seeks to assess whether the program measures are salient, meaningful, and capture the most important aspects of program purpose and appropriate strategic goals.

Elements of a *Yes* answer: a *Yes* answer would require identifying a limited number (e.g., two or three) of specific, easily understood program outcome measures that directly and meaningfully support the program's purpose. A "performance measure" is an outcome or output measure. "Long-term" is defined as covering a relatively long period of time relative to the nature of the program but is likely to be on the order of 5-10 years and consistent with time periods for strategic goals used in the Agency Strategic Plan.

The measures should focus on outcomes to the extent possible and may or may not be those developed to comply with the Government Performance and Results Act (GPRA). While most programs have GPRA measures, many of these measures do not meet the standards of a *Yes*. A *Yes* answer can also be given if OMB and the agency have reached agreement on a limited number of long-term measures that will be added to the FY 2005 GPRA plan.

Output measures would only meet the standards of a *Yes* answer if the program can produce sound justification for not adopting outcome measures. Programs should have at least one efficiency measure or be developing one.

A *No* answer would be given for long-term measures that do not directly and meaningfully relate to the program's purpose or are unnecessarily focused on outputs and lack adequate justification. A program should not receive a *No* for having more than a few measures, provided the program has identified a few high-priority measures that are representative of the

program's activities. **Performance measures should be listed in the Measures tab of the PART worksheet.**

For block grant programs that support a wide range of purposes and allow grantees to set their own program priorities, measures that address the extent to which grantees meet their own goals could be an option. If an expressed purpose of the program is revenue sharing, a measure regarding this (e.g., effectiveness of targeting) could be acceptable as well.

For R&D programs, OMB will work with agencies to address appropriate measures. Some R&D programs, especially in basic research, may not be required to provide long-term efficiency measures, due to the uncertainty of outcomes and the years it takes to achieve and recognize them.

Evidence/Data: evidence will include the long-term measures established by the program either in the GPRA plan or other program document or as agreed to by OMB and to be included in FY 2005 GPRA documents.

2.2 Does the program have ambitious targets and timeframes for its long-term measures?

Purpose of the question: to determine if the program has challenging but realistic quantified targets and timeframes for the long-term measures.

Elements of a Yes answer: a *Yes* answer would require that specific quantified targets have been developed for most long-term measures evaluated in Question 2.1. (In rare cases where programs have targets that are not "quantitative," they should still be verifiable -- e.g., possibly through a clean audit or outstanding ratings by an expert panel). Baselines from which to measure these targets are encouraged for outcome measures and required for output measures. These targets and timeframes must be ambitious, that is they must be set at a level that promotes continued improvement and achievable efficiencies. The timeframes and timelines should encourage improvement but be within reason for the program to achieve.

A *No* answer would be appropriate if quantified targets or timeframes are not included for key measures or if the targets or time frames are not ambitious or challenging. **If the program received a *No* in Question 2.1, the program must get a *No* for this question. Targets should be listed in the Measures tab of the PART worksheet.**

Where relevant, a *Yes* answer would also require that a program has defined appropriate decision and termination points.

For R&D programs, a *Yes* answer would require that the program provides multi-year R&D objectives. Where applicable, programs must provide schedules with annual milestones, highlighting any changes from previous schedules. Program proposals must define what outcomes would represent a minimally effective program and a successful program.

Evidence/Data: evidence will include targets that may be in the agency GPRA plan or other program document or as agreed to by OMB and will be included in the FY 2005 GPRA documents.

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?

Purpose of the question: to determine whether a limited number of annual performance measures have been identified that directly support the long-term goals evaluated in Questions 2.1 and 2.2. The measures should be logically linked to the long-term measures in a manner that enables them to demonstrate progress.

Elements of a Yes answer: a Yes answer would require annual performance measures that are discrete, quantifiable, and measurable. Most importantly, these annual measures should measure the program's progress towards reaching the long-term goals evaluated in Questions 2.1 and 2.2. The annual performance measures may focus on outputs and may or may not be those developed by the agency to comply with GPRA. A Yes answer can also be given, if OMB and the agency have reached agreement on a limited number of annual measures that will be included in the FY 2005 GPRA plan. Programs should have at least one efficiency measure or be developing one.

If the program received a No in Question 2.1, an explanation of how annual performance goals contribute to desired long-term outcomes and purpose of the program must be provided to receive a Yes for this question. Performance measures should be listed in the Measures tab of the PART worksheet.

For block grant programs that support a wide range of purposes and allow grantees to set their own program priorities, measures that address the extent to which grantees meet their own goals could be an option. If an expressed purpose of the program is revenue sharing, a measure regarding this (e.g., effectiveness of targeting) could be one component of an answer.

For R&D programs, a Yes answer would require that the program has annual performance measures to track how the program could improve scientific understanding and its application. For R&D programs that have multi-year schedules, the annual measure should tie into the longer term milestones, as appropriate. Some basic research programs may not be able to define meaningful annual outcome or efficiency measures. In such cases, these programs may use process-related indicators (see Question 3.4), especially those that can be conceptually linked to long-term research goals. OMB will work with agencies to address appropriate measures.

Evidence/Data: evidence will include the annual measures which may be those established by the program in a GPRA Annual Performance Plan or other program documents, or they may be new measures as agreed to by OMB and which will be included in FY 2005 GPRA documents.

2.4. Does the program have baselines and ambitious targets for its annual measures?

Purpose of the question: to determine if the program has baselines and challenging but realistic quantified targets for the annual measures.

Elements of a Yes answer: a *Yes* answer would generally require that baselines have been established for most of the annual measures evaluated in Question 2.3. A *Yes* answer also requires that specific quantified targets have been developed for most of the program's annual measures evaluated in Question 2.3. These targets provide a specific value with which performance can be compared. These targets must be ambitious, that is they must be set at levels that ensure continued improvement and realization of efficiencies. They also should be within reason for the program to achieve.

A *No* answer would be appropriate if quantified targets or timeframes are not included for most measures or if the targets are not ambitious or challenging. **If the program received a *No* in Question 2.3, the program must get a *No* for this question. Targets should be listed in the Measures tab of the PART worksheet.**

Evidence/Data: evidence will include targets that may be in the agency GPRA plan or other program document or as agreed to by OMB and will be included in the FY 2005 GPRA documents.

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?

Purpose of the question: to determine whether program efforts carried out by program partners also support the annual and long-term performance goals of the program.

Elements of a Yes answer: a *Yes* answer would require that program managers strive to ensure that partners support the overall goals of the program and measure and report on their performance as it relates to accomplishing those goals. For example, a program that requires all grant applications to include performance measures that will help the program achieve its goals and monitor those measures would receive a *Yes*.

If, however, a program does not through a requirement or some other means get program grantees to link their activities to the program's goals, a *No* would be appropriate. The most obvious example of a partner is an entity receiving program funding. While a program cannot always control the activities of its partners, it can exert influence through a number of mechanisms. **If the program received a *No* for both Questions 2.1 and 2.3, the program must receive a *No* for this question.**

In the case of regulatory programs, all regulated entities are not necessarily defined as program partners.

For programs funding grants for basic research, a *Yes* answer can be achieved if the program solicitation explicitly includes the program goals, and grant applications and progress reports provide sufficient means for the program manager to assess performance and continuing relevance.

Evidence/Data: evidence can include contracts and other documents that tie contractor performance to program goals, as well as other procedures the program uses to get partners to commit to, measure, and report on performance related to the program's goals.

