

Performance-Based Budgeting: The Contribution of the Program Assessment Rating Tool

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Under the President's Management Agenda for performance and budget integration, the Office of Management and Budget (OMB) designed the Program Assessment Rating Tool (PART) to breath new life into performance-based budgeting as envisioned by the Government Performance and Results Act (GPRA). This article discusses what PART is designed to do and how the PART process works. Based on recent Government Accountability Office (GAO) reports addressing implementation of PART in the last four fiscal years, the article answers such questions as: Has PART made a difference in program operations? What is the relationship between PART and GPRA? Has progress been made in improving the evidence base for PART assessments? How well does PART assess programs related to a common goal? What has been congressional reaction to the PART process? Are PART and performance budgeting making a difference in government?

INTRODUCTION

Federal interest in performance information and its relationship with budgeting practices has existed to varying degrees for over 50 years.¹ This interest resulted in the passage of the Government Performance and Results Act (GPRA) and related management reforms of the 1990s. GPRA mandates that federal agencies develop performance information describing the relative effectiveness and efficiency of federal programs as a means of improving the congressional decision-making process. Among other statutory obligations, GPRA requires federal agencies to publish strategic and annual plans describing

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1. For a detailed examination of previous federal performance budgeting initiatives, see GAO, *Performance Budgeting: Past Initiatives Offer Insights for GPRA Implementation*, GAO/AIMD-97-46 (Washington, DC, March 27, 1997).

specific program activities with the intention of establishing a more tangible link between performance information for these programs and agency budget requests.²

WHAT IS THE PROGRAM ASSESSMENT RATING TOOL (PART) AND HOW DOES THE PART PROCESS WORK?

The current administration has taken several steps to strengthen the performance–resource linkages for which GPRA laid the groundwork. Central to the budget and performance integration initiative, the Office of Management and Budget (OMB) developed the PART as a means to strengthen the process for assessing the effectiveness of programs by making this process more robust, transparent, and systematic. PART is a series of diagnostic questions designed to provide a consistent approach to rating federal programs. Drawing on available performance and evaluation information, the PART questions rate the strengths and weaknesses of federal programs with a particular focus on individual program results. The PART asks, for example, whether a program’s long-term goals are specific, ambitious, and focused on outcomes, and whether annual goals demonstrate progress toward achieving long-term goals.

PART is designed to be evidence based, drawing on a wide array of information, including authorizing legislation; GPRA strategic plans, annual performance plans and reports; financial statements; inspectors general and GAO reports; and independent program evaluations. The reviews of individual programs are carried out on a collaborative basis by the OMB budget examiner responsible for the program’s budget presentation in the President’s budget documents and the program, planning, and budget offices in the respective departments and agencies. OMB makes the final PART determinations but the departments can appeal OMB’s decisions for a better score for each section where they can demonstrate improvement. The program office can also provide more information the next year to show progress; this is known as “re-PARTing.” PART questions are divided into four sections; each section is given a specific weight in determining the final numerical rating for a program. Table 1 shows an overview of the four PART sections and the weights OMB has assigned.

The answers to the questions in each of the four sections discussed in Table 1 result in a numerical score for each section ranging from 0 to 100. These scores are then weighted to give a summary score, again ranging from 0 to 100, for the program. In the budget documents explaining PART scoring, OMB states, “Because reporting a single weighted numerical rating could suggest false precision, or draw attention away from the very areas most in need of improvement, numerical scores are combined and translated into

2. For more information on federal efforts to implement GPRA, see GAO, *Results-Oriented Government: GPRA Has Established a Solid Foundation for Achieving Greater Results*, GAO-04-38 (Washington, DC, March 10, 2004).

