

## SECTION 221—BUDGET PERFORMANCE INTEGRATION

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

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

*(a) In general.*

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

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

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

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

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

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

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

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

Specifically, an agency may:

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

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

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

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

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

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

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

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

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

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

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

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

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

*(a) In general.*

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

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

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

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

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

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

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

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

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

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

*(c) Informational tables in the budget.*

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

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

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

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

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

### 221.3 Full Cost

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**221.5 Availability of detailed performance information.**

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

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

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

**Schedule A:**

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

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

**Schedule B**

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

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

**Table C (an informational table)**

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

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

**Table D (information table)**

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

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

**Table and Schedule E**

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

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

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

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