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?*

Purpose of the question: to ensure that the program (or agency) conducts non-biased evaluations on a regular or as-needed basis to fill gaps in performance information. These evaluations should be of sufficient scope to inform program improvements and influence program planning. (For R&D programs, this question is central to prospective R&D program planning to address all of the R&D investment criteria (see Attachment E of this BPM).)

Elements of a Yes answer: a Yes answer would require regularly scheduled objective, independent evaluations that examine how well the program is accomplishing its mission and meeting its long-term goals. In cases where a comprehensive evaluation is unnecessary based on the known effectiveness of an intervention and performance data on the program, evaluations that fill gaps in performance information can meet the elements of a Yes answer. (Programs that receive frequent evaluation from third parties, such as GAO, can receive a Yes for this question even though they do not initiate the evaluations, so long as they use the evaluations for program planning.)

In addition to evaluating whether the program has achieved its performance targets on schedule, evaluations should include recommendations on how to improve the program's performance. To ensure the program continues to meet its performance targets, an evaluation may be scheduled on a periodic basis, such as every two to five years or whatever time schedule is reasonable based on the specific program and its mission and goals.

To be independent, non-biased parties with no conflict of interest would conduct the evaluation. Evaluations conducted by the program itself should generally not be considered "independent;" however, if the program has contracted out the evaluation to a third party this may qualify as being sufficiently independent. Evaluations conducted by an agency's Inspector General's or program-evaluation office might also be considered "independent." OMB examiners will advise if a specific evaluation can be considered "independent" for this question.

A No answer would be appropriate for a program that has insufficient independent evaluation data or (except perhaps for basic research programs) evaluations that address process and not performance.

For R&D programs, a Yes answer would require that programs undergo and pass some review of relevance to their agencies, fields of science or technology, or customers. A "customer" may be another program at the same or another agency, an interagency initiative or partnership, or a firm or other organization from another sector or country. Industry-relevant programs may use industry cost-sharing of associated projects as an indicator of market-relevance, and they should incorporate industry in planning and prioritization.

Evidence/Data: evidence can include a plan or schedule of program evaluations and program documentation describing the type of evaluation and criteria for selecting an independent evaluator.

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?

Purpose of the question: to establish whether the performance-planning and budget-planning processes are integrated so that 1) resource allocation decisions reflect desired performance levels (given resource constraints) and 2) the effects of funding and other policy changes on results are clear.

Elements of a Yes answer: a *Yes* answer should reflect effective program budgeting based on sound levels for 1) annual and long-term performance targets and 2) budget resources. To receive a *Yes*, the program must provide a presentation that makes clear the impact of funding, policy, or legislative decisions on expected performance and explains why the requested performance/resource mix is appropriate. A program with budget planning that is not tied to performance or strategic planning would receive a *No*.

A *Yes* answer would also require that the program report all direct and indirect costs needed to attain the performance results, including applicable agency overhead, retirement, and other costs that might be budgeted elsewhere. The exclusion of minor amounts of services provided from central departmental offices (e.g., Office of the Secretary) from program costs does not require a program to receive a *No* answer. However, a program that generates significant costs – which might range from radioactive waste disposal to attorneys' salaries – that must be addressed by another program should budget for these costs or, at a minimum, provide this information in clear display tables that display the full costs of attaining results.

For capital assets and services acquisition programs, programs should be able to identify impacts of changes in quantities on performance.

Evidence/Data: evidence can include documentation of how the budget request directly supports achieving performance targets. Budget documents should also clearly indicate the full costs of achieving performance goals, even if some of these costs do not appear in the specific account or activity line of the program.

Also, evidence can include an agency program budget estimate that identifies all spending categories in sufficient detail to demonstrate that all relevant costs are included or a report that shows the allocation of all significant program overhead costs to the program.

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

Purpose of the question: to determine whether the program is on track to correct any strategic planning deficiencies that have been identified.

Elements of a *Yes* answer: a *Yes* answer would require that the program has acted to correct strategic planning deficiencies. A program that does not review planning efforts or does not make corrections to eliminate identified deficiencies would receive a *No*. The question addresses any deficiencies identified in this section. Particular emphasis, however, should be placed on whether the program is working to adopt a limited number of specific, ambitious long-term performance goals and a limited number of annual performance goals that demonstrate progress toward achieving the long-term goals, if they do not already have these measures or associated baselines, targets, and timeframes.

For Capital Assets and Service Acquisition programs (and relevant R&D programs), one strategic planning deficiency to be addressed is if the program has in the past received a *No* to Question 4.CA1.

Evidence/Data: evidence can include a description of how deficiencies in the strategic planning of a program are identified and corrected, as well as examples of such changes.

Specific Strategic Planning Questions by Program Type

Regulatory Based Programs

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?

Purpose of the question: to determine whether (1) the program is only issuing those rules absolutely necessary to achieve long-term program goals and is not over-regulating, (2) all of the rules necessary to meet the program goals have been issued, and (3) the regulations clearly indicate how they help to meet the program goals.

Elements of a Yes answer: a Yes answer would require that only those regulations that are absolutely necessary to accomplish the program mission and goals are promulgated or are in the process of being promulgated; this determination should be based on the standards laid out in Executive Order 12866 on the identification of the need for the regulation and the identification of the market failure (if applicable). Additionally, the public should be able to understand how the regulations fit into the overall achievement of the program goals. A Yes response indicates that there are no superfluous regulations, that regulations are planned or in the process of being promulgated to cover regulatory gaps where new regulations are required to accomplish program goals, and that the Preamble of each program regulation indicates how the rule contributes to the achievement of specific program goals.

A program would receive a No if it has 1) obvious regulatory gaps or outdated regulations in effect and 2) not initiated planned actions to rectify these problems in a timely manner.

Evidence/Data: evidence can include legislation that indicates specifically or generically what regulations need to be promulgated as well as the rules themselves, especially the preambles.

Capital Assets and Service Acquisition Programs

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?

Purpose of the question: to determine whether the agency is investing in an asset or service that provides the best value to the government.

Elements of a Yes answer: to receive a Yes rating, the agency should have conducted an analysis of alternatives and use that analysis. The analysis should include the status quo, non-material solutions (e.g., data compression in lieu of a new data cable), and trade-offs between cost, schedule, and performance goals. The program should be able to demonstrate that the analysis is credible (e.g., by having it reviewed and validated by an independent entity outside the program). If an independent entity's analysis differs from the program's analysis, the program should defend differences.

Evidence/Data: evidence can include a summary of the analysis of alternatives, and documentation of any independent reviews of the analysis. Capital Asset Plan and Business Case documentation may also be used as source of data or evidence.

Research and Development Programs

R&D programs addressing technology development or the construction or operation of a facility should answer the Capital Assets and Service Acquisition question (2.CA1).

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?

Purpose of the question: to determine whether applicable programs are evaluating their efforts with respect to their relative potential benefits. Applicable programs include those applied R&D programs that pursue multiple options towards achieving similar public benefits. (This question addresses the first of the industry-related R&D criteria, regarding the articulation of program benefits (see Attachment E of this BPM).)

Elements of a Yes answer: to receive a *Yes* rating, the program (or agency) should conduct periodic comparisons of the potential benefits of its proposals with alternatives. The program should be able to demonstrate that the analysis is credible (e.g., by having it reviewed and validated by an independent entity outside the program). If an independent entity's analysis differs from the program's analysis, the program should defend differences.

