



**Budget, Performance and Evaluation
Integration Plan**

**Prepared for
the Office of Management and Budget**

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Introduction

As part of the President's Management Agenda, the Office of Management and Budget (OMB) has made a commitment to formally integrate performance with budget decisions and to produce performance-based budgets beginning with the FY 2003 budget submission. To that end, OMB has directed that the Department of Agriculture (USDA) take the following actions.

1) Provide OMB with a Departmental annual performance plan that integrates budgeting and performance by:

- aligning its budget request by clearly identifying Departmental priorities and national outcome goals;
- describing how each priority relates to its strategic plan and is supported by program activities; and
- describing the strategies and resources that will be used to cost effectively accomplish these priorities

2) With the FY 2003 budget submission and annual performance plan, provide specific performance goals and information for the Crop Insurance, Conservation Reserve Program and Forest Service Land Acquisition Programs.

3) By February 1, 2002, provide OMB with information on how USDA will develop a systematic approach to document program outcomes across the Department, demonstrating that USDA has a process to integrate budgeting, planning and evaluation among bureaus to improve program effectiveness.

4) By September 2002, provide OMB with revised annual performance plans that integrate planning and budgeting and make significant progress toward aligning funding with GPRA

program activities.

5) By September 2002, initiate planning to strengthen account alignment for the FY 2004 budget by:

- analyzing ways to improve account and program activity alignment to improve the ability of bureaus/programs to control resources to achieve results;
- consider account names and program/activity alignment descriptions to integrate presentation of resources and performance; and
- inventory major items of property, plant and equipment by cost, dates of useful life, and users.

OMB's FY 2003 passback directs the Department to report by January 25, 2002 on its plans for implementing these directives. This plan addresses each of these issues by presenting specific objectives for the integration of budget and performance in USDA.

Strategic Planning Will Support the Integration of Budget and Performance in USDA

USDA is fully committed to improving management as outlined in the President's Management Agenda. Secretary Veneman understands the importance of strategic planning to ensuring this Administration's policy and management objectives are met. Upon taking office last year, one of the Secretary's first actions was to work with her subcabinet to develop a policy agenda for Federal food and agriculture programs. The resulting Food and Agricultural Policy document lays out a long-term view of the nation's agriculture and food system and USDA's role in ensuring the continued success of that system for the duration of this Administration.

Developing this document shed new light on many longstanding management deficiencies that have plagued the Department. An entire chapter of the policy document is devoted to discussing issues and challenges related to the infrastructure the Department uses to carry out and manage

its programs. Having set a policy agenda and recognizing the deficiencies that could undermine it, the Secretary and her subcabinet are now working to build a strong management infrastructure. A key step will be the development of a new strategic plan for the Department. The current plan was developed during the prior Administration, and the Secretary believes that this document needs to be updated to reflect this Administration's policies and her desire to use this document as a management tool. The Secretary led efforts to develop a new strategic plan for the California Department of Food and Agriculture and will be leading a similar effort at USDA later this year. The revised strategic plan is likely to focus on the Department's contribution to national outcomes and the management improvements needed to make the Department an effective and efficient organization.

Building on this strategic planning process, the Department intends to take a number of steps to improve the integration of performance information into its budget decision-making. This plan outlines the steps that the Department will take toward that end. All of the steps depend to some degree on having a revised strategic plan in place. Therefore, the exact timing and execution of these initiatives may change depending on the outcome of the strategic planning process. However, the Department commits to achieving the following four objectives with regard to integrating budget and performance.

Objective 1: Provide a Systematic Means to Review Performance Information During All Stages of the Budget Process

Currently, the Department's primary means of presenting performance information during the budget process is its strategic and annual performance plan. The Department is finalizing its FY 2003 annual performance plan, which will update performance targets in the FY 2002 performance plan and provide estimates of the FY 2003 resources needed to achieve each of the Department's programmatic strategic goals. To improve the Department's ability to track

resources against goals, the President's FY 2003 budget request includes an increase for the Office of the Chief Financial Officer to develop appropriate cost accounting methodologies. These methodologies will help managers make better use of the financial data that is being collected in the Department's new financial information system and data warehouse. While the Explanatory Notes and performance plan for FY 2003 will be physically separate documents, many USDA agencies are including performance information (both goals for the future and data on past performance) in their budget justifications, consistent with instructions issued by the Department.