TABLE 1
Overview of Sections of PART Questions

Section (Weight)	Description	Selected Questions
1. Program purpose and design (20%)	To assess whether The purpose is clear, and The program design makes sense	Is the program purpose clear? Does the program address a specific and existing problem, interest, or need? Is the program designed so it is not redundant or duplicative of any other federal, state, local, or private effort? Is the program design effectively targeted, so that resources will reach intended beneficiaries and/or otherwise address the program's purpose directly?
2. Strategic planning (10%)	To assess whether the agency sets valid programmatic Annual goals, and Long-term goals	Does the program have a limited number of specific long-term performance measures that focus on outcomes and meaningfully reflect the program purpose? Do all partners (grantees, subgrantees, contractors, cost-sharing partners, government partners) commit to and work toward annual and/or long-term goals? 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?
3. Program management (20%)	To rate agency management of the program, including Financial oversight, and Program improvement efforts	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? Are federal managers and program partners (including grantees, subgrantees, contractors, cost-sharing partners, government partners) held accountable for cost, schedule, and performance results?
4. Program results and accountability (50%)	To rate program performance on goals reviewed in The strategic planning section, and Through other evaluations	Does the program use strong financial management practices? Has the program demonstrated adequate progress in achieving its long-term performance goal(s)? Does the program (including program partners) achieve its annual performance goals? Does the program demonstrate improved efficiencies or cost effectiveness in achieving program goals each year? Do independent evaluations of sufficient scope and quality indicate that the program is effective and achieving results?

Source: Analysis of the Budget of the United States Government, Fiscal Year 2004, Performance and Management Assessments (Washington, DC, February 2003) and the PART Excel spreadsheet questions.

TABLE 2
Overview of PART Program Types

Program Type	Description	Number/Percent of Programs ^a	
		FY 2004 234 Programs	FY 2007 794 Programs
1. Direct federal	Programs in which support and services are provided primarily by federal employees	67 29%	243 31%
2. Block/formula grant	Programs that distribute funds to state, local, and tribal governments and other entities by formula or block grant	41 18%	128 16%
3. Competitive grant	Programs that distribute funds to state, local, and tribal governments, organizations, individuals, and other entities through a competitive process	37 16%	145 18%
4. Capital assets and service acquisition	Programs in which the primary means to achieve 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	34 15%	73 9%
5. Research and development	Programs that focus on creating knowledge or applying it toward the creation of systems, devices, methods, materials, or technologies	32 14%	47 6%
6. Regulatory based	Programs that use regulatory action to achieve program and agency goals through rule making that implements, interprets, or prescribes law or policy, or describes procedure or practice requirements. These programs issue significant regulations, which are subject to OMB review	15 6%	53 7%
7. Credit	Programs that provide support through loans, loan guarantees, and direct credit	4 2%	28 4%
8. Mixed ^b	Programs that contain elements of different program types	4 2%	77 10%

Source: Summary and analysis of the *Budget of the United States Government, Fiscal Year 2004, Performance and Management Assessments* (Washington, DC, February 2003); and *Budget of the United States Government, Fiscal Year 2006, Government-wide PART summary data* available on the OMB website (Washington, DC, February 2006).

^aPercentages do not add to 100 percent due to rounding.

^bOMB noted that in rare cases, drawing questions from two of the seven PART program types—that is, creation of a “mixed” program type—yields a more informative assessment.

TABLE 3
PART Program Ratings by Year Completed, 2002–2005

Ratings	2002 (FY 2004)	2003 (FY 2005)	2004 (FY 2006)	2005 (FY 2007)
Effective	6%	11%	15%	15%
Moderately effective	24%	26%	26%	29%
Adequate	14%	20%	26%	28%
Ineffective	5%	5%	4%	4%
Results not demonstrated	51%	38%	29%	24%
Total programs	234	407	607	794

Source: Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2007, Analytical Perspectives*, p.15.

qualitative ranges” (*Analytical Perspectives*, FY 2007 Budget, p. 10). The qualitative ratings and point ranges of the weighted summary ratings are: *Effective* (85–100), *Moderately Effective* (70–84), *Adequate* (50–69), and *Ineffective* (0–49).