Evidence/Data: evidence can include an analysis comparing proposed approaches with alternative strategies. OMB will work with agencies as needed to assist in the content and structure of these assessments. One or more examples of analytic tools will be available on <http://www.omb.gov/part/>.

2.RD2. Does the program use a prioritization process to guide budget requests and funding decisions?

Purpose of the question: to determine whether the program has clear priorities and uses them in budget requests and funding decisions. (This question addresses the R&D "relevance" criterion (see Attachment E of this BPM).)

Elements of a Yes answer: a *Yes* answer would require a documented process to identify priorities and use them, as well as an identified set of current priorities among program goals, objectives, and activities.

R&D programs are encouraged to work with independent advisory bodies to help prioritize in ways that benefit the larger science and technology enterprise.

Evidence/Data: evidence can include clear statements of program priorities in program documentation or mission statements, as well as documentation of the priorities identified by any qualified independent advisory bodies.

III. PROGRAM MANAGEMENT

This section focuses on a variety of elements related to whether the program is effectively managed to meet program performance goals. Key areas include financial oversight, evaluation of program improvements, performance data collection, and program manager accountability. Additionally, specific areas of importance for each program type are also explored. Potential source documents and evidence for answering questions in this section include financial statements, GAO reports, IG reports, performance plans, budget execution data, IT plans, and independent program evaluations.

Options for answers are *Yes*, *No* or *Not Applicable*. (For R&D programs, some of the questions in this section help address the *prospective* aspects of program “quality” and “performance” of the R&D Investment Criteria, in addition to addressing general program management issues (see Attachment E of this BPM).)

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?

Purpose of the question: to determine whether the program collects data on performance and the performance of its partners and uses the data to inform program management, resource decisions, and program performance.

Elements of a *Yes* answer: a *Yes* answer would require that the program agency regularly collect high-quality performance data relating to key program goals and use that information to adjust program priorities, allocate resources, or take other appropriate management actions. When key program activities are carried out by other entities, such as grantees, agencies should also consider their performance as well. A *Yes* also requires that the agency has collected the baseline performance data necessary to set meaningful, ambitious performance targets.

Program partners are other agencies or intermediaries responsible for carrying out different aspects of the program and might include partner agencies, grant recipients, participating financial institutions, regulated bodies, and contractors. Timely performance information is information that reflects current performance and is current enough to be useful in program management. Credible performance information is information that is collected through a systematic process with quality controls to confirm the validity of the data.

For capital assets and service acquisition programs, a consideration is whether the program uses an earned value management system or similar system.

For credit programs, consider whether the agency or program managers regularly collect and update loan performance information to effectively and consistently manage the portfolios.

Some long-term basic research programs may not be able to define meaningful annual outcome performance measures, aside from process measures. In such cases, these programs

may use process-related measures, especially those that can be conceptually linked to long-term research goals.

Evidence/Data: evidence can include a description of how the agency uses performance information in managing the program, as well as illustrative examples of recent management actions based on performance information. Evidence can also include steps taken by a program to enact necessary improvements cited by a specific evaluation.

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?

Purpose of the question: to determine whether the program managers and partners are accountable for achieving program results.

Elements of a Yes answer: a Yes answer would require that the program agency identify the managers who are responsible for achieving key program results and establish performance standards for those managers. When program partners contribute to the achievement of program goals, a Yes would also require those partners to achieve specific performance standards.

In the case of block and formula grant programs, elements of a Yes are not confined to complying with the law. Elements of a Yes can include the presence of incentives for managers and program partners that would encourage corrections in deficient programs. For block-grant programs which support a wide range of purposes and allow grantees to set their own program priorities, this question should be interpreted as whether the grantees hold managers accountable and encourage corrections in deficient programs.

For capital assets and service acquisition programs, a consideration is whether contracts include minimum performance thresholds, incentives for good performance, or other mechanisms to increase accountability.

Some long-term basic research programs may not be able to define meaningful annual outcome performance measures, aside from process measures. In such cases, these programs may use process-related measures, especially those that can be conceptually linked to long-term research goals.

Evidence/Data: evidence can include the use of performance management contracts with program managers, or some other mechanism for incorporating program performance into personnel performance evaluation criteria. Evidence of partners' accountability can include requiring grant and contract awards and renewals to consider past performance.

3.3 Are funds (Federal and partners') obligated in a timely manner and spent for the intended purpose?

Purpose of the question: to determine whether funds are administered efficiently and obligated in accordance with planned schedules and spent for the intended purposes.

Elements of a Yes answer: a *Yes* answer would require that the program funds be obligated consistently with the overall program plan and that a limited amount of unobligated funds remain at the end of the year. A *Yes* answer would also require that programs and partners establish schedules for obligations that properly correspond to the resource needs of the program plan. In addition, a *Yes* answer requires that adequate procedures exist for reporting actual expenditures, comparing them against the intended use, and taking timely and appropriate action to correct single audit findings when funds are not spent as intended.

A program would receive a *No* if it had significant erroneous payments or was in violation of the Anti-Deficiency Act.

Evidence/Data: evidence can include periodic and year-end spending reports from the program and its partners. Evidence on expenditures can include spending reports that draw intended purpose from the Congressional Justifications, Appropriations, and program operating plans and match them against actual spending. For grantees, evidence can include grantee audit reports under the Single Audit Act, including data captured in the Federal Audit Clearinghouse, and the existence of an established procedure for reviewing actual expenditures against budgets in grant awards or appropriate Federal guidelines.

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?

Purpose of the question: to determine whether the program has effective management procedures in place to ensure the most efficient use of each dollar spent on program execution.

Elements of a Yes answer: a *Yes* would require that the program's performance plans include efficiency measures and targets, such as per-unit cost of outputs, timing targets, and other indicators of efficient and productive processes germane to the program. A de-layered management structure that empowers front line managers and that has undergone competitive sourcing (if necessary) would also contribute to a *Yes* answer. For mandatory programs, a *Yes* could require the program to seek policies (e.g., through review of proposals from States) that would reduce unit costs. Also consider if, where possible, there is cross-program and inter-agency coordination on IT issues to avoid redundancies.

For R&D programs, efficiency measures can include program overhead costs, average times to fund competitive awards, etc.

Evidence/Data: evidence can include efficiency measures, competitive-sourcing plans, and IT improvement plans designed to produce tangible productivity and efficiency gains, or IT business cases that document how particular projects improve efficiency.

3.5. Does the program collaborate and coordinate effectively with related programs?

Purpose of the question: to determine whether a Federal program collaborates with other related program(s) in a meaningful way.

Elements of a *Yes* answer: a *Yes* answer would require that the program collaborate with related Federal programs and, to the extent appropriate or possible, with related State, local, and private programs. A *Yes* answer would require that the program show evidence of collaboration leading to meaningful actions in management and resource allocation. For example, the existence of a coordinating council would not by itself constitute meaningful collaboration. (This question applies to programs that have interrelated, but separately budgeted, efforts. An example of an interrelated Federal program is the shared effort of the Department of Veterans Affairs and the Medicare Program to provide care for aging veterans.)

Evidence/Data: evidence of meaningful collaboration could include joint grant announcements, planning documents, performance goals, or referral systems.

3.6. Does the program use strong financial management practices?

Purpose of the question: to determine whether the program uses effective financial management practices in administering program funds.

