



THE DIRECTOR

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

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M-02-06

MEMORANDUM FOR HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Mitchell E. Daniels, Jr.  
Director

SUBJECT: Planning for the President's Fiscal Year 2004 Budget Request

This memorandum provides general funding level and program performance guidance for you to consider as we begin preparing for the Fiscal Year 2004 Budget.

This year, like last year, we will continue the Administration's strategy of funding high priority initiatives while constraining growth in the rest of government. You are being asked to develop a budget for Fiscal Year 2004 which is within the amount that was included in the FY 2003 Budget for your agency. Your budget submission should include full implementation of the President's Management Agenda within these guidance levels. In addition, any discretionary or mandatory increases or amounts for new initiatives must be offset within your totals by reductions in lower priority or ineffective programs. Significant spending increases must be justified by credible performance information.

The National Strategy for Homeland Security is being prepared this summer and will provide a framework against which you can assess how your programs contribute to homeland security; your budget submissions should be consistent with this framework, emphasizing areas that are given priority in the strategy and de-emphasizing areas that are not.

As part of the President's budget and performance integration management initiative, this year we will continue our emphasis on program effectiveness. OMB has already begun an extensive effort to identify a subset of programs and evaluation metrics for these programs. These programs will receive close scrutiny over the summer and into the fall decision making process. As a result, effectiveness ratings for approximately 20 percent of your programs will be published in the President's FY 2004 Budget. Your OMB representative will be in touch with you to discuss the identification of these programs and the selection of the evaluation metrics.

We are also asking that you work with OMB staff to develop evaluation metrics for several major crosscutting, government-wide functions as part of your September budget submission. The attachment describes each of these further. If your agency has any programs involved in this effort, we will be working with you over the summer to develop supporting data and refine the methodology.

I look forward to working with you as we develop the Budget for Fiscal Year 2004.

Attachment

## **“Common Measures”**

The President has committed to a results-oriented government, one that focuses on performance rather than process. A powerful way of evaluating and improving performance is to develop common performance measures for programs with similar goals. For example, several agencies run programs with the purpose of preventing or mitigating the effect of floods on citizens. These programs can be compared by measuring the efficiency of these programs in protecting life and property. Such measures are not determinative of whether a program is effective nor does such a comparison automatically mean one program is necessarily better or worse than another. However, such measures help raise important questions and can help managers improve certain aspects of their programs. This information can then be used to inform decisions about how to direct funding and how to improve performance in specific programs.

OMB is working to develop uniform evaluation metrics, or “common measures,” for five crosscutting, government-wide functions: low-income housing assistance, job training and employment, wildland fire management, flood mitigation, and disaster insurance. Each of the five areas is described in more detail below. The number of common measures will grow over time. Only five areas have been selected at this time to keep the effort focused and manageable. Suggestions for additional common measures should be directed to OMB. You may want to coordinate with other relevant federal agencies before recommending such measures.

### **Low-income housing assistance**

There are several programs across the federal government intended to help low-income families afford housing. We will develop a comparative measure that will help us to evaluate these programs and understand their different features and designs. This methodology will calculate the long-term cost of assisting an additional family. This measure will involve the Departments of Housing and Urban Development, Agriculture, and Interior.

### **Job training and employment**

There are presently at least 48 job training programs in 10 agencies. Although the programs vary considerably in the types of services provided and the target populations served, their common goal is to improve participants’ employment and earnings. No consistent measure exists to compare results across these programs. Potential outcome measures might include: attainment of a job; attainment of a certificate or degree by program participants; and earnings gains. An efficiency measure might be the total program cost per placement in a job or postsecondary education program. This measure will involve the Departments of Labor, Housing and Urban Development, Education, Veterans Affairs, and Interior.

### **Wildland fire management**

Several existing fire management programs are based on the premise that, for the wildland-urban interface near where people live, it is better to prevent fires than to fight them after they start. While there is little disagreement with this premise, there is little information on how effective these programs are at reducing fire risks. To better protect

the public and firefighters, we need to develop common measures to track and compare agency progress in reducing community fire risks. One such measure might be the percent of adjacent at-risk communities removed from the at-risk list as a result of agency actions or assistance. A second measure might compare the average cost per fire or cost per acre burned to baselines of 10-year average fire suppression costs. This measure will involve the Departments of Interior and Agriculture.

### **Flood mitigation**

Several programs attempt to mitigate property damage caused by flooding. While they all share the same goal, they are all designed differently and each rely on differing strategies. To evaluate the relative effectiveness of these programs, we need to develop a common benefit-cost ratio performance measure. This measure would compare the value of avoided flood damage against the cost of completing a project. This measure will involve the Federal Emergency Management Agency, the Corps of Engineers, and the Department of Agriculture.

### **Disaster insurance**

The federal government offers two forms of disaster insurance; flood insurance and crop insurance. Despite the real risks of floods and other natural disasters, agencies face difficulties in maximizing the number of customers participating in their programs. Increased participation in these programs is critical since insurance diminishes economic and personal suffering of families and reduces the cost to society of post-disaster assistance. To improve performance, a common performance measure for participation needs to be developed, and the agencies need to share “best practices” that contribute to improving participation. This measure will involve the Federal Emergency Management Agency and the Department of Agriculture.

### **Health**

Comparison measures will be developed for a number of Defense, Veterans, and HHS Indian Health Service and Community Health Centers programs. To quantify the resources expended on direct Federal health care programs and better understand the cost differences, per capita expenditures on direct health care services will be measured. To assist with evaluating the efficiency of the same programs, the average number of patients seen per day per physician/nurse practitioner/physician assistant will be compared as an efficiency measure. Health outcomes will be compared in DOD and VA. Patients admitted for medical or surgical conditions will be compared to the total number of patients readmitted as a percentage of admissions and studied as a quality measure. These measures will be age/sex adjusted to account for differences in patient populations seen at the different delivery systems.