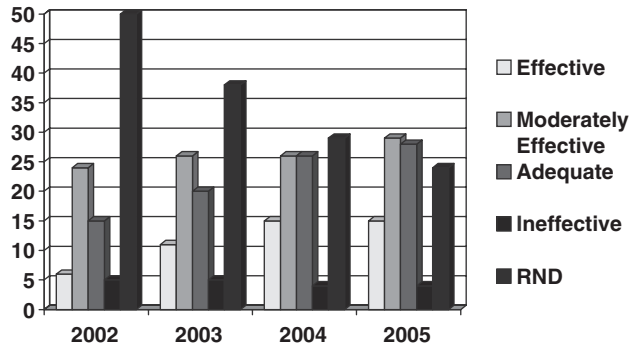
In addition, each PART program is assessed according to one of seven types of approaches to delivering services. Table 2 provides an overview of these program types and the number and percentage of programs covered by each type in the President’s fiscal year (FY) 2004 budget submission, the first time PART results were reported, and this year’s FY 2007 budget submission.

Since the FY 2004-budget cycle, OMB has applied PART to 794 programs (about 80 percent of the federal budget) and given each program one of the four overall ratings discussed above. A fifth category of “Results Not Demonstrated” was given—independent of a program’s numerical score—if OMB decided that a program’s performance information, performance measures, or both were insufficient or inadequate. Table 3 shows the distribution of ratings for calendar years 2002 through 2005 (FYs 2004–2007). During calendar year 2006, the Administration will assess all remaining executive branch programs, with limited exceptions, and report the results with the release of the FY 2008 budget.³

Figure 1 shows these same PART ratings displayed in a bar chart that shows that PART ratings for programs have been improving and the “Results Not Demonstrated” designation has been consistently falling. As program and budget officers learn how to satisfy PART requirements, they are able to convince OMB budget examiners that there is enough performance information to make a definite determination of where a program falls within the four performance categories.

3. The administration is considering alternative methods and timelines for assessing programs with limited impact (generally administrative and policy functions) and large activities where it is difficult to determine an appropriate unit of analysis (generally programs within the Department of Defense).

FIGURE 1
OMB's PART Ratings Show that Program Results Are Improving



Source: Office of Management and Budget, Budget of the United States Government, Fiscal Year 2007, Analytical Perspectives, p. 15

For each program assessment, PART summary worksheets were published in a separate volume starting with the President's FY 2004 budget request. For the FY 2005 and 2006 budgets, similar information was provided on the OMB website and in an accompanying CD-ROM. The detailed, supporting worksheets for each program were posted on OMB's website. For programs assessed and published with the budget for the first time, all summary sheets display the program's goals and measures, budget information, significant findings, and recommendations (also known as follow-up program actions). Beginning with the FY 2006 budget, summary sheets for programs that have been reassessed or originally published with the FY 2004 or 2005 budgets include information on when the program was last assessed and the status of the follow-up actions. Status ranges from "no action taken" to "action taken but not completed" to "completed." For FY 2007 reporting of PART results, OMB's PART recommendations are generally aimed at improving program design, management, funding, and/or assessment. They can be general or very specific. Examples of recommendations for each of the four categories are shown in Table 4.

For the 794 programs assessed to date, OMB has made about 1,600 recommendations, with 58 percent of the recommendations to improve program assessment, 18 percent to improve program management, 12 percent to affect program-funding decisions in the President's budget, 11 percent to change program design, and 1 percent that could not be categorized.

OBSERVATIONS ABOUT THE IMPACT OF PART REVIEWS

In its first report on PART's implementation, GAO gave PART credit for helping to structure OMB's use of performance information for its internal program and budget

TABLE 4
Examples of PART Recommendations for Categories of Program Management

Category	Example of Recommendations
Program design	<p>“Reduce unnecessary subsidies to lenders and other program participants.”</p> <p>“The 2006 Budget proposes to restructure the grant allocation process, providing the Secretary with greater discretion to award funds based on risks, threats, and vulnerabilities.”</p>
Program management	<p>“Continue to improve the contractor evaluation processes and weapon program performance metrics to focus on schedules and performance against baselines to increase performance and cost-effectiveness.”</p> <p>“Increase the number of accounts supporting this program to quicken the transfer of funds with contractors and increase management flexibility to address changing security conditions and mission priorities. This will significantly improve the obligation and costing process of funds.”</p>
Funding	<p>“Maintain funding at the 2005 enacted level until the agency can show how it will use additional funds to improve performance.”</p> <p>“Directly related to the PART findings, the Budget includes \$37 million, a \$3 million decrease.”</p>
Program assessment	<p>“Develop a means of regularly performing independent evaluations to examine program effectiveness.”</p> <p>“Developed baselines for its proposed long-term measures. Without baselines for the measures, it was impossible to verify the performance of the program.”</p>