Elements of a *Yes* answer: a *Yes* answer would require that the program be free of material internal control weaknesses reported by auditors. Additional criteria could include whether:

- the program has procedures in place to ensure that payments are made properly for the intended purpose to minimize erroneous payments,
- financial management systems meet statutory requirements,
- financial information is accurate and timely,
- integrated financial and performance systems support day-to-day operations, and
- financial statements receive a clean audit opinion and have no material internal control weaknesses.

If an agency-wide material weakness exists that is unrelated to the program, then a *Yes* response would be appropriate. However, if an agency-wide material weakness has a direct relation to the program (e.g., a lack of systems that support day-to-day operations), then the program would receive a *No* for this question.

For block-grant programs which support a wide range of purposes and allow grantees to set their own program priorities, a *Yes* answer should also require that grantees (e.g., States and localities) accomplish these tasks.

For credit programs, a *Yes* answer would also require that the program consistently meets the requirements of the Federal Credit Reform Act of 1990, the Debt Collection Improvement Act and applicable guidance under OMB Circular A-129.

Evidence/Data: evidence can include recent audit reports and existence of procedures to identify the above-listed criteria, such as the ability to measure improper payments.

For credit programs, evidence can include actual reports detailing the performance of the agency's portfolio management, subsidy calculations, re-estimates, modifications, etc. Other evidence can include independent evaluations of the program's performance.

3.7. Has the program taken meaningful steps to address its management deficiencies?

Purpose of the question: to determine whether the program has developed a system of evaluating program management and correcting deficiencies when they are identified. This question should include, but is not limited to, financial management or other Presidential Management Agenda deficiencies. However, the focus of the question is program-level deficiencies, as opposed to agency-level deficiencies that may not directly affect the program.

Elements of a *Yes* answer: a *Yes* answer would require that the program has a system for identifying and correcting program management deficiencies and uses the system to make necessary corrections. A program that does not review program management activities and make corrections to eliminate identified deficiencies would receive a *No*.

Evidence/Data: evidence can include a description of how deficiencies in the program management are identified and corrected as well as examples of such changes.

Specific Program Management Questions by Program Type

Competitive Grant Programs

3.CO1. Are grants awarded based on a clear competitive process that includes a qualified assessment of merit?

Purpose of the question: to determine whether or not grant funds are distributed according to a competitive process so that the most meritorious applications are awarded and so that new applicants of merit will be able to compete fairly with previous grant recipients. (For R&D competitive grants programs, this question is central to addressing the R&D “quality” criterion (see Attachment E of this BPM).)

Elements of a Yes answer: a Yes answer would require that the overwhelming majority of awards (95 percent or more of funding) are distributed according to a competitive process. Elements of the process can include peer review and ranking of applications, as well as a limit on the percentage of funds that are earmarked. A Yes answer would also require that the program operate a fair and open grant competition and provide a reasonable amount of outreach to encourage the participation of new grantees. Considerations can include whether the program tends to provide grants to the same list of grantees year after year.

Evidence/Data: evidence can include a description of the awards process, percentage of funds earmarked, and percentage of funds subject to peer review. Evidence can also include the relative number of new grantees per grant cycle and technical assistance and outreach efforts of the agency.

3.CO2. Does the program have oversight practices that provide sufficient knowledge of grantee activities?

Purpose of the question: to determine whether or not the program has an understanding of how its funds are utilized by grantees.

Elements of a Yes answer: a Yes answer would require that a program have sufficient oversight capacity. This capacity may be demonstrated by a program that has a reporting system in place to document grantees’ use of funds in eligible activity categories, conducts site visits to a substantial number of grantees on a regular basis, audits grantee performance, and tracks actual expenditures to verify that funds are used for their designated purpose. A program with a strong relationship to its grantees and a high level of understanding of what grantees do with the resources allocated to them would receive a Yes.

A program with a poor reporting system to track expenditures by grantees would receive a No rating.

Evidence/Data: evidence can include the reporting structure, oversight techniques, audit or site visit schedule, and/or an assessment of program data quality.

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?

Purpose of the question: to determine whether or not the program has a system in place to collect and present publicly information that captures the most important impacts of program performance.

Elements of a Yes answer: a *Yes* would require that the program collects, compiles and disseminates grantee performance information in an accessible manner, such as via a web site or widely available program reports. Data would be both aggregated on a program-wide level and disaggregated at the grantee level.

A program would receive a *No* if grantee performance information is not available to the public, or if it is only aggregated at a high level. Similarly, a program could receive a *No* response if the data it presents are not related to the impact of the program.

Evidence/Data: evidence can include citations of the types of data that are collected and disseminated as well as a description of how these data are made available.

Block/Formula Grant Programs

3.BF1. Does the program have oversight practices that provide sufficient knowledge of grantee activities?

Purpose of the question: to determine whether or not the program has an understanding of how its funds are utilized by grantees.

Elements of a Yes answer: a *Yes* answer would require that a program have sufficient oversight capacity. This capacity may be demonstrated by a program that has a reporting system in place to document grantees' use of funds in eligible activity categories, conducts site visits to a substantial number of grantees on a regular basis, audits grantee performance, and tracks actual expenditures to verify that funds are used for their designated purpose. A program with a strong relationship to its grantees and a high level of understanding of what grantees do with the resources allocated to them would receive a *Yes*.

A program with no reporting system to track expenditures by grantees would receive a *No*.

Evidence/Data: evidence can include the reporting structure, oversight techniques, audit or site visit schedule, and/or an assessment of program data quality.

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?

Purpose of the question: to determine whether or not the program has a system in place to collect and present publicly information that captures the most important impacts of program performance.

Elements of a Yes answer: a *Yes* answer would require the program collects, compiles and disseminates grantee performance information in an accessible manner, such as via a web site or widely available program reports. Data would be both aggregated on a program-wide level and disaggregated at the grantee level.

A program would receive a *No* if grantee performance information is not available to the public, or if it is only aggregated at a high level. Similarly, a program could receive a *No* response if the data it presents are not related to the impact of the program.

Evidence/Data: evidence can include citations of the types of data that are collected and disseminated as well as a description of how these data are made available.

Regulatory Based Programs

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?

Purpose of the question: to determine the level of coordination, during the rulemaking process, with parties affected by the regulations.

Elements of a Yes Answer: a *Yes* would require the program solicits the opinions of affected parties on significant regulations and thoroughly evaluates the concerns and suggestions raised by these entities. For example, a program that seeks the opinions of affected parties and incorporates their suggestions or explains why other suggestions were not incorporated during the rule making process could receive a *Yes*.

If the program drafts its rules in a vacuum without consulting any of the potentially affected parties, it would likely receive a *No*. While the element of seeking views is mandated by law, the assessment should consider the extent to which the program takes those views into account.

Evidence/Data: evidence can include notices seeking public comment and addressing comments in final rules, regulation preambles which discuss compliance with the Regulatory Flexibility Act, Unfunded Mandates Act of 1995, Small Business Regulatory Enforcement Fairness Act (SBREFA) of 1996, E.O. 13132, and National Environmental Policy Act, and detailed preamble language discussing how public comments were considered and addressed.

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?

Purpose of the question: to determine whether the program, in justifying its rules, prepares sound analyses (i.e., cost-benefit analysis, risk analysis) that are rigorous, thorough, and based upon the best available data and consistent with OMB's economic analysis guidelines.