However, the Department believes that all budget decision-makers could ultimately benefit from a budget request that is justified using performance data. This year, the Department will work to develop a single, consistent presentation which will integrate budget and performance at every stage of the process from initial agency presentations to the Department, to the Department's submission to OMB and ultimately in the President's budget request to the Congress. As a first step, the Office of Budget and Program Analysis is working with one of the Department's agencies, the Animal and Plant Health Inspection Service (APHIS), to prepare a "model" budget justification package that would combine the essential elements of the agency's performance plan with its budget request. This presentation will modify the current justification materials to place information about APHIS' actual and intended performance in the context of the resources needed or used to achieve that performance. We intend to provide an initial draft of the alternative presentation to OMB by March 31, 2002 and would like to work with OMB staff as we develop this model. With assistance from OMB, the Department could then share the model with the staff of the Appropriations Committees later this spring to build support for a combined budget and performance plan. Building support for a combined budget and performance plan may be difficult as appropriations committee staff have become accustomed to the current justification. However, if appropriations staff provide concurrence quickly, the Department should be able to produce a budget presentation that better integrates performance information in time for the FY 2004 budget cycle.

Objective 2: Improve Processes for Evaluating Programs and Documenting the Results

The Passback also requires the Department to report on how it will develop a systematic approach to document program outcomes across the Department, demonstrating that USDA has a process to integrate budgeting, planning, and evaluation among bureaus to improve effectiveness.

USDA operates nearly 300 programs that vary tremendously in size, population served and method of delivery. Not surprisingly, USDA has various means of evaluating them. These evaluation tools include:

- **Program Evaluations** - USDA agencies perform varying amounts and types of program effectiveness evaluations, depending on funding availability and the nature and needs of the program. For example, USDA regularly measures the impact of the Department's food and nutrition programs, and the Harvard University Center for Risk Analysis recently conducted and completed an analysis of the effectiveness of U.S. measures to prevent the spread of bovine spongiform encephalopathy (BSE or "Mad Cow Disease").
- **Advisory Committees** - USDA receives input on its programs and operations through its many advisory committees. These committees typically are made up of customers and other stakeholders affected by USDA programs and services. For example, the National Advisory Council on Maternal, Infant and Fetal Nutrition studies the operations of the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) and related programs such as the Commodity Supplemental Food Program and makes recommendations on how the programs can be improved.
- **Inspector General, General Accounting Office and Other External Reviews** - The USDA Inspector General, the U.S. General Accounting Office and other independent

reviewers make recommendations to USDA on a variety of program and management issues. USDA reports its progress in addressing many of these recommendations in its semiannual Secretary's Management Report to Congress.

In addition, senior Department officials routinely receive external feedback when they meet with members of Congress and the public. Several USDA agencies participate in the American Customer Satisfaction Index, a nationally-recognized customer survey that measures customer satisfaction with private and public sector organizations.

- **Internal Management Studies and Performance Measurement Systems - USDA** agencies conduct ad-hoc reviews to respond to specific issues. For example, the Forest Service created a Thirtymile Fire Board of Review to make detailed recommendations for improvement in Forest Service's fire response after the tragic Thirtymile Fire accident.

USDA agencies also have performance measurement systems to help evaluate results. For example, USDA launched a Capital Planning and Investment Control process to help ensure that capital investments for information technology are on time, on budget and that they achieve intended goals. NRCS is refining a comprehensive workload analysis, performance measurement and time and cost accounting system to better target Federal resources to address national priorities. This system allows policy makers to: establish key performance measures to determine program effectiveness; allocate resources in accordance with the agency's strategic plan; link allocations to performance measures; enhance the accountability of mandatory and discretionary funds use; and analyze the conservation workload of NRCS and its partners from the local level into a nationwide picture to provide a more defensible position for resource requests.

USDA relies on these various evaluation tools because, like other Federal agencies, the Department's capacity to undertake formal program evaluations has diminished in recent years as

budget cuts and staff streamlining has occurred. Currently, most of the Department's major evaluation studies focus on the expensive programs (i.e., the food and nutrition programs). This is prudent given the amount of funds at risk in these programs and their importance to millions of Americans. The results of these evaluations are factored into our decisions about budget levels and performance goals and targets.

The Department would like to perform more systematic evaluations of program impact and effectiveness, and has made related budget proposals. However, appropriated resources and staffing limit what can be done. For example, reviewing every USDA program every 10 years would require that the Department begin 30 evaluations annually, in addition to monitoring numerous evaluations continuing from prior years. This simply is not feasible from a financial or staffing standpoint.