Source: OMB PART assessments.

analysis, making the use of this information more transparent, and stimulating agency interest in budget and performance integration.⁴ OMB and agency staff said this helped OMB staff with varying levels of experience focus on similar issues. One of PART’s major impacts was its ability to highlight OMB’s recommended changes in program management and design. Much of PART’s potential value lies in the related program recommendations, but realizing these benefits requires sustained attention to implementation and oversight to determine whether the desired results are achieved. GAO cautioned that OMB needed to be cognizant of this as it considers capacity and workload issues in PART.

There are inherent challenges in assigning a single rating to programs having multiple purposes and goals. OMB devoted considerable effort to promoting consistent ratings, but challenges remain in addressing inconsistencies among OMB staff, such as interpreting PART guidance and defining acceptable measures. Limited credible evidence on

4. U.S. Government Accountability Office, *Performance Budgeting: Observations on the Use of OMB’s Program Assessment Rating Tool for the Fiscal Year 2004 Budget* (GAO-04-174, January 2004).

results also constrained OMB's ability to rate program effectiveness, as evidenced by the 51 percent of programs rated "results not demonstrated" in the FY 2004 budget documents. GAO also observed that PART was not well integrated with GPRA, which is the current statutory framework for strategic planning and reporting.⁵ By using the PART process to review and sometimes replace GPRA goals and measures, OMB is substituting its judgment for a wide range of stakeholder interests. The PART-GPRA tension is further highlighted by challenges in defining a unit of analysis useful for both program-level budget analysis and agency planning purposes. Although PART can stimulate discussion on program-specific measurement issues, it cannot substitute for GPRA's focus on thematic goals and department- and government-wide crosscutting comparisons. Moreover, PART does not currently evaluate similar programs together to facilitate trade-offs or make relative comparisons.

PART clearly must serve the President's interests. However, the many actors whose input is critical to decisions will not likely use performance information unless they feel it is credible and reflects a consensus on goals. It will be important for OMB to initiate timely discussions with Congress concerning the focus of PART assessments and to clarify the results and limitations of PART and the underlying performance information. A more systematic congressional approach to providing its perspective on performance issues and goals could facilitate OMB's understanding of congressional priorities and thus increase PART's usefulness in budget deliberations.

In GAO's latest report on implementation of PART, GAO stated that the PART process has aided OMB's oversight of agencies, focused agencies' efforts to improve program management, and created or enhanced an evaluation culture within agencies.⁶ Although the PART has enhanced the focus on performance, the PART remains a labor-intensive process at OMB and agencies. However, GAO also noted that most PART recommendations are focused on improving outcome measures and data collection, and are not designed to result in observable short-term performance improvements. As these necessary first steps on the path to long-term program improvement do not usually lead to improved short-term results, there is limited evidence to date of the PART's influence on outcome-based program results. Moreover, as of February 2006—the date of the most recent available OMB data—the majority of follow-up program recommendations had not yet been fully implemented. By design, OMB has not prioritized them within or among agencies. Because OMB has chosen to assess nearly all federal programs, OMB and agency resources are diffused across multiple areas instead of concentrated on those areas of highest priority both within agencies and across the federal government. This strategy is likely to lengthen the time it will take to observe measurable change compared with a more strategic approach. OMB has used the PART as a framework for several

5. However, there is proposed legislation to make the PART process a statutory requirement. See the OMB website for its proposed *Government Reorganization and Program Performance Improvement Act of 2005*.