Elements of a Yes Answer: a *Yes* answer should generally include, but is not limited to, a statement of need of the proposed action, an examination of alternative approaches, and an analysis of the incremental benefits and costs of the proposed action. In accordance with OMB's economic guidelines, programs' regulatory actions should maximize net benefits; consider regulatory and non-regulatory alternatives; monetize regulatory costs and benefits; and choose the alternative that maximizes net benefits in their regulatory analyses. For example, programs that fully document the impacts on public health and safety and the regulated industry through a thorough benefit, cost and risk analysis based upon the best possible available data, and examine other regulatory and non-regulatory alternatives would receive a *Yes*. A program may receive a *Yes* if its analyses are subjected to peer review by government entities, academia, industry, or non-profit research organizations; however, peer review is not required for a program to receive a *Yes*.

If a program's impact analyses fail to include a discussion of the costs of restrictions on the regulated industry, a *No* response to this question would be appropriate. If the program certifies that regulations would not have a significant economic impact on a substantial number of small entities, the program must provide adequate justification for that conclusion to get a *Yes* answer.

Evidence/Data: evidence can include regulatory impact analyses, regulatory flexibility analyses, and cost-benefit analyses for the program's rules, any reports or feedback generated by outside reviewers, and coordination between reviewers and the sponsoring agency or program.

3.RG3. Does the program systematically review its current regulations to ensure consistency among all regulations in accomplishing program goals?

Purpose of the question: to determine whether the program consists of only those regulations that are: (1) necessary in achieving its goals, (2) relevant to the current societal and economic situation, and (3) complementary and consistent with each other.

Elements of a Yes Answer: a *Yes* answer would require a program to review its regulations periodically (e.g., every two years) to ensure that they were consistent with program policies. A consideration would include whether the program makes attempts to minimize regulatory burden through constant review of regulations, with an eye towards streamlining, if possible. An additional factor to consider is whether the program ensures that every regulation is consistent with the program's goals. An example of a *Yes* could be a program that conducts look-back studies every third year on all of its significant regulations to ensure that they are all current, consistent, and relevant to the program goals, and, if the review concludes that a regulation is no longer necessary, the program proposes or takes action to remedy the situation.

If a program, however, continues to enforce regulations that are no longer justified and/or necessary, the program would receive a *No*. In addition, a program that has not reviewed its regulations for consistency and necessity in a significant time period would receive a *No*.

Evidence/Data: evidence should include a program plan to conduct this exercise on a regular basis, an organizational infrastructure that allocates resources to conducting such a review, and

any reports generated or changes made to the program or its regulations as a result of this type of review.

3.RG4. *Are the regulations designed to achieve program goals, to the extent practicable, by maximizing the net benefits of its regulatory activity?*

Purpose of the question: to determine whether the program, as it promulgates regulations, ensures that its regulatory requirements, in total, maximize net benefits. (Note that this question relates to the promulgation of regulations, as opposed to their implementation.)

Elements of a Yes Answer: a *Yes* answer would require the program to maximize overall net benefits to the greatest extent practicable. The program should show that it makes the best effort to assess how each additional regulation adds to the current level of regulatory requirements and keeps regulatory compliance burden at a minimum, including the burden associated with information collection. Any additional compliance burdens should be shown to increase benefits substantially. An important consideration for this question is whether in promulgating its regulations, for a given level of benefits, the agency allows alternative methods for compliance, record keeping, and reporting to minimize the cost burden on regulated entities (including electronic means). Programs should be judged within their statutory framework; the program should maximize net benefits to the extent allowed by statute in order to get a *Yes*.

Evidence/Data: evidence can include statistics on compliance reporting burden and the costs of the program's requirements on regulated industries in total, or evidence from a thorough cost-benefit analysis.

Capital Assets and Service Acquisition Programs

3.CA1. *Is the program managed by maintaining clearly defined deliverables, capability/performance characteristics, and appropriate, credible cost and schedule goals?*

Purpose of the question: to determine whether the agency has clearly identified and defined the required quality, capability, and performance characteristics or objectives expected of the end product/result of the asset or service acquisition. This element is critical because it assures that all parties (government, contractor, etc) are working toward the same end-product and result.

Elements of a Yes answer: if acquiring a capital asset, a *Yes* would require the program to document the capabilities or characteristics that are expected and to make management decisions based on whether milestones are being met. For example, a weapon system that has defined key performance parameters and operational requirements would get a *Yes*, one that is proceeding without such definition should receive a *No*. For services, a *Yes* would require the program made adequate use of performance-based contracting methods. A program that acquires services through other than performance-based contracts should receive a *No*, unless there is a legitimate reason for not using such contracts.

Evidence/Data: evidence can include documentation from the program describing key performance characteristics and/or deliverables and demonstration that this information is used appropriately in management decisions.

Credit Programs

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?

Purpose of the question: to determine whether the program agency and its partners manage the financial performance of their credit programs.

Elements of a Yes answer: a Yes answer would require managing the program based on the results of an effective monitoring system that tracks the financial performance of each credit facility. Collection and analysis of borrower repayment streams should be part of the evaluation process and could be coupled with reports from or trips to the field. The evaluation should also include an analysis of agency efforts to reduce default rates, and maximize collections and recoveries.

Evidence/Data: evidence can include quarterly financial statements from the program, agency, Treasury, the guaranteed lender, loan servicing agent; internal evaluations, external independent performance evaluations; reports from field representatives or trips to the field on the borrowers' performance.

3.CR2. Do the program's credit models adequately provide reliable, consistent, accurate and transparent estimates of costs and the risk to the Government?

Purpose of the questions: To determine whether the program uses a reliable method for estimating program costs.

Elements of a Yes answer: A Yes answer would require that the agency employ a rigorous cost-estimation model that adequately accounts for the government's risk and generates dependable cost estimates for each cohort. A program whose cost estimates routinely differ markedly from actual results should receive a No.

Evidence/Data: Evidence can include a description of any problems or advantages of the program's cost estimation model. For example, a strong model could employ well established statistical estimation techniques that have a solid track record for predicting borrower activity. However, a weaker model could fail to account for potential contingencies that increase government risk.

Research and Development Programs

R&D programs addressing technology development or the construction or operation of a facility should answer the Capital Assets and Service Acquisition question (3.CA1).

R&D programs that use competitive grants should answer the Competitive Grants questions (3.CO1, CO2, and CO3).

3.RD1. For R&D programs other than competitive grants programs, does the program allocate funds and use management processes that maintain program quality?

Purpose of the question: to determine whether the program uses a clearly stated, defensible method for allocating its R&D funding. This question is central to addressing the R&D “quality” criterion (see Attachment E of this BPM).

Elements of a Yes answer: a Yes answer would require that the program allocate funding using a broadly competitive process based on merit, or that it has compelling justifications for R&D funding allocated through other means. Interpretations of competition and merit review should be consistent with the definitions in Circular A-11: “...intramural and extramural research programs where funded activities are competitively awarded following review for scientific and technical merit.” All program funds allocated through means other than unlimited competition must document the processes they use to distribute funds to each type of R&D performer (e.g., federal laboratories, federally funded R&D centers, universities, etc.). Programs are encouraged to use external assessment of the methods they use to allocate R&D and maintain program quality.

Evidence/Data: evidence can include a description of the awards process, percentage of funds earmarked, percentage of funds subject to competitive peer review, and results of external assessments.