However, the Department agrees that it needs to do more to systematically evaluate program outcomes and find ways to document and track program effectiveness. Developing valid data on our key programs will be a long-term process. However, during the FY 2004 budget process, the Department will ask each mission area to propose one or more program evaluations. The mission areas will be asked to submit proposals that target large programs for which there has been external criticism of program effectiveness. The Department will attempt to fund as many of these evaluations as possible within its budget.

Objective 3: Provide Improved Performance Goals for Crop Insurance, CRP and FS Land Acquisition

In a June 8 letter to the Secretary, OMB Director Daniels requested that the Department refine its performance goal for crop insurance coverage to include a measure of participation for each type of crop insurance coverage (including revenue coverage) and increase participation by under-

served states. The FY 2003 performance plan and explanatory notes will present performance data on participation rates in all types of crop insurance as well as participation in revenue coverage nationwide and in under-served states.

The June 8 letter also asked the Department to provide performance goals that indicate how well CRP targets environmental concerns, rather than simply providing information on acres enrolled. Specifically, OMB asked for FY 2003 performance targets relating to:

- the percentage of producers enrolling in CRP through continuous signup;
- the percentage of new enrollees within national or state conservation priority areas; and
- the percentage of acres enrolling that are classified as highly erodible land.

Targets that focus on the environmental impact of CRP have been developed and those targets will appear in the FY 2003 performance plan and explanatory notes. In the future, the Farm Service Agency intends to supplement these measures by working with other USDA agencies to develop broader measures of the benefits of CRP and other USDA environmental programs. These measures could assess benefits such as improved water quality.

Finally, the June 8 letter also asked the Department to improve its performance measure for the FS land acquisition program. OMB directed the Department to develop performance measures that prioritize acquisitions based on parcels' ecological, recreational and managerial attributes or specific interagency goals such as avoiding future Endangered Species Act listings and the extent to which the acquisition is coordinated with other State or Federal land acquisition efforts. FS has been working with OMB and the Department of Interior (DOI) to discuss appropriate land acquisition measures. The FS has developed a list of criteria for land acquisitions related to its strategic objectives and will use these criteria to evaluate and report on these acquisitions. Appendix A presents an excerpt from the Department's workforce restructuring plan which lists the criteria. In the meantime, FS will continue to work with OMB and DOI to develop a set of

land acquisition performance goals.

Objective 4: Create Budget Line Items That Track the Department's Goals and Encourage Effective Management

The Department will consider options this year for more broad scale adjustments to its budget line items. USDA's resources are currently tracked in more than 100 accounts that have little direct relationship to its performance goals. Account structures vary between agencies.

However, the current structure tracks some useful information, is familiar to appropriations staff and provides some flexibility in certain programs and agencies. It is also important to maintain a system of accounts that will not overwhelm our financial information systems. Therefore, in lieu of uniformly changing USDA's account structure, the Department will examine whether a more consistent set of supporting line items could be used for its accounts. These line items could help the Department identify and track the resources needed to achieve its performance goals while preserving managerial flexibility.

In addition, FS has worked with Congress to restructure its budget and is developing a proposal to further restructure the over 100 specific work activities in its accounting system to focus on essential activities. FS plans to reduce these activities by 20 percent in FY 2003 and make an additional 5 percent reduction annually through FY 2005. FS and other USDA agencies are also making significant progress in inventorying major items of property, plant and equipment by cost, dates of useful life, and users. Lack of adequate records on these items has contributed to the Department's inability to obtain a clean opinion on its financial statements.

The Department is taking steps to improve account and program activity or line item alignment to ensure that program managers are fully aware of and accountable for costs and results. For many years, the Department budgeted for and paid rent to the General Services Administration

(GSA) from a central rent account. Agencies were not charged for their share of this space and therefore had little incentive to fill their space needs cost effectively. The Department's FY 2003 budget submission to OMB proposed that FY 2003 rental payments to GSA be funded in the budgets of agencies occupying GSA space. OMB approved this proposal and the Department is transferring the FY 2003 central rental payments appropriation to agencies based on the space that they currently occupy. In future years, agencies will need to fund rent increases and acquisitions out of their own budgets.

Summary

USDA fully supports the President's Management Agenda and is making the integration of budget and performance one of its top management priorities. Actions will include: 1) providing a systematic means to review performance information during all stages of the budget process, beginning with an APHIS pilot project to combine its budget submission and performance plan; 2) improving the Department's processes for evaluating programs and documenting results by asking mission areas to submit program evaluation proposals during the FY 2004 budget cycle; 3) providing improved performance goals for crop insurance, CRP and FS land acquisitions; and 4) creating budget line items that track the Department's goals and encourage effective management. The Department will be working closely with OMB on this initiative.