6. U.S. Government Accountability Office, *Performance Budgeting: PART Focuses Attention on Program Performance, But More Can Be Done to Engage Congress* (GAO-06-28, October 2005).

crosscutting reviews, but these have not always included all relevant tools, such as tax expenditures, that contribute to related goals. Greater focus on selecting related programs and activities for concurrent review would improve their usefulness.

GAO gave OMB credit for taking some steps to clarify the PART–GPRA relationship, but observed that many agencies still struggle to balance the differing needs of the budget and planning processes and their various stakeholders. Unresolved tensions between GPRA and the PART can result in conflicting ideas about what to measure and how to measure it. Finally, the focus of agencies’ strategic planning continues to shift from long-term goal setting to short-term executive budget and planning needs.

GAO also credited OMB for using a variety of methods to communicate PART results, but congressional committee staff had concerns about the tool itself, how programs were defined, and the usefulness of goals and measures. Most said that the PART would more likely inform their deliberations if OMB consulted them early on regarding the selection and timing of programs; the methodology and evidence to be used; and how PART information can be communicated and presented to best meet their needs. It is also important that Congress take full advantage of the benefits arising from the executive reform agenda. While Congress has a number of opportunities to provide its perspective on specific performance issues and performance goals, opportunities also exist for Congress to enhance its institutional focus to enable a more systematic assessment of key programs and performance goals.⁷

NEXT STEPS FOR PART IN THE FY 2007 BUDGET CYCLE

In the FY 2007 budget, OMB discussed GAO’s recommendations that OMB (1) select PART reassessments and crosscutting reviews based on factors including the relative priorities, costs, and risks associated with clusters of related programs, and reflective of congressional input; and (2) solicit congressional views on the performance issues and program areas most in need of review, the most useful performance data, and the presentation of that data. OMB noted that it is using the PART to conduct “crosscutting reviews” to improve the performance of similar programs in areas that are expected to yield meaningful results and that OMB and agencies are also actively soliciting the views of the Congress in PART assessments, on improvement plans, and in oversight efforts. They also said that Congressional guidance would be a factor in choosing topics for the next group of crosscutting analyses. OMB also reported that crosscutting PART reviews help to analyze performance across agencies, to improve the performance of programs with similar purpose and design, and to break down barriers between federal, state, and local levels so that all are working toward the same goal. OMB reported on three PART crosscutting reviews for the FY 2007 budget, and an updated one from the FY 2006

7. See also U.S. Government Accountability Office, *Program Evaluation: OMB’s PART Reviews Increased Agencies’ Attention to Improving Evidence of Program Results* (GAO-06-67, October 2005).

budget. Consistent with past GAO recommendations, OMB noted that rigorous follow-up on recommendations from the PART will be necessary to ensure that the hard work carried out through the PART produces performance and management improvements, and that implementation of these plans is tracked and reported. OMB also plans a greater use of PART to facilitate crosscutting analysis where there is a higher return than assessing programs individually.

CONCLUSIONS

OMB is to be commended for developing the PART to bring a renewed focus on individual program-level management and performance. PART has had several successes, including helping structure and discipline OMB's use of performance information over a broad range of programs, questions, and evidence. PART has also made OMB's use of performance information more transparent in terms of public reporting of judgments and sources, including explicit recommendations to change management practices and program design in response to PART findings. This has, in turn, stimulated agencies' interest in performance and budget integration and in improving evidence regarding demonstrating program results. Nevertheless, several challenges have also been evident during the four years of PART implementation, such as the consistent application of general principles to diverse cases, which requires interpretation and judgment. Another challenge is for agencies, OMB, and Congress to define agreed-upon program outcomes and reduce complexity to a consensus bottom-line rating. This challenge is exacerbated by the difficulty of obtaining credible information on program effectiveness, which is compounded by limited agency evaluation capacity. If these challenges can be successfully overcome—which will be an incredibly difficult task to say the least—OMB will have gone a long way, through its development of PART, in providing performance-based information on individual programs to the full range of actors who implement budget, policy, and management decisions.