IV. PROGRAM RESULTS/ACCOUNTABILITY

This section considers whether a program is meeting its long-term and annual performance goals. This section also assesses how well the program compares to similar programs and how effective the program is based on independent evaluations. Potential source documents and evidence for answering questions in this section include annual performance reports, evaluations, GAO reports, IG reports and other agency documents. Assessments of program results should be based on the most recent reporting cycle or other relevant data. However, the Measures tab in the PART worksheet contains data fields for a few years of performance targets and results, and should be completed if possible.

Answers in this section are rated as *Yes*, *Large Extent*, *Small Extent*, and *No*. Like Sections I-III, the scoring system in this section remains on a 0 to 1 point scale. Scoring for this section differs by including the option of partial credit between 0 and 1 in increments of 0, .33, .67, and 1.

In general, *Not Applicable* answers are not appropriate for Questions 4.1 and 4.2. While it is recognized that some programs may have great difficulty developing quantitative performance goals, programs are strongly encouraged to have some meaningful and appropriate methods for demonstrating results. OMB and agencies should work together to develop approaches for programs where it is difficult to develop quantitative measures, and where qualitative, expert-review, or other measures are more appropriate. *Not Applicable* is a potential answer for Question 4.3 if the program is already operating at very high efficiency levels. It may also be a possible answer for Question 4.4 and, with specific justification, for Question 4.5. (For R&D programs, most of the questions in this section help address the *retrospective* aspects of the R&D Investment Criteria, with emphasis on the “performance” criterion (see Attachment E of this BPM).)

4.1. Has the program demonstrated adequate progress in achieving its long-term performance goals?

Purpose of the question: to determine whether the program is meeting or making measurable progress toward meeting the long-term performance goals evaluated in Questions 2.1 and 2.2. The question also seeks to determine whether the program's partners are meeting long-term goals evaluated in Question 2.5, if partner performance is critical to the program achieving its goals. Examples of partners can include grantees, participating financial institutions, regulated bodies, or suppliers.

Elements of a *Yes* answer: a *Yes* answer (i.e., full credit) would require that the program is on track to meet all the long-term performance goals – including ambitious targets and timeframes – evaluated in Questions 2.1 and 2.2. A program would not receive a *Yes* answer simply meeting any one of its long-term targets, or by having performance measures but no ambitious targets and timeframes. A *Yes* answer would also require that, where applicable, partners commit to long-term outcome targets and achieve them as well.

Partial credit, such as *Large Extent* or *Small Extent*, should be given in cases where there is partial, but notable, achievement of long-term targets. A program could receive a *No* if it had received a *Yes* for achieving its annual targets (next question), but is not making progress toward meeting its long-term goals.

Space is provided in the Measures tab of the PART worksheet to list and document goals, targets and achieved results.

Additional rating guidance:

- **If adequate outcome (or output) measures are not available and a program received a *No* in Question 2.1, the program must receive a *No* answer to this question.**
- **If the program received a *Yes* in Question 2.1 and a *No* in Question 2.2, then the program cannot receive a rating higher than *Small Extent*.**

The only exceptions to this guidance are in cases in which OMB has approved the use of alternative forms of assessment, as discussed in the Section IV overview.

Where relevant, a *Yes* answer would also require that a program has addressed appropriately any predefined decision or termination points.

Evidence/Data: evidence can include data from the agency's GPRA performance report, a strategic plan, or other Administration goals and objectives. Reports detailing customer satisfaction with program performance, program reports detailing rates of utilization or participation, or independent evaluations of the program's performance may also be considered as relevant evidence. In cases where targets are not met, additional evidence can include an explanation of the main reasons.

4.2. Does the program (including program partners) achieve its annual performance goals?

Purpose of the question: to determine whether the program is meeting the targets evaluated in Question 2.4. The question also seeks to determine whether the program's partners are meeting annual targets evaluated in Question 2.5, if partner performance is critical to the program achieving its overall targets. Examples of partners can include grantees, contractors, participating financial institutions, regulated bodies, or suppliers.

Elements of a *Yes* answer: a *Yes* answer (i.e., full credit) would require that the program meet all the annual performance targets evaluated in Question 2.4. A *Yes* answer would also require the program received a *Yes* for Questions 2.1 and 2.3, and a *Yes* or *Not Applicable* for Question 2.5. A program would not receive a *Yes* answer by simply meeting any one of its annual targets. A *Yes* answer would also require that, where applicable, partners commit to annual targets and achieve them as well.

Partial credit such as *Large Extent* or *Small Extent*, should be given in cases where there is partial, but notable, achievement of targets.

Space is provided in the Measures tab of the PART worksheet to list and document goals, targets and achieved results.

Additional rating guidance:

- **If a program received a *No* in Question 2.3, the program must receive a *No* answer to this question.**

- **If the program received a *Yes* in Question 2.3 and a *No* in Question 2.4, then the program cannot receive a rating higher than *Small Extent*.**

The only exceptions to this guidance are in cases in which OMB has approved the use of alternative forms of assessment, as discussed in the Section IV overview.

Evidence/Data: evidence can include data from the agency's annual GPRA performance report, a strategic plan, or other Administration goals and objectives. In cases where targets are not met, additional evidence can include an explanation of the main reasons.

4.3. Does the program demonstrate improved efficiencies or cost effectiveness in achieving program goals each year?

Purpose of the question: to determine whether management practices have resulted in efficiency gains over the past year.

Elements of a *Yes* answer: A *Yes* would require that the program demonstrate improved efficiency or cost effectiveness over the prior year. Efficiency improvements should generally be measured in terms of dollars or time (other measures, such as energy, may also be appropriate). Programs that complete an A-76 competition – an indicator of cost-efficient processes – would also likely be eligible for a *Yes* answer, provided that the competition addresses the program's key cost and performance drivers. Also, programs that clearly demonstrate very high levels of efficiency through other means may receive a *Yes* without documenting increasing efficiency over time. **A program would normally not be eligible for a *Yes* answer to this question if it received a *No* in Question 3.4.**

Evidence/Data: evidence can include meeting performance targets to reduce per unit costs, time, or energy use; meeting production and schedule targets; or meeting other targets that result in tangible productivity or efficiency gains. Efficiency measures may also be considered in Questions 4.1 and 4.2.

4.4. Does the performance of this program compare favorably to other programs, including government, private, etc., with similar purpose and goals?

Purpose of the question: to determine how well the program performs relative to other programs engaged in a similar activity.

Elements of a *Yes* answer: a *Yes* answer would require the program compare favorably to other programs with similar purpose and goals. Programs are not limited to Federal government and can include State and local government and the private sector. The user should consider relevant evaluations that allow a comparison of programs with similar purpose and goals. If there are no programs with similar purpose and goals for comparison, then a *Not Applicable* rating is appropriate. (This question is not limited to comparisons of programs with explicitly coordinated “common measures.”)

For capital assets and service acquisition programs, review of performance should include cost/schedule adherence, quality, and quantity of deliverables.

Evidence/Data: evidence can include evaluations and documentation comparing similar programs.

4.5. Do independent evaluations of sufficient scope and quality indicate that the program is effective and achieving results?

Purpose of the question: to determine whether the program is effective based on independent and comprehensive evaluations. This question may be particularly important for programs that have substantial difficulty formulating quantitative performance measures. (For R&D programs, this question is central to retrospective assessment of all of the R&D criteria (see Attachment E of this BPM).)

Elements of a *Yes* answer: a *Yes* answer would require that program evaluations indicate that the program is effective (if the evaluations of Question 2.6 address past effectiveness and accomplishments, they may be used as evidence for this question as well). If a program is taking necessary steps to correct deficiencies uncovered by the evaluation, the user should address this effort in Question 3.7.

Relevant evaluations would be at the national program level, rather than evaluations of one or more program partners, and would not focus only on process indicators such as the number of grants provided, or hits on a web site. Relevant evaluations would consider a program's impact, effectiveness, financial management, or other measurement of performance. Evaluations conducted by the program itself should not be considered "independent." However, if the program has contracted out the evaluation to a third-party, it might be considered independent. Evaluations conducted by an agency's Inspector General's or program-evaluation office also might be considered "independent." OMB examiners will advise if a specific evaluation can be considered "independent" for this question.

In some specific cases, it may be reasonable that a program has not received an independent evaluation. In such cases, *Not Applicable* is an appropriate answer. However, if the program is of a magnitude or importance level such that it warrants an independent evaluation, but has not had one, then a *No* answer is appropriate.

Evidence/Data: evidence can include findings of an evaluation conducted by the General Accounting Office, Inspectors General, academic and research institutions, agency contracts, or other independent entities.

Specific Results Questions by Program Type

Regulatory Based Programs

4.RG1. Were programmatic goals (and benefits) achieved at the least incremental societal cost and did the program maximize net benefits?

Purpose of the question: to determine whether the program maximized net benefits through its regulatory actions. In calculating the incremental costs of a new regulation, these costs should be compared to a baseline or, in a small number of cases, a less stringent alternative. This question deals with the actual implementation of the regulatory action, not just the conception and promulgation of the regulatory action.

Elements of a Yes answer: a Yes answer would require that the program's implementation of the regulatory action maximizes net benefits. For example, a Department of Transportation maximum load regulation that demonstrates that 1) the realized benefits to health and safety outweigh the realized incremental costs of compliance, and that 2) the net benefits of the regulatory approach adopted is higher than reasonable alternatives, would receive a Yes.

If a program's regulations result in greater incremental costs than benefits, or if the program does not analyze alternative approaches to demonstrate that its regulatory approach maximized net benefits, the program should get a No.

Evidence/Data: evidence can include RIA or other supporting programmatic analyses (with supporting data after implementation that assumptions were correct), look-back studies, independent evaluations, or additional impact analyses using retrospective data. If a No answer is attributable to statutory requirements to regulate despite the fact that incremental costs exceed benefits, the examiner should include these statutory requirements in the evidence section.

Capital Assets and Service Acquisition Programs

4.CA1. Were program goals achieved within budgeted costs and established schedules?

Purpose of the question: to determine whether valid program goals were achieved within budgeted costs and established schedules and whether the program spends funds as planned and budgeted.

Elements of a Yes answer: a Yes answer would require that the program achieved the goals evaluated in Section II on budget and on schedule. An example of a program that could receive a No rating could be an acquisition program that has experienced 60 percent cost growth and is behind schedule. If a program's cost and schedule targets were changed in the last 12 months specifically due to failure to achieve previous goals, the program should get a No.

Evidence/Data: evidence can include a comparison of the contract schedule, deliverables, and costs with the final outcomes for that fiscal year.

Research and Development Programs

R&D programs addressing technology development or the construction or operation of a facility should answer the Capital Assets and Service Acquisition question (4.CA1).

For Research and Development Programs: R&D Investment Criteria

As another initiative of the President's Management Agenda, the development of explicit R&D investment criteria builds on the best of the planning and assessment practices that R&D program managers use to plan and assess their programs. The Administration has worked with experts and stakeholders over the past two years to build upon lessons learned from previous approaches.

This year, the content of the R&D investment criteria has not changed from last year, but OMB has worked to clarify their implementation. Specifically, agencies should use the criteria as broad guidelines that apply at all levels of federally funded R&D efforts, and they should use the PART as the instrument to periodically evaluate compliance with the criteria at the program level. To make this possible, the R&D PART has been modified to clarify its alignment with the R&D criteria. The R&D criteria are reprinted here as a guiding framework for addressing the R&D PART. More details will follow on other aspects of R&D criteria implementation this year.

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.

While the criteria are intended to apply to all types of R&D, the Administration is aware that predicting and assessing the outcomes of *basic* research in particular is never easy. Serendipitous results are often the most interesting and ultimately may have the most value. Taking risks and working towards difficult-to-attain goals are important aspects of good research management, and innovation and breakthroughs are among the results. However, there is no inherent conflict between these facts and a call for clearer information about program goals and performance towards achieving those goals. The Administration expects agencies to focus on improving the management of their research programs and adopting effective practices, and not on predicting the unpredictable.

The R&D investment criteria have several potential benefits:

- Use of the criteria allows policy makers to make decisions about programs based on information beyond anecdotes, prior-year funding levels, and lobbying of special interests.
- A dedicated effort to improve the process for budgeting, selecting, and managing R&D programs is helping to increase the return on taxpayer investment and the productivity of the federal R&D portfolio.
- The R&D investment criteria will help communicate the Administration's expectations for proper program management.
- The criteria and subsequent implementation guidance will also set standards for information to be provided in program plans and budget justifications.
- The processes and collected information promoted under the criteria will improve public understanding of the possible benefits and effectiveness of the federal investment in R&D.

The R&D Investment Criteria

The Relevance, Quality, and Performance criteria apply to all R&D programs. Industry- or market-relevant applied R&D must meet additional criteria. Together, these criteria can be used to assess the need, relevance, appropriateness, quality, and performance of federal R&D programs.

I. 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. Programs that directly support Presidential priorities may receive special consideration with adequate documentation of their relevance. Review committees should assess program objectives and goals on their relevance to national needs, “customer” needs, agency missions, and the field(s) of study the program strives to address. For example, the Joint DOE/NSF Nuclear Sciences Advisory Committee’s Long Range Plan and the Astronomy Decadal Surveys are the products of good planning processes because they articulate goals and priorities for research opportunities within and across their respective fields.

OMB will work with some programs to identify quantitative metrics to estimate and compare potential benefits across programs with similar goals. Such comparisons may be within an agency or among agencies.

A. Programs must have complete plans, with clear goals and priorities.

Programs must provide complete plans, which include explicit statements of:

- specific issues motivating the program;
- broad goals and more specific tasks meant to address the issues;
- priorities among goals and activities within the program;
- human and capital resources anticipated; and
- intended program outcomes, against which success may later be assessed.

B. Programs must articulate the potential public benefits of the program.

Programs must identify potential benefits, including added benefits beyond those of any similar efforts that have been or are being funded by the government or others. R&D benefits may include technologies and methods that could provide new options in the future, if the landscape of today’s needs and capabilities changes dramatically. Some programs and sub-program units may be required to quantitatively estimate expected benefits, which would include metrics to permit meaningful comparisons among programs that promise similar benefits. While all programs should try to articulate potential benefits, OMB and OSTP recognize the difficulty in predicting the outcomes of basic research. Consequently, agencies may be allowed to relax this as a requirement for basic research programs.

C. Programs must document their relevance to specific Presidential priorities to receive special consideration.

Many areas of research warrant some level of federal funding. Nonetheless, the President has identified a few specific areas of research that are particularly important. To the extent a proposed project can document how it directly addresses one of these areas, it may be given preferential treatment.

D. Program relevance to the needs of the Nation, of fields of Science & Technology, and of program “customers” must be assessed through prospective external review.

Programs must be assessed on their relevance to agency missions, fields of science or technology, or other “customer” needs. A customer may be another program at the same or another agency, an interagency initiative or partnership, or a firm or other organization from another sector or country. As appropriate, programs must define a plan for regular reviews by primary customers of the program’s relevance to their needs. These programs must provide a plan for addressing the conclusions of external reviews.

E. 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.

Programs must periodically assess the need for the program and its relevance to customers against the original justifications. Programs must provide a plan for addressing the conclusions of external reviews.

II. 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. NSF’s process for the peer-reviewed, competitive award of its R&D grants is a good example. Justifications for processes other than competitive merit review may include “outside-the-box” thinking, a need for timeliness (e.g., R&D grants for rapid response studies of *Pfisteria*), unique skills or facilities, or a proven record of outstanding performance (e.g., performance-based renewals).

Programs must assess and report on the quality of current and past R&D. For example, NSF’s use of Committees of Visitors, which review NSF directorates, is an example of a good quality-assessment tool. OMB and OSTP encourage agencies to provide the means by which their programs may be benchmarked internationally or across agencies, which provides one indicator of program quality.

A. Programs allocating funds through means other than a competitive, merit-based process must justify funding methods and document how quality is maintained.

Programs must clearly describe how much of the requested funding will be broadly competitive based on merit, providing compelling justifications for R&D funding allocated through other means. (See OMB Circular A-11 for definitions of competitive merit review and other means of allocating federal research funding.) All program funds allocated through means other than unlimited competition must document the processes they will use to distribute funds to each type of R&D performer (e.g., federal laboratories, federally funded R&D centers, universities, etc.). Programs are encouraged to use external assessment of the methods they use to allocate R&D and maintain program quality.

B. Program quality must be assessed periodically through retrospective expert review.

Programs must institute a plan for regular, external reviews of the quality of the program’s research and research performers, including a plan to use the results from these reviews to guide future program decisions. Rolling reviews performed every 3-5 years by advisory committees can satisfy this requirement. Benchmarking of scientific leadership and other

factors provides an effective means of assessing program quality relative to other programs, other agencies, and other countries.

III. Performance

R&D programs should maintain a set of high priority, multi-year R&D objectives with annual performance outputs and milestones that show how one or more outcomes will be reached. Metrics should be defined not only to encourage individual program performance but also to promote, as appropriate, broader goals, such as innovation, cooperation, education, and dissemination of knowledge, applications, or tools.

OMB encourages agencies to make the processes they use to satisfy the Government Performance and Results Act (GPRA) consistent with the goals and metrics they use to satisfy these R&D criteria. Satisfying the R&D performance criteria for a given program should serve to set and evaluate R&D performance goals for the purposes of GPRA. OMB expects goals and performance measures that satisfy the R&D criteria to be reflected in agency performance plans.

Programs must demonstrate an ability to manage in a manner that produces identifiable results. At the same time, taking risks and working towards difficult-to-attain goals are important aspects of good research management, especially for basic research. The intent of the investment criteria is not to drive basic research programs to pursue less risky research that has a greater chance of success. Instead, the Administration will focus on improving the management of basic research programs.

OMB will work with some programs to identify quantitative metrics to compare performance across programs with similar goals. Such comparisons may be within an agency or among agencies.

Construction projects and facility operations will require additional performance metrics. Cost and schedule earned-value metrics for the construction of R&D facilities must be tracked and reported. Within DOE, the Office of Science's formalized independent reviews of technical cost, scope, and schedule baselines and project management of construction projects ("Lehman Reviews") are widely recognized as an effective practice for discovering and correcting problems involved with complex, one-of-a-kind construction projects.

A. Programs may be required to track and report relevant program inputs annually.

Programs may be expected to report relevant program inputs, which could include statistics on overhead, intramural/extramural spending, infrastructure, and human capital. These inputs should be discussed with OMB.

B. Programs must define appropriate output and outcome measures, schedules, and decision points.

Programs must provide single- and multi-year R&D objectives, with annual performance outputs, to track how the program will improve scientific understanding and its application. Programs must provide schedules with annual milestones for future competitions, decisions, and termination points, highlighting changes from previous schedules. Program proposals must define what would be a minimally effective program and a successful

program. Agencies should define appropriate output and outcome measures for all R&D programs, but agencies should not expect fundamental basic research to be able to identify outcomes and measure performance in the same way that applied research or development are able to. Highlighting the results of basic research is important, but it should not come at the expense of risk-taking and innovation. For some basic research programs, OMB may accept the use of qualitative outcome measures and quantitative process metrics. Facilities programs must define metrics and methods (e.g., earned-value reporting) to track development costs and to assess the use and needs of operational facilities over time. If leadership in a particular field is a goal for a program or agency, OMB and OSTP encourage the use of benchmarks to assess the processes and outcomes of the program with respect to leadership. OMB encourages agencies to make the processes they use to satisfy GPRA consistent with the goals and metrics they use to satisfy these R&D criteria.

C. Program performance must be retrospectively documented annually

Programs must document performance against previously defined output and outcome metrics, including progress towards objectives, decisions, and termination points or other transitions. Programs with similar goals may be compared on the basis of their performance. OMB will work with agencies to identify such programs and appropriate metrics to enable such comparisons.

IV. Criteria for R&D Programs Developing Technologies That Address Industry Issues

The purpose of some R&D and technology demonstration programs and projects is to introduce some product or concept into the marketplace. However, some of these efforts engage in activities that industry is capable of doing and may discourage or even displace industry investment that would occur otherwise. For the purposes of assessing federal R&D investments, the following criteria should be used to assess industry-relevant R&D and demonstration projects, including, at OMB discretion, associated construction activities.

OMB will work with programs to identify quantitative metrics to measure and compare potential benefits and performance across programs with similar goals, as well as ways to assess market relevance.

A. Programs and projects must articulate public benefits of the program using uniform benefit indicators across programs and projects with similar goals.

In addition to the public benefits required in the general criteria, *all* industry-relevant programs and projects must identify and use uniform benefit indicators (including benefit-cost ratios) to enable comparisons of expected benefits across programs and projects. OMB will work with agencies to identify these indicators.

B. Programs and projects must justify the appropriateness of federal investment, including the manner in which the market fails to motivate private sector investment.

A lack of market incentives discourages private firms from investing in research where the benefits may occur far in the future, the risks may be too great for non-federal participants, or the benefits accrue to the public rather than private investors. Programs and projects must demonstrate that industry investment is sub-optimal and explain in what way the

market fails that prevents the private sector from capturing the benefits of developing the good or service.

C. Programs and projects must demonstrate that investment in R&D and demonstration activities is the best means to support the federal policy goals, compared to other policy alternatives.

When the federal government chooses to intervene to address market failures, there may be many policy alternatives to address those failures. Among the other tools available to the government are legislation, tax policy, regulatory and enforcement efforts, and an integrated combination of these approaches. In this context, projects to address issues of genuine federal concern should be able to illustrate how R&D and demonstration activities are superior to other policy tools in addressing federal goals, either by themselves or as part of an integrated package.

D. Programs and projects must document industry or market relevance, including readiness of the market to adopt technologies or other outputs.

Programs must assess the likelihood that the target industry will be able to adopt the technology or other program outputs. The level of industry cost sharing is one indicator of industry relevance. Before projects move into demonstration or deployment stages, an economic analysis of the public and private returns on the public investment must be provided.

E. Program performance plans and reports must include “off ramps” and transition points.

In addition to the schedules and decision points defined in the general criteria, program plans should also identify whether, when, and how aspects of the program may be shifted to the private sector.